Pensions/Other Post-Employment Benefits

The Commission authorizes that pensions and OPEBs in the cost of service will be fully tracked and reconciled in future proceedings. The mechanism of recovery through rates for both pensions and OPEBs costs is a tracking mechanism. The overall goal of this tracking mechanism is to ensure exact recovery of pension and OPEBs costs by Missouri Water. For purposes of this section, it is assumed that the amount in rates is the exact amount collected by the Company, and the amount of amortizations are also the exact amounts collected by the Company or credited to customers. Amounts recovered in rates that are more than actual expense creates overfunding by customers and shall be returned to customers subsequently in the ratemaking process. Amounts recovered in rates that are less than actual expense creates underfunding by customers and shall be recovered by the Company subsequently in the ratemaking process. To accomplish these objectives, the Commission authorizes the following:

A. Beginning with the effective date of rates in this case, Missouri Water shall be authorized to record as a regulatory asset/liability, as appropriate, the difference between the O&M pension expense used in setting rates in the amount of $30,346 and allocated O&M pension expense as recorded for financial reporting purposes as determined in accordance with Generally Accepted Accounting Principles pursuant to Accounting Standards Codification (ASC) 715 (previously FAS 87 and FAS 88, or such standard as the FASB may issue to supersede, amend, or interpret the existing standards), and such difference shall be recovered from or returned to customers in future rates. The above referenced amount included in rates is stated after application of transfers to construction. The balance calculated pursuant to the above shall be subject to five-year amortization. The difference between the amount of pension expense included in Missouri Water's rates after allocating to construction and the amount funded by Missouri Water during the rate-effective period of stipulated rates from this case shall be included in the Company's rate base in future proceedings.

B. Missouri Water commits to contributing amounts to the pension fund equal to net periodic pension costs as calculated pursuant to ASC 715, but substituting the ratemaking amortization method for gains and losses (as described in Paragraph H) for the financial reporting method used by Missouri Water, subject to the following conditions:

(1). Such funding shall be equal to the greater of the annual ERISA minimum or the annual net periodic pension costs as determined above, subject to the provisions of Paragraph H.

(2). In the event that the contribution amount determined pursuant to the above is insufficient to avoid the benefit restrictions specified for at-risk plans pursuant to the Pension Protection Act of 2006, such contribution may be increased to a level sufficient to avoid such restrictions.

(3). In the event that the contribution amount determined pursuant to the above is insufficient to avoid any Pension Benefit Guaranty Corporation (PBGC) variable premiums, such contribution may be increased to a level sufficient to avoid such premiums.

Additional contributions made subject to these conditions will receive regulatory treatment as provided in paragraph A. Liberty Utilities shall inform Staff and OPC of contributions of additional amounts to its pension trust funds pursuant to this Paragraph within 30 days after the contributions are made. Such contributions will be examined in the context of future rate cases, and a determination will be made at that time as to the appropriate and proper level of the pension tracker regulatory asset or regulatory liability recognized for ratemaking purposes.

C. The Commission further authorizes that the gains and losses for all pension lump-sum settlements shall be calculated only to the minimum extent permitted by ASC 715 (formerly FAS 88).

D. Beginning with the effective date of rates in this case, Missouri Water shall be authorized to record as a regulatory asset/liability, as appropriate, the difference between the O&M Other Post-Employment Benefits (OPEBs) expense used in setting rates of $13,568 and the O&M OPEB expense as recorded for financial reporting purposes as determined in accordance with Generally Accepted Accounting Principles pursuant to Accounting Standards Codification (ASC) 715 (previously FAS 106, or such standard as the FASB may issue to supersede, amend, or interpret the existing standards), and such difference shall be recovered from or returned to customers in future rates. The above referenced amount included in rates is stated after application of transfers to construction. The balance calculated pursuant to the above shall be subject to five-year amortization. The difference between the amount of OPEB expense included in Missouri Water's rates after allocation to construction and the amount funded by Missouri Water shall be included in the Company's rate base in future proceedings.

E. Missouri Water commits to contributing amounts to its independent external funding mechanisms equal to OPEB expense as calculated pursuant to ASC 715, but substituting the ratemaking amortization method for gains and losses (as described in Paragraph H) for the financial reporting method used by the actuary.

F. The provisions of ASC 715 (previously FAS 158) 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 maintain a regulatory asset/liability to offset any adjustments that would otherwise be recorded to equity caused by applying the provisions of ASC 715 or any other FASB statement or procedure that requires accounting adjustments to equity due to funded status or other attributes of the pension or OPEB plans. The parties acknowledge that the adjustments described in this paragraph shall not increase or decrease rate base.

G. In the event that the ASC 715 OPEB 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 will 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 by the same rate as the prepaid asset. The regulatory liability is a non-cash item and should be excluded from rate base in future years.

H. For ratemaking purposes, the component of pension and OPEB expense related to amortization of previously unrecognized gains/losses shall be determined as follows: The amortization each year for regulatory and funding purposes shall be based on a balance at the beginning of the year consisting of the following:

20% of the gains or losses incurred in the first year prior, plus

40% of the gains or losses incurred in the second year prior, plus

60% of the gains or losses incurred in the third year prior, plus

80% of the gains or losses incurred in the fourth year prior, plus

100% of the gains or losses incurred in the fifth year prior

This procedure prohibits the use of the corridor approach for ratemaking purposes.