

WY 20000-492-EA-16
 WIEC 3.9

Attachment WIEC 3.9

Retail Revenue Deferral from Reduced Retiree Medical Expense Arising from Settlement

Amount of reduced 2015 retiree medical expense due to settlement (per TowersWatson)	\$ 9,712,000
Portion to be expensed	<u>70%</u>
Total post-capitalization reduction in expense	6,798,400 (A)
Less Washington's portion that we are not deferring	<u>(509,880)</u>
Total estimated retail revenue deferral for non-WA jurisdictions	6,288,520
Less Utah, Wyoming, Idaho and California shares not offered in settlement*	<u>(4,629,710)</u>
Oregon's share to be flowed through per tentative settlement	<u>\$ 1,658,810</u>
	24% Check

*In the eastside states, the reduction to zero of the Energy West retiree medical expense in fuel will be captured in the ECAMs/EBAs to which no sharing band will be applied. There is no budget impact due to the 100% flow-through being assumed in the business plan and that is expected to prevail in settlement. The amount included here is incremental to what would have otherwise flown through fuel costs and is not being offered in settlement.

	Estimated SE Factor	
108,774	0.0160	CA
421,501	0.0620	ID
1,658,810	0.2440	OR
2,913,794	0.4286	UT
509,880	0.0750	WA
1,185,641	0.1744	WY
<u>Total post-capitalization estimated retiree medical annual reduction in expense</u>	<u>1.0000</u>	
6,798,400		

(Originally prepared April 16, 2015)

Mullins Calculation:

(A) Total-Company Non-Fuel FAS 106 Savings (After Capitalization)		\$6,798,400
Utah SO Factor		43.2728%
Utah-Allocated Non-Fuel FAS 106 Savings		\$2,941,860

UAE Data Request 2.2

In response to WIEC Data Request 5.1 in the Wyoming ECAM, the Company agreed, pursuant to paragraph 14 of the stipulation in Wyoming Docket No. 20000-464-EA-14, to make an adjustment to the ECAM deferral balance to reflect an additional amount of non-fuel FAS 106 expense savings resulting from the settlement of the Energy West Retiree Medical Obligation. Does the Company agree, pursuant to paragraph 17 of the stipulation in Docket No. 14-035-147, to make the same adjustment in this proceeding? If yes, please provide the Company's best estimate of the incremental non-fuel FAS106 savings, which should be reflected in the EBA deferral balance. If no, please explain.

Response to UAE Data Request 2.2

The Company agrees to make an adjustment in this proceeding similar to that described in the Company's response to WIEC Data Request 5.1 in the Wyoming energy cost adjustment mechanism (ECAM), Docket 20000-492-EA-16.

The Company's best estimate of the incremental non-fuel Financial Accounting Standards (FAS) 106 savings:

Retail Revenue Deferral from Reduced Retiree Medical Expense Arising from Settlement

Amount of reduced 2015 retiree medical expense due to settlement (per TowersWatson)	\$9,712,000
Portion to be expensed	<u>70%</u>
Total post-capitalization reduction in expense	<u>6,798,400</u>
SO factor from CY 2015 Regulatory Results of Operations	<u>43.2728%</u>
Total Utah post-capitalization estimated retiree medical annual reduction in expense	<u>\$2,941,860</u>

WIEC Data Request 1.16

For each of the following benefits associated with the Deer Creek mine closure, please state the amount of benefits actually recognized by the Company in the deferral period:

- (a) lower replacement coal costs;
- (b) Prep Plant operational savings;
- (c) pension timing savings; and
- (d) savings on Energy West retiree medical benefits.

Please provide work papers supporting the Company's calculations.

Response to WIEC Data Request 1.16

Benefits associated with the Deer Creek mine closure realized during the energy cost adjustment mechanism (ECAM) Deferral Period (calendar year 2015) are estimated as follows (shown in Total Company amounts):

- (a) Lower replacement coal costs – Please refer to Confidential Attachment WIEC 1.16 which provides an update to Confidential Exhibit RMP__(MGW-3); specifically the tab entitled “(3.9) Deer Creek Adjustment”, of the Direct Testimony of Company witness, Michael G. Wilding, which provides the calculation of coal fuel savings. In preparing the Company's response to this request, it was determined that the actual million British thermal units (MMBtu) of coal consumed in Confidential Exhibit RMP__(MGW-3) were incorrect. The Company will provide updated exhibits as part of its rebuttal testimony filing.
- (b) Prep Plant operational savings – Please refer to the Company's response to subpart (a) above. Prep Plant operational savings are embedded in the savings reported in subpart (a) above, as Bowie Resources now owns the Prep Plant.
- (c) Pension timing savings – \$2.9 million. The \$3.0 million payment in perpetuity was not required in 2015 after withdrawing from the 1974 Pension Trust on June 29, 2015, as the United Mine Workers of America (UMWA) trust did not provide PacifiCorp with a 2015 assessment notification. No obligation is triggered until the Company receives the assessment notice, and assessments are not retroactive to the withdrawal date. This savings is partially offset by the \$134,000 difference between the actual (\$341,000) and forecast (\$207,000) pension expense relating to employees performing closure activities, resulting in a net savings of \$2.9 million in the ECAM Deferral Period. The pension timing savings are embedded in the savings reported in subpart (a) above.
- (d) Savings on Energy West Mining Company retiree medical benefits – Estimated savings in retiree medical benefits resulting from the \$150 million transfer of assets and the transfer of the obligation are reflected as FAS 106 Post Retirement Benefit

