

Exh. JH-6
Dockets UE-190334, UG-190335,
and UE-190222
Witness: Joanna Huang

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

**AVISTA CORPORATION, d/b/a
AVISTA UTILITIES,**

Respondent.

**DOCKETS UE-190334, UG-190335,
and UE-190222 (*Consolidated*)**

**EXHIBIT TO
TESTIMONY OF**

Joanna Huang

**STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

Pro Forma Employee Benefits, Adjustment 3.05

October 3, 2019

AVISTA UTILITIES
WASHINGTON ELECTRIC RESULTS
TWELVE MONTHS ENDED DECEMBER 31, 2018
(000'S OF DOLLARS)

Line No.	DESCRIPTION	Pro Forma Employee Benefits
	Adjustment Number	3.05
	Workpaper Reference	E-PEB
	REVENUES	
1	Total General Business	\$0
2	Interdepartmental Sales	-
3	Sales for Resale	-
4	Total Sales of Electricity	-
5	Other Revenue	-
6	Total Electric Revenue	-
	EXPENSES	
	Production and Transmission	
7	Operating Expenses	-
8	Purchased Power	-
9	Depreciation/Amortization	-
10	Regulatory Amortization	-
11	Taxes	-
12	Total Production & Transmission	-
	Distribution	
13	Operating Expenses	-
14	Depreciation/Amortization	-
15	Taxes	-
16	Total Distribution	-
17	Customer Accounting	-
18	Customer Service & Information	-
19	Sales Expenses	-
	Administrative & General	
20	Operating Expenses	-
21	Depreciation/Amortization	-
22	Regulatory Deferrals/Amortization	-
23	Taxes	-
24	Total Admin. & General	-
25	Total Electric Expenses	-
26	OPERATING INCOME BEFORE FIT	-
	FEDERAL INCOME TAX	
27	Current Accrual	-
28	Debt Interest	-
29	Deferred Income Taxes	-
30	Amortized ITC - Noxon	-
31	NET OPERATING INCOME	\$0
	RATE BASE	
	PLANT IN SERVICE	
32	Intangible	\$0
33	Production	-
34	Transmission	-
35	Distribution	-
36	General	-
37	Total Plant in Service	-
	ACCUMULATED DEPRECIATION/AMORT	
38	Intangible	-
39	Production	-
40	Transmission	-
41	Distribution	-
42	General	-
43	Total Accumulated Depreciation	-
44	NET PLANT	-
45	DEFERRED TAXES	-
46	Net Plant After DFIT	-
47	DEFERRED DEBITS AND CREDITS & OTHER	-
48	WORKING CAPITAL	-
49	TOTAL RATE BASE	\$0

AVISTA UTILITIES
WASHINGTON GAS RESULTS
TWELVE MONTHS ENDED DECEMBER 31, 2018
(000'S OF DOLLARS)

