

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: November 28, 2023**

**REGULAR** \_\_\_\_\_ **CONSENT**  X  **EFFECTIVE DATE** \_\_\_\_\_ **N/A**

**DATE:** November 14, 2023

**TO:** Public Utility Commission

**FROM:** Kathy Zarate

**THROUGH:** Bryan Conway and Marc Hellman **SIGNED**

**SUBJECT:** AVISTA:  
(Docket No. UM 2267)  
Approval for Deferral Related to Certain Costs for Non-Contributory  
Defined Benefit Pension Plans.

**STAFF RECOMMENDATION:**

Staff recommends the Public Utility Commission of Oregon (Commission) approve Avista (Company) request for authorization to Deferral Related to Certain Costs for Non-Contributory Defined Benefit Pension Plans.

**DISCUSSION:**

Issue

Whether the Commission should approve the Company's request for authorization to Deferral Related to Certain Costs for Non-Contributory Defined Benefit Pension Plans.

Applicable Law

Under Statutes (ORS) 757.259(2)(e) and Oregon Administrative Rules (OAR) 860-027-0300; and (2) authorizing Avista, in accordance with ORS 757.120 and ORS 757.125, to amortize the impact of the pension settlement loss to expense over the same period that is used to amortize the underlying net pension regulatory asset, with the opportunity for rate recovery of the net periodic benefit costs consistent with recovery in rates.

## Analysis

### *Background*

The Commission cites its statutory requirements under ORS 757-259(2)(e) which utilizes “a two-pronged purpose test” for which the recovery or refund of identifiable utility expenses or

Revenues the Commission finds should be deferred:

1. To minimize the frequency of rate changes or the fluctuation of rate level;  
or
2. To match appropriately the costs borne by and benefits received by ratepayers.” The Commission retains its discretion on whether to approve a deferral by evaluating whether the issue “constitutes ordinary business risk”, as well as the magnitude or materiality of the request. The Commission states the following which will guide our view.

The Company has a defined benefit pension plan (Pension Plan) covering substantially all regular full-time employees at Avista Utilities that were hired prior to January 1, 2014.<sup>1</sup> As a part of the plan, qualifying employees may consider early retirement options, subject to Pension Plan provisions, beginning as early as age 55.

In addition, benefits are paid under several options specified in the Pension Plan. Such payments include life annuity benefits, social security level income, ten-year certain benefits, and lump sum cash payments. As will be discussed in more detail below, lump sum distributions can lead to settlement accounting being triggered, which has occurred in 2022.

Approval by this Commission of the proposed deferral treatment of the settlement losses as described in this petition/application, as well as approval to amortize the deferred settlement loss balance over approximately 12 years (the actuarial assumption of the remaining life expectancy of plan participants) **would result in no impact to customers and continue to allow recovery of these costs consistent with recovery in rates today.**

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<sup>1</sup> For substantially all regular non-union full-time employees who were hired on or after January 1, 2014, and all Local 659 union employees hired after April 1, 2014, an enhanced defined contribution 401(k) plan replaced the Pension Plan.

*Estimate of Amounts*

The Company estimates the pension settlement loss in 2022 to be approximately \$11 million, which the Company seeks permission to defer in this application.

*Reason for Deferral*

One of these pension events will occur in 2022, triggering a requirement for the Company to expense approximately \$11 million (system) in pension-related losses for the year. The Company requests deferral of the 2022 pension settlement losses that, absent the ability to defer and amortize over the average remaining lives of plan participants, would be immediately recognized on the Company's income statement.

The Company states that this deferral will not result in an impact to customers and will continue to allow recovery of these costs consistent with recovery in rates today.

*Proposed Accounting*

The Company proposes to record deferred amounts in FERC Account 182.3 (Other Regulatory Assets), and credit FERC Account 407.4 (Regulatory Credit).

In addition, the Company would then, following the month of recording the Other Regulatory Asset, begin amortizing the Other Regulatory Asset balance monthly over approximately 12 years, crediting FERC Account 182.3 (Other Regulatory Assets) and debiting FERC Account 407 (Regulatory Debit).

Conclusion

Staff concludes the Commission should approve Avista's request for authorization to Deferral Related to Certain Costs for Non-Contributory Defined Benefit Pension Plans.

**PROPOSED COMMISSION MOTION:**

Approve Avista's application request for authorization to defer costs for Non-Contributory Defined Benefit Pension Plans.