

**Avista Corp.**

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Received
Records Management
Sep 1, 2023

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Ms. Amanda Maxwell
Executive Director and Secretary
Washington Utilities and Transportation Commission
621 Woodland Square Loop SE
Lacey, Washington 98503

Re: Tariff WN U-28, WA Electric Insurance Expense Balancing Mechanism

Dear Ms. Maxwell:

Attached for electronic filing with the Commission is the following tariff sheet proposed to be effective November 1, 2023:

Original Sheet 66

In Order 10/01 of Dockets UE-220053, et. al., at page 52, paragraph 146, the Commission ordered:

Condition. We condition our approval of the Settlement on the modification of this term to include the requirement that Avista document its action to seek out, negotiate, and attain the best insurance at the lowest costs and file with the Commission such documentation, with explanatory narratives, in Avista's annual filing beginning September 1, 2023. Subject to this condition, we determine that the Settling Parties' agreement to create an Insurance Balancing Account, including the proposed baselines for electric and natural gas, is in the public interest and should be approved.

In response to the Commission's Order Condition noted above, below is an insurance renewal summary describing the annual actions utilized by Avista to seek out, negotiate, and attain the best insurance at the lowest costs. Specific actions taken during 2023 regarding each of our six major types of insurance expense are confidential per WAC 480-07-160 and therefore are provided in Confidential Attachments A – E.

Avista conducts an annual review analysis of its policies in advance of their renewals. These reviews are conducted to ensure that adequate limits are purchased to protect both Avista and its ratepayers, as well as potentially identifying modifications that might be made to policies to save money for both parties. There are numerous factors that may influence premium changes to a policy. Areas that are reviewed, and may give rise to opportunities for savings, include policy limits and retention changes, as well as program restructures and changes to the marketing of the program at renewal.

Policy limits are typically considered for adjustment when risk exposures change for Avista or to create savings through reduction of limits purchased. Avista risk exposures are assessed annually to determine if any changes to limits are necessary to protect the Company and its ratepayers. Limits are rarely reduced solely for the sake of achieving premium savings, as this would expose the Company and ratepayers to financial risk should a large, catastrophic loss occur.

Retention limits on policies are reviewed annually to assess whether it is prudent to increase retentions to realize savings. Avista's renewal analysis contains a payback analysis to assess the cost/benefit of increasing a retention on a particular policy. The credit offered by insurers to increase a retention, and therefore the financial risk assumed by Avista, is seldom large enough to justify taking on the additional financial risk of increasing the retention.

Avista reviews the program structure of its various lines of insurance to determine if changes might be made that would offer savings. Typically, the current structure in place has been arrived at over the course of several years and best balances coverage and resulting premiums. Occasionally, the insurance structure will be modified if one or more of the program participants are significantly increasing premiums or imposing unfavorable policy terms and conditions. In such cases, we seek to find alternative insurers that we can bring onto the program that are not requiring significant premium increases or unfavorable terms and conditions. However, unlike the personal lines market space, there are limited options in the utility commercial insurer space, and alternative options either do not exist or are very limited. If changes are made at renewal, they tend to be minor and usually do not have material impacts from a premium standpoint.

The marketing of a program at renewal may be triggered by the program structure issues noted above or could arise from circumstances such as an insurer's ability to provide needed coverage capacity, issues with claims handling, inferior engineering services, or poor communications by the insurer to Avista. Avista is diligent in its consideration of potentially marketing a portion of its program to other insurer participants. First, unlike the personal lines market, there are far fewer options in the utility commercial market for insurance coverage. To leave an incumbent, and then attempt to return to it in a few years if the move didn't work, would result in significant premium increases as incumbents value the relationship they build with their insureds, and this is reflected in better rates offered to long time insureds versus companies that come to them as new business. Secondly, moving to a new insurer strictly for premium savings seldom makes sense, as the premium difference is often not material, and the new insurer may come with a new set of issues of their own that brings new complications to the existing program structure. Any changes to a program through marketing efforts at renewal tend to be very minor in nature and usually only involve one insurer participant in the program.



Analysis specific to each of our six major types of insurance expense are provided as Attachments A through F, and associated sub attachments (i.e. Attachment A1, A2, etc.) as follows:

- Confidential Attachment A - Property Insurance Renewal Analysis Form
 - Confidential Attachment A 1 - Property - Avista 2022 Property Marketing Summary
- Confidential Attachment B - Excess Liability Insurance Renewal Analysis Form
 - Confidential Attachment B 1 - Excess Liability - PNW IOU Excess Liability Benchmarking
 - Confidential Attachment B 2 - Excess Liability - Avista 2022 Excess Liability Marketing Summary
- Confidential Attachment C - D and O Insurance Renewal Analysis Form
 - Confidential Attachment C 1 - D and O- Benchmarking - D and O Peer Benchmarking
 - Confidential Attachment C 2 - D and O - Modelling - Securities Class Action
- Confidential Attachment D - WC Insurance Renewal Analysis Form
- Confidential Attachment E - Cyber Insurance Renewal Analysis Form

As provided in the workpapers accompanying this filing, the total surcharge effective November 1, 2023 is an increase to electric customers of \$87,000, or 0.02%. Below, Table 1 illustrates the impact by rate schedule:

Table 1 - Impact by Rate Schedule

| Schedule No. | Rate Schedule | Change in Billed Revenue |
|----------------|----------------------------------|--------------------------|
| 1/2 | Residential | 0.02% |
| 11/12/13 | General Service Schedule | 0.01% |
| 21/22/23 | Large General Service Schedule | 0.01% |
| 25 | Ext. Lg General Service Schedule | 0.01% |
| 25I | Special Contract | 0.02% |
| 31/32 | Pumping Service Schedule | 0.02% |
| 41-48 | Street and Area Lights | 0.00% |
| Overall | | 0.02% |

Enclosed are workpapers which show the derivation of the proposed per kilowatt-hour rate credit proposed to be effective for a twelve-month period beginning November 1, 2023. Also included in the workpapers is transaction level detail of the expenses incurred during the deferral period. The increase to electric customers is spread to rate schedules based on allocated rate base from the Company's most current cost of service study. This allocation is consistent with how these expenses (FERC Acct 924 – Property Insurance Premium) would be allocated for purposes of the Company's cost of service study.

The average electric residential customer using 932 kWhs per month will see an increase of \$0.02 per month, or approximately 0.02%. The present bill for 932 kWhs is \$87.53 while the proposed bill is \$87.55. The actual bill change will vary based on customer usage.



In accordance with the requirements of WAC 480-100-103, attached to this filing is a draft notice to customers, which the Company will provide through a bill insert, during the September 2023 bill cycle.

Please direct any questions regarding this filing to me at (509) 495-8601 or Joel Anderson at (509) 495-2811.

Sincerely,

/S/ Elizabeth M. Andrews

Elizabeth M. Andrews
Sr. Manager, Revenue Requirements

Enclosures