cost reductions across the Company. Consequently, no savings are included in the ECAM Deferral Period. The settlement re-measurement loss resulting from the transfer of the retiree medical obligation and assets was deferred in a regulatory asset in 2015. As amortization of that regulatory asset does not begin until January 1, 2018, no costs relating to the loss are included in the ECAM Deferral Period.

WIEC Data Request 1.16

For each of the following benefits associated with the Deer Creek mine closure, please state the amount of benefits actually recognized by the Company in the deferral period:

- (a) lower replacement coal costs;
- (b) Prep Plant operational savings;
- (c) pension timing savings; and
- (d) savings on Energy West retiree medical benefits.

Please provide work papers supporting the Company's calculations.

2nd Revised Response to WIEC Data Request 1.16

Further to the Company's response to WIEC Data Request 1.16 dated May 2, 2016 (revised to include confidential protective order language on May 3, 2016), the Company provides the following 2nd Revised response specific for subpart (d). This 2nd Revised response for subpart (d) replaces, in its entirety, the Company's original response to subpart (d):

- (d) Savings on Energy West (EWMC) retiree medical benefits – As agreed to in Docket No. 20000-464-EA-14, the benefits associated with the Deer Creek mine closure include EWMC retiree medical benefits that the Company no longer is obligated to pay. The savings realized from no longer paying the EWMC retiree medical benefits are embedded in the fuel costs savings (refer to the Company's response to subpart (a) in the Company's original response dated May 2, 2016), and are included in the energy cost adjustment mechanism (ECAM) deferral period (calendar year 2015).

The settlement re-measurement loss resulting from the transfer of the retiree medical obligation (RMO) and assets was deferred in a regulatory asset in 2015.

Amortization of that regulatory asset began January 1, 2016 for a four-year period and was included in base rates in the last general rate case (GRC). Estimated savings in retiree medical benefits resulting from the \$150 million transfer of assets and the transfer of the obligation are reflected as Financial Accounting Standards (FAS) 106 Post Retirement Benefit cost reductions across the Company.

WIEC Data Request 3.2

Does the Company agree that, as a result of the Energy West retiree medical settlement, the Company reduced the unrecognized loss on its post-retirement welfare plans by a material amount? If no, please explain.

Response to WIEC Data Request 3.2

The Company agrees that the retiree medical settlement resulted in a significant reduction in the unamortized losses on post-employment retiree medical obligations (RMO).

Respondent: Brad Davis

WIEC Data Request 3.3

Does the Company agree that, as a result of reducing the unrecognized loss on its post retirement welfare plans, future FAS 106 (ASC 715) expense was expected to decline by a material amount in the deferral period due to the settlement? If no, please explain.

Response to WIEC Data Request 3.3

The Company agrees that the retiree medical settlement resulted in a significant reduction in the unamortized losses on post-employment retiree medical obligations (RMO) that would in turn reduce future Financial Accounting Standards (FAS) 106 (Accounting Standards Codification (ASC) 715) expense.

Respondent: Mark Reis

WIEC Data Request 3.4

Please state the weighted-average remaining service life for employees participating in PacifiCorp post-retirement medical plans as of December 31, 2014 and December 31, 2015.

Response to WIEC Data Request 3.4

The average future working life to full retirement age for participants covered under the post-retirement medical plans is 11.4949 years.

Respondent: Julie Lewis

20000-492-EA-16 / Rocky Mountain Power
June 23, 2016
WIEC 3rd Data Request 3.8

UAE Exhibit 2.4
UPSC Docket 16-035-01
Page 8 of 9

WIEC Data Request 3.8

Please state the Company's actual FAS 106 expense for post-retirement welfare plans for calendar years 2013, 2014 and 2015.

Response to WIEC Data Request 3.8

The expense/ (benefit) for postretirement welfare plans was \$3,192,608.86 for 2013, \$677,554.81 for 2014 and \$(8,460,490.99) in 2015. Note: for 2015, the expense was a net benefit.

Respondent: Scott Mills

20000-492-EA-16 / Rocky Mountain Power
June 23, 2016
WIEC 3rd Data Request 3.9

WIEC Data Request 3.9

Please recalculate the Company's FAS 106 expense for post-retirement welfare plans for 2015 assuming the Company had not entered into the settlement for the Energy West post-retirement medical plan.

Response to WIEC Data Request 3.9

The Company objects to this data request on the basis that it requests information that is not in the custody, possession or control of the Company. Notwithstanding and without waiving this objection, the Company will supplement this response as soon as the requested information becomes available.

