

**AVISTA CORP.
RESPONSE TO REQUEST FOR INFORMATION**

JURISDICTION:	WASHINGTON	DATE PREPARED:	09/04/2024
CASE NO:	UE-240006 & UG-240007	WITNESS:	Kaylene Schultz/Kevin Christie
REQUESTER:	AWEC	RESPONDER:	Tia Benjamin
TYPE:	Data Request	DEPT:	Regulatory Affairs
REQUEST NO.:	AWEC – 121	TELEPHONE:	(509) 495-2225
		EMAIL:	tia.benjamin@avistacorp.com

SUBJECT: Pro-Forma Employee Benefits

REQUEST:

Please refer to Exhibit EMA-1T, page 11, line 19. Please provide the following information regarding Avista's pension costs:

- a. All actuarial and financial analysis and reports, including workpapers, regarding Avista's pension funds. Please provide the most current version of each report and workpaper.

The assumed growth rate for pension equity assets, including all workpapers and studies calculating and supporting the assumed growth rate. Please provide the most current version for each rate.

RESPONSE:

Please see Avista's **CONFIDENTIAL** response to data request AWEC-DR-121C. Please note that Avista's response to AWEC-DR-121C is **Confidential per Protective Order in UTC Dockets UE-240006 and UG-240007**.

Please see AWEC-DR-121 Attachment A for the Company's most current Benefits Adjustment workpapers for adjustments 3.07 and 5.03. Prepared using actuary Pension and Retiree Medical (RMLIP) expense forecasts as of June 2024. This data was prepared after rebuttal, resulting in a total increase in Washington net benefit expense, above Test Period levels (12ME 06.2023), in RY1 of \$1.8 million electric and \$0.6 million for natural gas, and a total increase in RY2, above RY1 levels, of \$43,000 electric and \$14,000 for natural gas, as shown in the table below.

RY1				
	Total Increase in Expense (above test period)	As-Filed Adjustment (above test period)	Rebuttal Adjustment* (above test period)	Incremental Increase (above rebuttal position)
WA Electric	\$ 1,802,822	\$ 131,936	\$ 299,016	\$ 1,503,806
WA Natural Gas	570,678	41,764	94,653	\$ 476,025
Total	\$ 2,373,500	\$ 173,700	\$ 393,669	\$ 1,979,831
RY2				
	Total Increase in Expense (above RY1)	As-Filed Adjustment (above RY1)	Rebuttal Adjustment* (above RY1)	Incremental Decrease (from rebuttal position)
WA Electric	\$ 42,687	\$ 463,696	\$ 164,105	\$ (121,418)
WA Natural Gas	13,512	146,782	51,947	(38,435)
Total	\$ 56,199	\$ 610,478	\$ 216,052	\$ (159,853)

*Provided in AWEC-DR-004 Supplemental Attachment A

As can be seen from the table above, the incremental increase in net Benefit expense, versus the level filed per Avista Rebuttal, is an **incremental \$1.5 million for Washington electric and \$0.5 million Washington natural gas**, in RY1, and a reduction in RY2, from RY1 levels, of \$121,000 for Washington electric and \$32,000 for Washington natural gas.

To support the most current Benefits Adjustment as described above, the Company is providing the “Avista Corporation 2024 Preliminary Valuation Results – Pension and RMLIP” actuarial report as of June 2024 from third party consultant, Willis Towers Watson in AWEC-DR-121C Confidential Attachment A. This report includes relevant details regarding Avista’s pension assets, results and valuation assumptions. See page 14 for the pension expected return on assets and benefit cost provided by the actuary. Additionally, updated RMLIP plan results and projections are addressed as well, starting on page 20.

In support of the increased medical expense the Company is experiencing in 2024 and forecasting into 2025, two attachments are being provided from third party consultant Mercer. AWEC-DR-121C Confidential Attachment B provides updated medical expense forecast information and AWEC-DR-121C Confidential Attachment C provides additional description as to the drivers of the increase, as provided by Mercer.

Previously, the Company also provided in AWEC-DR-004 Attachment A, the “Retirement Plan for Employees of Avista Corporation Actuarial Valuation Report Disclosure for Fiscal Year Ending December 31, 2023 under US GAAP” including detailed plan valuation information for Pension and RMLIP, as well as AWEC-DR-004C Confidential Attachment A, summarizing the benefit cost inputs for Pension and RMLIP which was included in Benefit Adjustments, 3.07 and 5.03 as presented on rebuttal, projections based on end of year 2023 data.

**Avista Utilities
State of Washington
Benefits Adjustment**

Assumptions/Purpose of Adjustment: The purpose of this adjustment is to pro-form Company Medical and Retirement expenses from the base year 12-months-ending 06.30.2023 to that expected during the Rate Years, 2025 and 2026. (Cost level data based on third party information as noted below. Updated information is used below based on 3rd Party information provided February 2024.)

The basis for the Medical portion of the adjustment is a forecasted O&M expense based on actual utilization and for Post-Retirement Medical, third-party consultant Willis Towers Watson. Cost level data based on third party information as noted below. Updated information is used below based on 3rd Party information provided February 2024.)