Line No.	DESCRIPTION	Pro Forma Employee Benefits
	<i>a</i>	3.05 G-PEB
	REVENUES	
1	Total General Business	\$ -
2	Total Transportation	-
3	Other Revenues	-
4	Total Gas Revenues	<u>-</u>
	EXPENSES	
	Production Expenses	
5	City Gate Purchases	-
6	Purchased Gas Expense	-
7	Net Nat Gas Storage Trans	-
8	Total Production	<u>-</u>
	Underground Storage	
9	Operating Expenses	-
10	Depreciation	-
11	Taxes	-
12	Total Underground Storage	<u>-</u>
	Distribution	
13	Operating Expenses	-
14	Depreciation	-
15	Taxes	-
16	Total Distribution	<u>-</u>
17	Customer Accounting	-
18	Customer Service & Information	-
19	Sales Expenses	-
	Administrative & General	
20	Operating Expenses	-
21	Depreciation/Amortization	-
22	Regulatory Amortizations	-
23	Taxes	-
24	Total Admin. & General	<u>-</u>
25	Total Gas Expense	<u>-</u>
26	OPERATING INCOME BEFORE FIT	-
	FEDERAL INCOME TAX	
27	Current Accrual	-
28	Debt Interest	-
29	Deferred FIT	-
30	Amort ITC	<u>-</u>
31	NET OPERATING INCOME	<u><u>\$ -</u></u>
	RATE BASE: PLANT IN SERVICE	
32	Underground Storage	\$ -
33	Distribution Plant	-
34	General Plant	-
35	Total Plant in Service	<u>-</u>
	ACCUMULATED DEPREC/AMORT	
36	Underground Storage	-
37	Distribution Plant	-
38	General Plant	-
39	Total Accum. Depreciation/Amort.	<u>-</u>
40	NET PLANT	-
41	DEFERRED FIT	-
42	Net Plant After DFIT	-
43	GAS INVENTORY	-
44	GAIN ON SALE OF BUILDING	-
45	OTHER	-
46	WORKING CAPITAL	<u>-</u>
47	TOTAL RATE BASE	-
48	RATE OF RETURN	<u><u>\$ -</u></u>

Employee Benefits Analysis

AVISTA UTILITIES
SYSTEM RESULTS
TWELVE MONTHS ENDED DECEMBER 31, 2018
(000'S OF DOLLARS)

Docket	Test Period	Test period actual					Requested Pro Forma Adjustment	Requested Percentage increase	Approved Overestimated Pro Forma increase	
		Test period actual		Rate year pro forma						
UE-140188	Test year 6/30/2013	2013 57,445,110	2014	2015 53,951,000	2016		(3,494,110)	-6.08%	2,756,688	
UE-150205	Test year 9/30/2014	Test period actual 51,194,312		Rate year pro forma 59,921,200			8,726,888	17.05%	2,019,030	
UE-160228	Test year 9/30/2015			Test period actual 57,902,170	Rate year pro forma \$ 62,145,878		4,243,708	7.33%		
UE-170485	Test year 12/31/2016			Test period actual 2016 70,409,510	2017 70,690,986	Rate year pro forma 2018 69,690,986	2019 67,390,986	(718,524)	-1.02%	6,417,927
UE-190335	Test year 12/31/2018					Test period actual 2018 63,273,059	Rate year pro forma 2020 73,027,454	9,754,395	15.42%	

Employee Benefits Analysis

AVISTA UTILITIES
SYSTEM RESULTS
TWELVE MONTHS ENDED DECEMBER 31, 2018
(000'S OF DOLLARS)

Task Number	Task Name	2014	2015	2016	2017	Actual 2018	2014-2018 5-Year Average	Avista Proposed 2020 Pro-Forma	Staff Proposed 2020 Pro-Forma
926220	Health Insurance	19,323,918	20,880,989	25,789,217	22,279,529	\$ 22,645,974		\$ 25,350,000	\$ 22,645,974
926221	Health Insure - HDHP				976,977	\$ 1,430,306		\$ 1,500,000	\$ 1,430,306
926240	FAS 106	8,142,682	9,349,596	11,411,512	9,992,979	\$ 2,868,055		\$ 2,500,000	\$ 2,868,055
926251	FAS 106 NS					\$ 5,673,659		\$ 6,500,000	\$ 5,673,659
926225	401 (k)	6,864,360	7,928,615	8,062,842	8,205,323	\$ 9,138,892		\$ 9,800,000	\$ 9,138,892
926226	401(K) Non-Elect Con	48,847	280,533	492,612	690,399	\$ 905,072		\$ 1,100,000	\$ 905,072
926230	Pension FAS 87	12,634,767	24,379,430	24,649,327	23,938,095	\$ 21,595,661		\$ 18,877,454	\$ 21,595,661
926253	Pension FAS 87 NS					\$ (984,560)		\$ 7,400,000	\$ (984,560)
Grand Total		\$ 47,014,574	\$ 62,819,163	\$ 70,405,510	\$ 66,083,302	\$ 63,273,059	\$ 61,919,122	\$ 73,027,454	\$ 63,273,059

