

SERVICE DATE

JAN 27 1995

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Petition of)
)
U S WEST COMMUNICATIONS, INC.)
)
to Implement the FCC and Financial)
Accounting Standards Board Approved)
Form of Accounting for Post-)
Retirement Benefits Other Than)
Pensions Effective January 1, 1992)
.)

DOCKET NO. UT-930074

In the Matter of the Petition of)
)
U S WEST COMMUNICATIONS, INC.)
)
to Include a Rate Base Adjustment)
for a Pension Asset Commencing)
with 1992 Results)
.)

DOCKET NO. UT-930307

In the Matter of the Petition of)
)
U S WEST COMMUNICATIONS, INC.)
)
Relating to the Implementation of)
SFAS 112, Employers' Accounting for)
Post Employment Benefits)
.)

DOCKET NO. UT-931378

COMMISSION DECISION AND
ORDER ADOPTING INITIAL
ORDER

SUMMARY

PROCEEDINGS: This proceeding consists of two petitions by U S WEST Communications, Inc., relating to the adoption and implementation of new accounting procedures promulgated by the Financial Accounting Standards Board (FASB), and one petition relating to the inclusion of a pension asset in rate base. Docket No. UT-930074 is the company's request to adopt Statement of Financial Accounting Standards No. 106, Employers' Accounting for Post-Retirement Benefits Other Than Pensions (SFAS 106), effective January 1, 1992. Docket No. UT-930307 requests Commission authorization to include a pension asset in rate base on an on-going basis effective with the 1992 sharing year. Docket No. UT-931378 requests Commission approval of the company's use for accounting purposes of Statement of Financial Accounting Standards No. 112 (SFAS 112), Employers' Accounting for Post-Employment Benefits, effective January 1, 1993. The matters were consolidated by order of the Commission and set for hearing.

HEARINGS: Three days of hearings were held on these petitions in Olympia before Administrative Law Judge Lisa A. Anderl on November 1, 1993, and May 16 and 17, 1994. The parties filed briefs by July 8, 1994.

APPEARANCES: U S WEST Communications, Inc. (U S WEST or company) was represented by Edward T. Shaw, attorney, Seattle. The Staff of the Washington Utilities and Transportation Commission (Commission Staff) was represented by Steven W. Smith, assistant attorney general, Olympia. The public was represented by Robert F. Manifold, assistant attorney general, Seattle. Intervenor MCI Telecommunications Corporation (MCI) was represented by Brooks Harlow, attorney, Seattle. Intervenor Telecommunications Ratepayers Association for Cost-based and Equitable Rates (TRACER) was represented by Arthur A. Butler, attorney, Seattle. Intervenor Telephone Pioneers of America was represented by Harold Grimes, chapter officer. Intervenor Washington Independent Telephone Association (WITA) was represented by Richard A. Finnigan, attorney, Tacoma.

INITIAL ORDER: The Initial Order rejected U S WEST's petitions in Docket Nos. UT-930074 and UT-930307, the requests for early adoption of SFAS 106 and rate base inclusion of the pension asset, respectively. Further, the Initial Order accepted with modification the company's petition in Docket No. UT-931378, the request for adoption of SFAS 112.

COMMISSION: This Order accepts the Initial Order. It rejects the early adoption of SFAS 106 and the petition to include the pension asset in rate base. It allows adoption of SFAS 112 with a January 1, 1994 effective date.

MEMORANDUM

I. Background

On January 20, 1993, U S WEST filed a petition in Docket No. UT-930074 requesting Commission approval of the company's request to adopt SFAS 106, Employers' Accounting for Post-Retirement Benefits Other Than Pensions, effective January 1, 1992. The Commission had previously approved implementation of SFAS 106 effective January 1, 1993. Early adoption of SFAS 106 would result in the company expensing and funding \$25 million for 1992; \$10.9 million of this total would be funded with ratepayer sharing dollars under the company's alternative form of regulation (AFOR).

On March 23, 1993, U S WEST filed a request in Docket No. UT-930307 for Commission authorization to include a pension asset in rate base on an on-going basis effective with the 1992 sharing year. U S WEST's calculation of this asset is \$67 million. Of this amount, the company's ratepayers would fund \$4 million from their 1992 sharing dollars under the AFOR.

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Docket Nos. UT-930074, -930307, -931378

On November 12, 1993, U S WEST filed a request in Docket No. UT-931378 for Commission approval of the company's use for accounting purposes of SFAS 112, Employers' Accounting for Post-Employment Benefits, effective January 1, 1993. If granted, this accounting petition would involve a one-time "catch up" entry of \$9 million on the company's books, to reflect the liability for disability and worker's compensation claims.

