AS. Group Insurance Balancing Account ("GIBA") (L)(T)

1. PURPOSE:

The purpose of the Group Insurance Balancing Account ("GIBA") is to track the difference between Commission-authorized net Company costs on a per employee basis and the actual level of net Company costs incurred on a per employee basis in relation to group insurance costs. California American Water was granted authority to establish this account in Decision D.18-12-021. The initial balance shall be the approved group insurance expense for 2018. The 2019 group insurance expense shall be the approved 2018 expense escalated by the 2019 escalation factor. The 2020 group insurance expense shall be the approved 2019 expense escalated by the 2020 escalation factor. The 2019 and 2020 escalation factors shall be the labor escalation factors from the "Office of Ratepayer Advocates: Estimated Rates for 2018 through 2022 from August 2018 HIS Global Insight US Economic Outlook" dated September 4, 2018, for that year.

Year	Escalation Factor
January 2018	0%
January 2019	2.6%
January 2020	2.3%

2. APPLICABILITY:

All areas served by California American Water.

3. ACCOUNTING PROCEDURE:

The following entries shall be recorded to the balancing account:

a. The GIBA shall be calculated monthly. The calculation shall be the expense difference of the net approved costs and the net actual costs incurred on a per employee basis. Net group insurance costs are defined as total incurred costs less all reimbursements from those participating in the plan as adjusted for capitalized costs.
b. A debit or credit entry will be created each month to record the expense difference discussed above.
c. A debit or credit entry equal to interest on the balance in the account at the beginning of the month and half the balance after the above entries, at a rate equal to one-twelfth of the rate on 90-day Commercial Paper, as reported in the Federal Reserve Statistical Release, H.15 or its successor.

4. RATEMAKING PROCEDURE:

There is currently no ratemaking component to the balancing account. Requests for recovery of any balance are to be processed according to General Order 96-B and Standard Practices or otherwise determined in a Commission decision. Upon Commission review and approval, balances shall be transferred to the appropriate district CEBA's for recovery/refund. (L)

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