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

JURISDICTION:	WASHINGTON	DATE PREPARED:	05/29/2019
CASE NO.:	UE-190334 & UG-190335	WITNESS:	Elizabeth Andrews
REQUESTER:	UTC Staff	RESPONDER:	Annette Brandon
TYPE:	Data Request	DEPT:	Regulatory Affairs
REQUEST NO.:	Staff - 009	TELEPHONE:	(509) 495-4324
		EMAIL:	annette.brandon@avistacorp.com

REQUEST:

Please explain the basis for all officers' salary, bonus/incentive and benefit increases from 2014 to 2018. Also, please provide the supporting executive officer compensation studies/surveys that are relevant to this inquiry.

RESPONSE:

Please see Avista's **CONFIDENTIAL** response to data request Staff_DR_009C. Please note that Avista's response to Staff_DR_009C is **Confidential per Protective Order in UTC Dockets UE-190334 and UG-190335**.

Base Pay

As noted in the Company's response to Staff_DR_008, several internal and external factors are considered in the determination of base pay for executive officers. The external peer group data utilized to benchmark our executives against companies reasonably assumed to be competitors for talent is provided by Meridian Compensation Partners (Meridian). Please see Staff_DR_009C Confidential Attachments A-E for the Executive Total Compensation Benchmarking Analysis performed by Meridian for 2014-2018.

Short Term Incentive Compensation

Short Term Incentive Compensation is related to which metrics are achieved, and at what level, for any given year. Please see Staff_DR_009 Attachment A for a listing of metrics and their respective results for 2014 – 2018.

Long-Term Incentive Plan

Long Term Incentive Plan Payments are in direct relation to changes in the equity markets. No LTIP expense (performance shares or restricted share units) is included in the Company's case. Please see the Company's response to Staff_DR_008.

Benefits

Changes from year to year for benefits are primarily related to changes in actuarial assumptions for the Company's pension plan and medical benefits. Below is the summary of changes related to these benefits between 2014 and 2018:

System Benefits		Accounting Year				
Task Number	Task Name	2014	2015	2016	2017	2018
926220	Health Insurance	\$ 19,323,918	\$ 20,880,989	\$ 25,789,217	\$ 22,279,529	\$ 22,645,974
926221	Health Insure - HDHP				\$ 976,977	\$ 1,430,306
926240	FAS 106	\$ 8,142,682	\$ 9,349,596	\$ 11,411,512	\$ 9,992,979	\$ 2,868,055
926251	FAS 106 NS					\$ 5,673,659
926225	401 (k)	\$ 6,864,360	\$ 7,928,615	\$ 8,062,842	\$ 8,205,323	\$ 9,138,892
926226	401(K) Non-Elect Con	\$ 48,847	\$ 280,533	\$ 492,612	\$ 690,399	\$ 905,072
926230	Pension FAS 87	\$ 12,634,767	\$ 24,379,430	\$ 24,649,327	\$ 23,938,095	\$ 21,595,661
926253	Pension FAS 87 NS					\$ (984,560)
Grand Total		\$ 47,014,574	\$ 62,819,163	\$ 70,405,510	\$ 66,083,301	\$ 63,273,059

The primary reasons for changes in system costs (O&M and Capital) between 2014 and 2015¹, as well as subsequent decreases in the following years is related to pension and post-retirement medical expense which is recorded according to requirements set forth in ASC 715. Please see Staff_DR_009C Confidential Attachment F for the actuarial assumptions which contributed to changes in assumptions for 2014-2018. In regards to Medical expense, the primary increase between 2015 and 2016 is due to higher actual medical claims, changes in population profile, and an increase in large claims. This trend reversed in 2017 and 2018 resulting in lower medical costs in those years.

¹ Please note 2014 was uncharacteristically low for Pension Expense.