Respondent: Yvonne Hogle

Statement of Financial Accounting Standards No. 106

[FAS106 Status Page](#)
[FAS106 Summary](#)

Employers' Accounting for Postretirement
Benefits Other Than Pensions

December 1990



Financial Accounting Standards Board
of the Financial Accounting Foundation
401 MERRITT 7, P.O. BOX 5116, NORWALK, CONNECTICUT 06856-5116

employer's economic benefits and to recognize the cost in the periods benefited.

55. A plan amendment can reduce, rather than increase, the accumulated postretirement benefit obligation. A reduction in that obligation shall be used first to reduce any existing unrecognized prior service cost, then to reduce any remaining unrecognized transition obligation. The excess, if any, shall be amortized on the same basis as specified in paragraph 52 for prior service cost. Immediate recognition of the excess is not permitted.

Gains and Losses

56. Gains and losses are changes in the amount of either the accumulated postretirement benefit obligation or plan assets resulting from experience different from that assumed or from changes in assumptions. This Statement generally does not distinguish between those sources of gains and losses. Gains and losses include amounts that have been realized, for example, by the sale of a security, as well as amounts that are unrealized. Because gains and losses may reflect refinements in estimates as well as real changes in economic values and because some gains in one period may be offset by losses in another or vice versa, this Statement does not require recognition of gains and losses as components of net postretirement benefit cost in the period in which they arise, except as described in paragraph 61. (Gain and loss recognition in accounting for settlements and curtailments is addressed in paragraphs 90-99.)

57. The expected return on plan assets shall be determined based on the expected long-term rate of return on plan assets (refer to paragraph 32) and the market-related value of plan assets. The market-related value of plan assets shall be either fair value or a calculated value that recognizes changes in fair value in a systematic and rational manner over not more than five years. Different methods of calculating market-related value may be used for different classes of assets (for example, an employer might use fair value for bonds and a five-year-moving-average value for equities), but the manner of determining market-related value shall be applied consistently from year to year for each class of plan assets.

58. Plan asset gains and losses are differences between the actual return on plan assets during a period and the expected return on plan assets for that period. Plan asset gains and losses include both (a) changes reflected in the market-related value of plan assets and (b) changes not yet reflected in the market-related value of plan assets (that is, the difference between the fair value and the market-related value of plan assets). Plan asset gains and losses not yet reflected in market-related value are not required to be amortized under paragraphs 59 and 60.

59. As a minimum, amortization of an **unrecognized net gain or loss** (excluding plan asset gains and losses not yet reflected in market-related value) shall be included as a component of net postretirement benefit cost for a year if, as of the beginning of the year, that unrecognized net gain or loss exceeds 10 percent of the greater of the accumulated postretirement benefit obligation or the market-related value of plan assets. If amortization is required, the minimum amortization ¹⁹ shall be that excess divided by the average remaining service period of active

plan participants. If all or almost all of a plan's participants are inactive, the average remaining life expectancy of the inactive participants shall be used instead of the average remaining service period.

60. Any systematic method of amortization of unrecognized gains and losses may be used in place of the minimum amortization specified in paragraph 59 provided that (a) the minimum amortization is recognized in any period in which it is greater (reduces the unrecognized amount by more) than the amount that would be recognized under the method used, (b) the method is applied consistently, (c) the method is applied similarly to both gains and losses, and (d) the method used is disclosed. If an enterprise uses a method of consistently recognizing gains and losses immediately, any gain that does not offset a loss previously recognized in income pursuant to this paragraph shall first offset any unrecognized transition obligation; any loss that does not offset a gain previously recognized in income pursuant to this paragraph shall first offset any unrecognized transition asset.

61. In some situations, an employer may forgive a retrospective adjustment of the current or past years' cost-sharing provisions of the plan as they relate to benefit costs *already incurred* by retirees ²⁰ or may otherwise deviate from the provisions of the substantive plan to increase or decrease the employer's share of the benefit costs *incurred in the current or past periods*. The effect of a decision to temporarily deviate from the substantive plan shall be immediately recognized as a loss or gain.

62. The gain or loss component of net periodic postretirement benefit cost shall consist of (a) the difference between the actual return on plan assets and the expected return on plan assets, (b) any gain or loss immediately recognized or the amortization of the unrecognized net gain or loss from previous periods, and (c) any amount immediately recognized as a gain or loss pursuant to paragraph 61.

Measurement of Plan Assets

63. Plan assets are assets—usually stocks, bonds, and other investments (except certain **insurance contracts** as noted in paragraph 67)—that have been segregated and restricted (usually in a trust) to be used for postretirement benefits. The amount of plan assets includes amounts contributed by the employer, and by plan participants for a contributory plan, and amounts earned from investing the contributions, less benefits, income taxes, and other expenses incurred. Plan assets ordinarily cannot be withdrawn by the employer except under certain circumstances when a plan has assets in excess of obligations and the employer has taken certain steps to satisfy existing obligations. Securities of the employer held by the plan are includable in plan assets provided they are transferable.

64. Assets not segregated in a trust, or otherwise effectively restricted, so that they cannot be used by the employer for other purposes are not plan assets for purposes of this Statement, even though the employer may intend that those assets be used to provide postretirement benefits.

