

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 2267

In the Matter of

AVISTA CORPORATION dba AVISTA
UTILITIES,

Application for Deferral of Certain Costs
Related to Non-contributory Defined
Benefit Pension Plans.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on November 28, 2023, the Public Utility Commission of Oregon adopted Staff's recommendation in this matter. The Staff Report with the recommendation is attached as Appendix A.

BY THE COMMISSION:



Nolan Moser

Chief Administrative Law Judge



A party may request rehearing or reconsideration of this order under ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Circuit Court for Marion County in compliance with ORS 183.484.

ITEM NO. CA15

**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.

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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, 2014.¹ 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.**

¹ 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.

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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.

Avista UM 2267