

**Exhibit No. MC-11
Dockets UE-160228/UG-160229
Witness: Melissa Cheesman**

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

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

Respondent.

**DOCKETS UE-160228 and
UG-160229 (*Consolidated*)**

**EXHIBIT TO
TESTIMONY OF**

MELISSA CHEESMAN

**STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

Avista's Updated Pro Forma Employee Benefits (Electric 3.04, Gas 3.02)

August 17, 2016

Medical and Retirement Adjustment

REVISION 08.03.16 (FORMULA CORRECTION)
12 MONTHS ENDED 12.31.2015
UPDATED PENSION/MEDICAL COSTS

		Retirement	Medical	TOTAL	
Pro-Forma Adjustment	**	\$ 33,553,915	\$ 33,107,000	\$ 66,660,915	
12 Months Ending 12/31/2015		\$ (32,588,578)	\$ (30,230,585)	\$ (62,819,163)	
Total Adjustment	2016	\$965,337	\$2,876,415	\$3,841,752	\$0
O & M Allocation Percent		57.03%	57.03%	57.03%	
Net O & M increase to utility		\$550,532	\$1,640,419	\$2,190,951	
Washington Electric Labor	\$ 43,058,647.00				
Total OPER Labor	\$ 89,042,943.00				
% of total	48.357%	\$266,221	\$793,257	\$1,059,478	
Idaho Electric Labor	\$ 20,593,304.00				
Total OPER Labor	\$ 89,042,943.00				
% of total	23.127%	\$127,322	\$379,380	\$506,702	
Washington Gas Labor	\$ 12,657,956.00				
Total OPER Labor	\$ 89,042,943.00				
% of total	14.216%	\$78,264	\$233,202	\$311,466	
Idaho Gas Labor	\$ 5,261,411.00				
Total OPER Labor	\$ 89,042,943.00				
% of total	5.909%	\$32,531	\$96,932	\$129,463	
Oregon Gas Labor	\$ 7,471,625.00				
Total OPER Labor	\$ 89,042,943.00				
% of total	8.391%	\$46,195	\$137,648	\$183,843	
	100.00%	\$550,533	\$1,640,419	\$2,190,952	

ADJUSTMENT

Washington Electric					
Production and Transmission	36.55%	\$ 97,304	\$ 289,935	\$ 387,239	
Distribution	24.60%	\$ 65,490	\$ 195,141	\$ 260,631	
Customer	10.37%	\$ 27,607	\$ 82,261	\$ 109,868	
Admin and General	28.48%	\$ 75,820	\$ 225,920	\$ 301,740	
Total	100.00%	\$ 266,221	\$ 793,257	\$ 1,059,478	
Washington Gas					
Production	3.63%	\$ 2,841	\$ 8,465	\$ 11,306	
Underground Storage	0.04%	\$ 31	\$ 93	\$ 124	
Distribution	46.23%	\$ 36,181	\$ 107,809	\$ 143,990	
Customer	24.44%	\$ 19,128	\$ 56,995	\$ 76,123	
Admin and General	25.66%	\$ 20,083	\$ 59,840	\$ 79,923	
Total	100.00%	\$ 78,264	\$ 233,202	\$ 311,466	

**Retirement based on 2017 Projection; medical based on 2016 Projection.
Source: non-executive officer adjustment plus executive officer adjustment (test period)

Medical and Retirement Adjustment

REVISION 08.03.16 (FORMULA CORRECTION)
12 MONTHS ENDED 09.30.2015
UPDATED PENSION/MEDICAL COSTS

		Retirement	Medical	TOTAL	
Pro-Forma Adjustment		** \$ 33,553,915	\$ 33,107,000	\$ 66,660,915	
12 Months Ending 9/30/2015		\$ (29,295,623)	\$ (28,606,545)	\$ (57,902,168)	
Total Adjustment		\$4,258,292	\$4,500,455	\$8,758,747	\$0
O & M Allocation Percent		57.09%	57.09%	57.09%	
Net O & M increase to utility		\$2,431,059	\$2,569,310	\$5,000,369	
Washington Electric Labor	\$ 41,149,150.00				
Total OPER Labor	\$ 86,319,776.00				
% of total	47.671%	\$1,158,910	\$1,224,816	\$2,383,726	
Idaho Electric Labor	\$ 20,192,471.00				
Total OPER Labor	\$ 86,319,776.00				
% of total	23.393%	\$568,698	\$601,039	\$1,169,737	
Washington Gas Labor	\$ 12,319,220.00				
Total OPER Labor	\$ 86,319,776.00				
% of total	14.272%	\$346,961	\$366,692	\$713,653	
Idaho Gas Labor	\$ 5,146,170.00				
Total OPER Labor	\$ 86,319,776.00				
% of total	5.962%	\$144,940	\$153,182	\$298,122	
Oregon Gas Labor	\$ 7,512,765.00				
Total OPER Labor	\$ 86,319,776.00				
% of total	8.703%	\$211,575	\$223,607	\$435,182	
	100.00%	\$2,431,084	\$2,569,336	\$5,000,420	