The Retirement portion of the adjustment is based on information provided by third-party Consultants (Willis Towers Watson401(K)). Updated information is used below based on 3rd Party information provided February 2024.) The 401K expense is based on forecasted O&M expense increases.

The labor expense spread is based on 12-months-ending 06.30.2023 actual labor expense by service and jurisdiction.

Task Name	Source:	Task Number	O&M Percent	Year End 06.30.2023	Remove Pension Deferral	Adjusted Actual YE 06.30.2023	2025		2026	
							Pro-Forma Rate Period	Adjustment	Pro-Forma Rate Period	Adjustment
Health Insurance (Premera and Group Health)	BEN-02	926220	BEN-03	29,140,259	0	29,140,259	36,517,960	7,377,701	37,612,469	1,094,509
FAS 106/FAS 106 NS (Post-Retirement Medical)	BEN-02	926240		6,352,938	0	6,352,938	4,600,000	-1,752,938	4,600,000	0
Total Medical				35,493,197	0	35,493,197	41,117,960	5,624,763	42,212,469	1,094,509
Total Medical Expense			58.55%	20,781,267	0	20,781,267	24,074,566	3,293,299	24,715,401	640,835
401 (k)	BEN-02	926225		11,849,246	0	11,849,246	13,093,417	1,244,171	13,486,220	392,803
401(K) Non-Elect Con	BEN-02	926226		2,052,016	0	2,052,016	2,267,478	215,462	2,335,502	68,024
Pension FAS 87/Pension FAS 81 NS	BEN-02	926230		6,965,726	0	6,965,726	5,600,000	-1,365,726	4,200,000	-1,400,000
Total Retirement				20,866,988	0	20,866,988	20,960,895	93,907	20,021,722	-939,173
Retirement Expense before Pension Settlement			58.55%	12,217,621	0	12,217,621	12,272,604	54,983	11,722,718	-549,886
Pension Settlement Cost	BEN-02			11,827,588	-11,827,588	0	0	0	0	0
Pension Settlement Amortization	BEN-02			492,816	0	492,816	985,632	492,816	985,632	0
Total Retirement Expense				24,538,025	-11,827,588	12,710,437	13,258,236	547,799	12,708,350	-549,886
Total				45,319,292	-11,827,588	33,491,704	37,332,802	3,841,098	37,423,751	90,949

Allocation	Exclusion of Pension Settlement*	RY1	RY2
		2025	2026
<u>Allocated to Washington Electric</u>			
0.70112 Note 7	\$ (5,560,490)	\$ 1,802,822	\$ 42,687
0.66943 Note 4			
*See also reversal of 407454 (Deferred Debits/Credits Adj PF 3.02) - net impact \$0			

As-Filed	\$ (5,560,490)	\$ 131,936	\$ 463,696
Variance from Filed	\$ -	\$ 1,670,886	\$ (421,009)

Allocation	Exclusion of Pension Settlement*	RY1	RY2
		2025	2026
<u>Allocated to Washington Gas</u>			
0.20708 Note 7	\$ (1,731,369)	\$ 570,678	\$ 13,512
0.71746 Note 4			
*See also reversal of 407454 (Deferred Debits/Credits Adj PF 3.02) - net impact \$0			

As-Filed	\$ (1,731,369)	\$ 41,764	\$ 146,782
Variance from Filed	\$ -	\$ 528,914	\$ (133,270)

O&M Share

3,293,299	640,835
854,615	269,814
<u>(799,633)</u>	<u>(819,700)</u>
54,982	(549,886)
492,816	
<u>3,841,097</u>	<u>90,949</u>

By Function (From Non-Exec Labor)	Electric	
	2025	2026
Transmission & Production	33% \$ 594,931	\$ 14,087
Distribution	23% \$ 414,649	\$ 9,818
Customer Accounts	6% \$ 108,169	\$ 2,561
Customer Service	1% \$ 18,028	\$ 427
Admin and General	37% \$ 667,044	\$ 15,794
	<u>\$ 1,802,821</u>	<u>\$ 42,687</u>

By Function (From Non-Exec Labor)	Natural Gas	
	2025	2026
Production	4% \$ 22,827	\$ 540
Underground Storage	0% \$ -	\$ -
Distribution	44% \$ 251,098	\$ 5,945
Customer Accounts	15% \$ 85,602	\$ 2,027
Customer Service	1% \$ 5,707	\$ 135
Admin and General	36% \$ 205,444	\$ 4,864
	<u>\$ 576,678</u>	<u>\$ 13,511</u>