The Commission consolidated Docket Nos. UT-930074 and UT-930307 by order dated September 28, 1993, consolidate these matters with Docket No. UT-931378 by order dated December 7, 1993. These consolidated proceedings were set for hearing. The parties prefiled the direct and rebuttal testimony of all witnesses. Hearings for cross-examination of that testimony was conducted on May 16 and 17, 1994, in Olympia. U S WEST presented three witnesses: Margaret Wright, the state finance director; Wayne Borkowski, a certified public accountant and adjunct professor at Pacific Lutheran University; and Gene Wickes, an actuary with Towers Perrin. Commission Staff sponsored the testimony of Teresa Pitts, telecommunications policy specialist. Public Counsel and TRACER jointly sponsored Steven Carver, a consultant with Utilitech, Inc. The other intervenors did not sponsor witnesses.

Commission Staff, Public Counsel, TRACER, and MCI oppose the petitions. U S WEST and WITA urge Commission approval of the petitions. All parties filed briefs on July 8, 1994, except Telephone Pioneers of America who did not file a brief.

II. SFAS 106 -- DOCKET NO. UT-930074

The company requests Commission approval to adopt SFAS 106, Employers' Accounting for Post-Retirement Benefits Other Than Pensions, effective January 1, 1992. The Commission had previously authorized the company to implement SFAS 106 effective January 1, 1993.¹

¹ The Commission approved a settlement agreement between U S WEST and Commission Staff in the Fourth Supplemental Order Accepting Settlement With Modifications, Resolving Complaint And Authorizing An Alternative Form Of Regulation, Docket Nos. U-89-2698-F and U-89-3245-P, January 16, 1990. Paragraph 18E of that agreement provides that if the FCC and the FASB approve or mandate SFAS 106, the company could petition for approval to make accruals, and Staff agreed not to oppose accruals in principle. Staff did not oppose implementation of SFAS 106 effective January 1, 1993.

Post-retirement benefits other than pensions are benefits such as health insurance which U S WEST and many other companies provide to retirees and their dependents. In the past, these benefits have been accounted for on a "pay-as-you-go" basis, with the company recognizing expense when payment is incurred. The FASB, in promulgating SFAS 106, recognized that the liability for these benefits is generated because of the retiree's employment, and required that an expense and corresponding liability be accrued on a company's books over the course of the employment during which the benefits are earned. This accounting treatment is necessary in order that the company be in compliance with generally accepted accounting principles (GAAP). The FASB required companies to implement SFAS 106 effective with fiscal years beginning after December 15, 1992, and encouraged earlier adoption. The Federal Communications Commission (FCC) authorized companies to implement SFAS 106 effective on or before January 1, 1993.

Implementation of SFAS 106 involves a "catch up" entry for benefits earned to date, and the on-going annual obligation. At the time SFAS 106 is adopted, the company would make a "catch up" entry, also known as the transition benefit obligation (TBO), which represents the amount of vested post-retirement benefits other than pensions which have been earned by employees to that date. U S WEST did not book this liability in the past since this was not required under a "pay-as-you-go" scheme. SFAS 106 allows the company to take this liability all at once (as it did for financial accounting purposes), or to amortize it over a period not greater than the longer of 20 years or the remaining service life of the employees. For ratemaking purposes, the company proposes amortization over the remaining life of its employees (17 years). The other element is the current, or annual, liability for the post-retirement benefits other than pensions. This amount is an actuarial calculation and is subject to an annual "true-up" to reflect actual events.

The company's principal reason for advocating early adoption of SFAS 106 is that it is good accounting practice -- that early adoption was chosen for financial reporting purposes, and regulatory treatment should be consistent with and reflect actual events. The company's other reason for requesting early adoption of SFAS 106 is it's contention that it costs less in the long run and thus is a benefit to ratepayers. Early adoption would result in the company funding \$25.0 million for 1992, of which \$10.9 million would be ratepayer sharing dollars under the company's alternative form of regulation (AFOR).

The Initial Order would deny the petition. The ALJ found that the company had not demonstrated that early adoption was in the public interest. The Initial Order would find that the benefits identified by the company, \$12 to \$24 million, are highly speculative. The ALJ stated these benefits are based on an assumption that U S WEST will continue to be regulated as it has been historically, an assumption the ALJ believed was simply not realistic.

