

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of  
  
PACIFIC POWER & LIGHT COMPANY,  
  
Petitioner,  
  
For An Accounting Order Approving  
Deferred Accounting Related to Non-  
Contributory Defined Benefit Pension  
Plans

DOCKET UE-181042

ORDER 01

ORDER GRANTING ACCOUNTING  
PETITION

**BACKGROUND**

- 1 On December 24, 2018, Pacific Power & Light Company (Pacific Power or Company) filed with the Washington Utilities and Transportation Commission (Commission) a petition seeking an accounting order authorizing the Company to: (1) defer the impacts associated with the occurrence of pension events, and (2) amortize the impact of pension events (*i.e.*, the increase or reduction in regulatory assets or liabilities) over the same period used to amortize the underlying regulatory assets or liabilities.
- 2 In March of 2017, in Accounting Standards Update 2017-07, the Financial Accounting Standards Board published an update to Accounting Standards Codification 715 (ASC 715), Compensation – Retirement Benefits,<sup>1</sup> requiring immediate recognition of qualifying pension events.
- 3 The update to ASC 715 would represent a change in accounting practice for Pacific Power, which currently accounts for pension events through the creation of regulatory assets or liabilities and the amortization of those assets or liabilities over a number of years, consistent with the actuarial accounting for the underlying liabilities or assets.
- 4 Pacific Power reports that it will be required to book approximately \$21 million in pension-related losses in 2018, absent regulatory approval of the requested accounting treatment.

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<sup>1</sup> Accounting Standards Update (ASU) 2017-07, Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost (March 2017).

5 The Company's current practice recognizes the effect of pension-related events over the  
actuarial life of the underlying assets or liabilities. Commission staff (Staff) believes this  
practice is consistent with regulatory accounting theory that aims to spread the  
recognition of extraordinary and non-recurring costs and revenues in a manner that  
avoids unfairly assigning costs or revenues to one generation of ratepayers. Staff also  
points out that if the Commission were to deny the Company's request, the immediate  
recognition of the impact of pension-related events could have the undesirable effect of  
requiring a regulated utility to recognize large pension-related losses in a single year  
rather than matching those losses to the offsetting gains that the Company will experience  
over time through lower annual pension benefit expense.

6 Therefore, Staff recommends that the Commission grant the Company's petition.

### **DISCUSSION**

7 We agree with Staff that Pacific Power's proposal to continue its accounting treatment,  
enabling the Company to continue to spread the effect of pension events over a number  
of years rather than recognizing the effect of those pension events in full in a single year,  
is appropriate. Accordingly, we find that the Company's petition should be granted.

### **FINDINGS AND CONCLUSIONS**

8 (1) The Commission is an agency of the State of Washington vested by statute with  
the authority to regulate the rates, rules, regulations, practices, accounts,  
securities, transfers of property, and affiliated interests of public service  
companies, including electric companies.

9 (2) Pacific Power is an electric company and a public service company subject to  
Commission jurisdiction.

10 (3) WAC 480-07-370(3), allows companies to file petitions, including that for which  
Pacific Power seeks approval.

11 (4) The Commission has reviewed the Company's petition and related work papers  
filed in Docket UE-181042.

12 (5) The Commission finds that Pacific Power's request is reasonable. Whereas  
ASC 715 would otherwise require accelerated recognition of the effect of pension

events, the provisions of the Company's petition seek to spread the recognition of impacts resulting from pension events, consistent with sound regulatory accounting practices and theory.

13 (6) This matter came before the Commission at its regularly scheduled meeting on April 11, 2019.

14 (7) After reviewing the Company's petition filed in Docket UE-181042 on December 24, 2018, and giving due consideration to all relevant matters and for good cause shown, the Commission finds that the Company's petition should be granted.

### **ORDER**

#### **THE COMMISSION ORDERS:**

15 (1) Pacific Power & Light Company's request to: (1) defer the impacts associated with the occurrence of pension events, and (2) amortize the impact of pension events over the same period used to amortize the underlying regulatory assets or liabilities, is granted.

16 (2) This Order shall not affect the Commission's authority over rates, services, accounts, valuations, estimates, or determination of costs, on any matters that may come before it. This Order shall not be construed as an agreement to any estimate or determination of costs, or any valuation of property claimed or asserted.

17 (3) The Commission retains jurisdiction over the subject matter and Pacific Power & Light Company to effectuate the provisions of this Order.

The Commissioners, having determined this Order to be consistent with the public interest, directed the Secretary to enter this Order.

DATED at Olympia, Washington, and effective April 11, 2019.

**WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**MARK L. JOHNSON, Executive Director and Secretary**