ADJUSTMENT

Washington Electric					
Production and Transmission	33.34%	\$ 386,381	\$ 408,354	\$ 794,735	
Distribution	23.12%	\$ 267,940	\$ 283,177	\$ 551,117	
Customer	12.36%	\$ 143,241	\$ 151,387	\$ 294,628	
Admin and General	31.18%	\$ 361,348	\$ 381,898	\$ 743,246	
Total	100.00%	\$ 1,158,910	\$ 1,224,816	\$ 2,383,726	
Washington Gas					
Production	3.48%	\$ 12,074	\$ 12,761	\$ 24,835	
Underground Storage	0.03%	\$ 104	\$ 110	\$ 214	
Distribution	41.70%	\$ 144,683	\$ 152,911	\$ 297,594	
Customer	25.68%	\$ 89,100	\$ 94,167	\$ 183,267	
Admin and General	29.11%	\$ 101,000	\$ 106,744	\$ 207,744	
Total	100.00%	\$ 346,961	\$ 366,693	\$ 713,654	

**Retirement based on 2017 Projection; medical based on 2016 Projection.
Source: non-executive officer adjustment plus executive officer adjustment (test period)

Project Number	Task Numbr	Task Name	YEAR END REVISION		ORIGINAL FILING	
			Test period		Test Period	
			Year End	YE 12.31.2015	12 Months Ended	09.30.2015
09802910	925200	Inj and Damages PB		1,585,278		
	926220	Health Insurance (Group Health)		328,553	(1)	384,297
09902910	925200	Inj and Damages PB		392,666		
	926210	Employee Assistance		74,971		
	926215	Life/Other Insurance		820,117		
	926220	Health Insurance (Premera)		20,552,436	(1)	18,954,567
	926225	401 (k)		7,928,615	(2)	7,428,318
	926226	401(K) Non-Elect Con		280,533	(2)	229,929
	926230	Pension FAS 87		24,379,430	(2)	21,637,376
	926235	Deferred Comp		40,153		
	926240	FAS 106 (Post-Retirement Medical)		9,349,596	(1)	9,267,681
	926245	HRA Benefit		1,809,909		
09905867	926250	Cafeteria Contract		255,309		
Sum				67,797,566		57,902,168

	12 Months Ended 12.31.2015	Pro-Forma	12 Months Ended 09.30.2015
(1) Medical	30,230,585	33,107,000	28,606,545
(2) Pension/401K	32,588,578	33,553,915	29,295,623
	62,819,163	66,660,915	57,902,168

Medical			
Mercer Estimate of Health Insurance - 2016 (used as basis for 2017) Premera	24,200,000	926220	
Mercer Estimate of Health Insurance - 2016 (used as basis for 2017) Group Health	401,000	926220	
Premera Adjustment for Incurred But Not Recorded (IBNR)	(3,000,000)	926220	
Administration Fees (based on 2015 actual amount)	106,000	926220	
Towers Watson Estimate for Post Retirement Medical (FAS 106)	11,400,000	926240	
	33,107,000		33,107,000
Pension			
Towers Watson Estimate of Pension	25,300,000	926230	
401(K) Elective and Non-Elective	8,209,148	926225/926226	
Administration Fees	44,767	926230	
	33,553,915		33,553,915
Total Adjustment	3,841,752		8,758,747
	O&M % 57.03%		57.03%
	2,190,951.17		4,995,113.41

¹Estimates are provided by Mercer for only the upcoming year. As a result, 2016 estimated expenses are used as a proxy for 2017 estimates.

²Towers Watson provides the actuarial analysis for the Pension Plan and Post-Retirement Medical expenses. The direct case (pro-forma cross check study) includes estimates as of December 31, 2015.

2018 Pro-Forma

Due to the immateriality of the total adjustment for Post-Retirement Medical and Active Medical (O & M \$173,000) no pro-forma is being proposed.