

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UM 1633

In the Matter of

PUBLIC UTILITY COMMISSION OF  
OREGON,

Investigation into Treatment of Pension  
Costs in Utility Rates.

RULING

DISPOSITION: INVESTIGATION TO BE CONDUCTED IN ONE PHASE

**I. INTRODUCTION**

In an effort to promote administrative efficiency, I proposed that this docket be bifurcated into two parts. The first phase would address how to treat pension costs prospectively on a going-forward basis; the second phase would address requests by utilities to recover pension costs incurred in the past.

The utilities oppose the proposal and contend that bifurcation will prejudice their ability to present and defend their recommendation in this investigation.<sup>1</sup> Although the utilities seek prospective relief to recover costs to finance prepaid pension assets by adding the assets to rate base, the relief they seek includes a return on and of past contributions in excess of FAS 87 expense.

Staff also opposes bifurcation. Because the utilities request prospective treatment of prepaid pension assets that include the effects of past contributions, Staff concludes that all arguments should be considered together in one phase.

Customer groups support bifurcation and argue that any Commission action related to prepaid pension assets already accrued would constitute retroactive ratemaking.<sup>2</sup> Some contend that the Commission already concluded that pre-paid pension assets should be treated as ordinary, recurring expenses and not assets to be included in rate base.

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<sup>1</sup> The utilities are Northwest Natural Gas Company, Portland General Electric Company, PacifiCorp, dba Pacific Power, Avista Corporation, and Cascade Natural Gas Corporation. Idaho Power states that it does not have a prepaid asset and is not incurring any financing costs to be recovered.

<sup>2</sup> The customer groups are the Citizens' Utility Board, the Industrial Customers of Northwest Utilities, and the Northwest Industrial Gas Users.

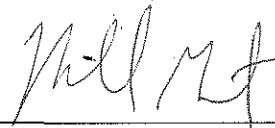
## II. RULING

This investigation will not be bifurcated as I had originally proposed. I agree with the utilities and Staff that it would be more efficient for the Commission to consider all proposals for pension recovery in one phase.

Contrary to the arguments of some parties, the Commission has yet to determine whether prepaid pension assets should continue to be treated as an expense or whether they should be treated as an asset to be included in rate base. This is a primary legal and policy issue that will need to be resolved in this investigation. Parties will be able to present all arguments in support of either result, including arguments that the recovery of prepaid pension assets previously accrued constitutes retroactive ratemaking.

Another prehearing conference will be scheduled to adopt a procedural schedule and discuss any related matters.

Dated this 8th day of July 2013, at Salem, Oregon.



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Michael Grant  
Chief Administrative Law Judge