

ATTACHMENT C

7. Pension/FAS 87 Tracker Mechanism and OPEB/FAS 106 Tracker Mechanism.

A. The Signatories agree that the rates established in this case for the MAWC pension plan include an allowance of \$3,222,912. (All amounts are stated after application of a payroll expense O&M allocation factor.) The difference between the amount of pension expense included in MAWC's rates and the amount funded by MAWC shall be included in the Company's rate base in future rate proceedings, and the balance existing at the later of the end of the test year, the test year update or true-up, as applicable in the Company's next rate case shall be amortized to expense over a five-year period. The pension tracker balance resulting from this case will start to be booked in the month following the true-up date in this rate case, and will continue to be booked until the later of the test year ending date, test year update period ending date, or the true-up date in the Company's next rate case. The company shall be authorized to record as a regulatory asset/liability, as appropriate, the difference between the pension expense used in setting rates and the pension expense as recorded for financial reporting purposes as determined in accordance with GAAP pursuant to FAS 87 (or such standard as the FASB may issue to supersede, amend, or interpret the existing standards).

B. The cumulative pension tracker amount in MAWC's rate base as of January 31, 2016, is a \$7,074,963 reduction to rate base, and the annual amortization of that amount to expense is (\$1,414,993) (reflected as an annual reduction in

expense). No Service Company pension costs are included in MAWC's pension tracker balance in this case.

C. The Company shall be allowed rate recovery for prudent contributions it makes to its pension trust that exceed the ERISA minimum for any of the following reasons:

- i) The minimum required contribution is insufficient to avoid the benefit restrictions specified for at-risk plans pursuant to the Pension Protection Act of 2006, thereby causing an inability by MAWC to pay out pension benefits to recipients in its normal and customary manner, including lump sum payments; or
- ii) The minimum required contribution is not sufficient to avoid any Pension Benefit Guarantee Corporation (PBFC) variable premiums.

Prudent additional contributions made pursuant to the paragraph will increase MAWC's rate base, and will receive the regulatory treatment as described in paragraph A of this Section. MAWC shall inform Staff and Public Counsel of contributions of additional amounts to its pension trust funds pursuant to this paragraph in a timely manner. Staff, Public Counsel and other Signatories reserve the right to challenge the prudence of any additional contributions made by MAWC pursuant to this paragraph in subsequent MAWC rate proceedings.

D. The Signatories agree that rates established in this case for MAWC's OPEBs expense reflect an allowance of \$1,761,309 (All amounts are stated after application of a payroll O&M allocation factor. The Company will fund its OPEBs trusts based upon its FAS 106 expense as calculated for financial reporting purposes. The

difference between the amount of OPEBs expense included in MAWC's rates and the FAS 106 amount recorded on MAWC's books and funded by the Company shall be included in the Company's rate base in future proceedings, and the balance existing at the later of the end of the test year, the test year update or true-up, as applicable in the Company's next rate case shall be amortized to expense over a five-year period. The OPEB tracker balance resulting from this case will start to be booked in the month following the true-up date in this rate case, and will continue to be booked until the later of the test year ending date, test year update period ending date, or the true-up date in the Company's next rate case. The cumulative OPEBs tracker amount in MAWC's rate base as of January 31, 2016, is a \$6,374,108 reduction to rate base and the annual amortization of that amount to expense is (\$1,274,822) (reflected as an annual reduction in expense). No Service Company OPEBs costs are included in MAWC's OPEBs tracker balance in the case. Any additional OPEBs tracker balances resulting from this case will start to be booked to the OPEBs tracker in the month following the true-up date in this rate case, and will continue to be booked until the later of the test year ending date, test year update period ending date or the true-up date in the Company's next rate case. In future rate cases, the cumulative OPEBs tracker balance, less prior amortizations and plus or minus additional balances related to differences in OPEBs expense included in rate and OPEBs funded by Company, shall be included in the Company's rate base in future proceedings, and amortized to expense over a five-year period.

E. In the event that FAS 106 OPEBs expense becomes negative, the Company shall set up a regulatory liability to offset the negative expense. In future

years, when such expense becomes positive again, the amount in rates shall remain zero until the prepaid asset, if any, which was created by the negative expense, is reduced to zero. The regulatory liability will be reduced over time in the same amounts as the prepaid asset. This regulatory asset is a non-case item and should be excluded from rate base in future years.

F. The provisions of FAS 158 may require certain adjustments to the prepaid pension asset/OPEB asset and/or accrued liability with a corresponding adjustment to equity (i.e. decreases/increases to Other Comprehensive Income). The Company will be allowed to set up a regulatory asset/liability to offset any adjustments that would otherwise be recorded to equity caused by applying the provisions of FAS 158 or any other FASB statement or procedure that requires accounting adjustments to equity due to the funded status or other attributes of the pension or OPEB plans. The Signatories acknowledge that the adjustments described in this paragraph will not increase or decrease rate base.

G. Nothing in this Agreement is intended to impair the ability of any Signatory in MAWC's next rate case proceeding to challenge the prudence of the Company's calculated levels of pension and OPEBs expenses that it proposes to recover from the tracker mechanisms.