Base Year Benefits Expense

State of Washington
Cognos Query

Accounting Period: 07.01.2022 through 06.30.2023

Summary EXP Category

Non-Labor

UPDATED

Task Number	Task Name		Actual			Pro-Forma		
			Sum of			2025	2026	
			Transaction	Remove Pension	Adjusted Actual			
Amount	Deferral	Adjusted Actual						
926220-221	Health Insurance	BEN-01	\$ 29,140,259	\$ -	\$ 29,140,259	\$ 36,517,960	\$ 37,612,469	(BEN-01)
926240/251	FAS 106/FAS 106 NS	BEN-01	\$ 6,352,938	\$ -	\$ 6,352,938	\$ 4,600,000	\$ 4,600,000	(BEN-01)
926225	401 (k)	BEN-01	\$ 11,849,246	\$ -	\$ 11,849,246	\$ 13,093,417	\$ 13,486,220	(BEN-01)
926226	401(K) Non-Elect Con	BEN-01	\$ 2,052,016	\$ -	\$ 2,052,016	\$ 2,267,478	\$ 2,335,502	(BEN-01)
926230/253	Pension FAS 87/FAS 87 NS	BEN-01	\$ 6,965,726	\$ -	\$ 6,965,726	\$ 5,600,000	\$ 4,200,000	(BEN-01)
GL Only	Pension Settlement Cost		\$ 11,827,588	\$ (11,827,588)	\$ -	\$ -	\$ -	
926253	Pension Settlement Amortization		\$ 492,816	\$ -	\$ 492,816	\$ 985,632	\$ 985,632	***
Grand Total			\$ 68,680,589	\$ (11,827,588)	\$ 56,853,001	\$ 63,064,487	\$ 63,219,823	
						-8%	0%	

*Amounts updated with updated information on Health Insurance and from Willis Towers Watson (WTW) for Post-Retirement Medical and 401(K).

** Pro-Forma increases to 926225 and 926226 are based on labor increases, refer to Non-Executive Labor Adjustment, Pro-Forma Increases tab for calculation. Updated based on board approved labor increases as described in Staff-DR-046C.

***Regulatory Asset Pension Settlement is amortized over 12 years

REBUTTAL

Task Number	Task Name		Actual			Pro-Forma		
			Sum of			2025	2026	
			Transaction	Remove Pension	Adjusted Actual			
Amount	Deferral	Adjusted Actual						
926220-221	Health Insurance	BEN-01	\$ 29,140,259	\$ -	\$ 29,140,259	\$ 32,500,000	\$ 33,700,000	
926240/251	FAS 106/FAS 106 NS	BEN-01	\$ 6,352,938	\$ -	\$ 6,352,938	\$ 4,551,091	\$ 4,590,865	
926225	401 (k)	BEN-01	\$ 11,849,246	\$ -	\$ 11,849,246	\$ 13,093,417	\$ 13,486,220	
926226	401(K) Non-Elect Con	BEN-01	\$ 2,052,016	\$ -	\$ 2,052,016	\$ 2,267,478	\$ 2,335,502	
926230/253	Pension FAS 87/FAS 87 NS	BEN-01	\$ 6,965,726	\$ -	\$ 6,965,726	\$ 4,194,601	\$ 3,091,170	
GL Only	Pension Settlement Cost		\$ 11,827,588	\$ (11,827,588)	\$ -	\$ -	\$ -	
926253	Pension Settlement Amortization		\$ 492,816	\$ -	\$ 492,816	\$ 985,632	\$ 985,632	
Grand Total			\$ 68,680,589	\$ (11,827,588)	\$ 56,853,001	\$ 57,592,219	\$ 58,189,389	

AS-FILED

Accounting Period: 07.01.2022 through 06.30.2023

Summary EXP Category

Non-Labor

Task Number	Task Name		Actual			Pro-Forma	Pro-Forma
			Sum of Transaction Amount	Remove Pension Deferral	Adjusted Actual	2025	2026
926220-221	Health Insurance	BEN-01	\$ 29,140,259	\$ -	\$ 29,140,259	\$ 29,498,000	\$ 30,689,000
926240/251	FAS 106/FAS 106 NS	BEN-01	\$ 6,352,938	\$ -	\$ 6,352,938	\$ 4,354,750	\$ 4,374,372
926225	401 (k)	BEN-01	\$ 11,849,246	\$ -	\$ 11,849,246	\$ 13,046,020	\$ 13,437,401
926226	401(K) Non-Elect Con	BEN-01	\$ 2,052,016	\$ -	\$ 2,052,016	\$ 2,134,097	\$ 2,219,461
926230/253	Pension FAS 87/FAS 87 NS	BEN-01	\$ 6,965,726	\$ -	\$ 6,965,726	\$ 6,965,726	\$ 6,965,726
GL Only	Pension Settlement Cost		\$ 11,827,588	\$ (11,827,588)	\$ -	\$ -	\$ -
926253	Pension Settlement Amortization		\$ 492,816	\$ -	\$ 492,816	\$ 985,632	\$ 985,632
Grand Total			\$ 68,680,589	\$ (11,827,588)	\$ 56,853,001	\$ 56,984,225	\$ 58,671,592

Accounting Period BETWEEN '202207' AND '202306', Expenditure Type Parameter : '510 Payroll Benefits loading'

Accounting Period:<All>

		Transaction Amount				
Expenditure Type	Desc	CAP	NONOP	OPER	OTHER	Total
510 Payroll Benefits loading	Projects	20,636,155	524,277	39,770,537	6,999,094	67,930,063
Total		20,636,155	524,277	39,770,537	6,999,094	67,930,063
	Percent	30.38%	0.77%	58.55%	10.30%	100.00%

BEN-01