U S WEST petitions for administrative review claiming that the Initial Order is in error, unsupported, and arbitrary and capricious. The company argues that rates are not sufficient to cover actual operating costs. They argue that the one year delay will result in inaccurate timing of the company's reflection of these costs as an expense. They also argue that it is the regulator's duty to ascertain appropriate expense levels, not to determine what are appropriate expense items. Further, they argue that Commission Staff, Public Counsel, and the ALJ equate lower rates for today's ratepayers with the public interest, which they contend is a short-sighted ratepayer viewpoint not a public interest viewpoint.

Commission Staff and Public Counsel reply, arguing that any analysis of benefits that assumes the status quo for ratemaking purposes over the next 17 years is "speculative." Staff claims the company's case cited no statutory basis for granting the petition. Further, there is no claim that the petition would have to be granted to maintain reasonable and sufficient rates. Staff argues that the rates in 1992, the affected year, have already been ruled fair, just, and reasonable. (See, Docket Nos. U-89-2698-F and U-89-3245-P.) Public Counsel argues that it was U S WEST who first used the ratepayer benefit argument to support early adoption. Then, when the evidence indicates that it is not in the ratepayers' interest, the company complains about application of this test which they originally proposed.

The Commission denies U S WEST's petition for review on this issue and rejects any claim that the Commission is obligated to permit earlier adoption of this accounting standard than already approved. Nor does the Commission find convincing the company's argument that the public will benefit from early adoption. The company's assertion that the regulatory status quo will continue essentially unchanged well into the future is at best speculative and at worst unrealistic. The Commission will not disturb its prior determination that SFAS 106 be implemented January 1, 1993, and will deny the company's petition for earlier adoption.

III. PENSION ASSET -- DOCKET NO. UT-930307

A. The pension asset

The company requests Commission authorization to include a pension asset in rate base on an on-going basis effective January 1, 1992. U S WEST's calculation of this asset is \$67 million. The impact on ratepayers for 1992 would be a reduction in sharing dollars of \$4 million.

The parties agree that since 1987 the company's pension fund is in excess of its pension liability for financial reporting purposes. The company has not contributed dollars to the pension fund since that time, but the fund still carries an excess balance and, in fact, the level of the excess continues to grow. The growth in this excess has created pension expense credits and a corresponding pension asset. In general, the reason for the excess balance is the pension fund's investment performance which is expected under current trends to provide future returns beyond U S WEST's original expectations.

The company claims that it must be allowed to earn a return on the pension asset, otherwise shareholders, who the company claims have provided the funds which are the pension asset, would be unfairly prejudiced. The company argues that the pension credits benefit ratepayers by reducing revenue requirement and therefore reduce rates and/or increase ratepayer sharing under the AFOR. This benefit to the ratepayer is viewed by the company as the "buying back," or reimbursement, of the dollars which originally created the asset. The company concludes that the asset is thus shareholder provided and argues that shareholders must be allowed to earn a return on this asset.

Commission Staff argues that during the time up until 1987, contributions to the pension fund were entirely recovered in rates, and that the pension asset was created by ratepayer, and not shareholder, provided funds. Additionally, Staff argues generally that the pension asset is only one element of a working capital analysis. To the extent that miscellaneous assets are shareholder supplied, they are properly included in rate base as investor supplied working capital. The company has not done a working capital analysis and cannot determine conclusively what portion of the pension asset is investor supplied and therefore includable in rate base. Even accepting that an increase in this asset represents an increase in shareholders' investment, Staff contests this piecemeal approach to working capital allowance, and argues that investor supplied working capital should be reviewed on a comprehensive, not piecemeal, basis.

Public Counsel and TRACER argue that quantification of net pension contribution by, or benefits provided to, ratepayers is impossible. These parties point out that the company's calculations of pension asset contributions and benefits are based on assumptions regarding the company's cost of service and the recovery of pension costs in rates which they characterize as unsupported conjecture. These parties urge the Commission to deny this petition.

The Initial Order would deny the company's petition. The Order would conclude that this is not the appropriate proceeding to consider inclusion of a pension asset in rate base, but even if it was, the amount of the pension asset funded by the shareholders cannot be quantified. The Initial Order would conclude that the company should not be allowed to include a pension asset in rate base as requested in its petition. The inclusion in rate base of this asset, even if otherwise appropriate, should be done as one element of a total working capital analysis. To do otherwise would allow the company to pick and choose among working capital adjustments, petitioning the Commission for recognition of increases without necessarily identifying offsetting decreases.

The company's petition for administrative review argues that the asset is in fact shareholder supplied as evidenced by Exhibit 19. The company therefore maintains the Initial Order's denial of relief based on the company's failure to analyze total working capital is flawed. The company asserts its most recent working capital study in 1977 supports its case, and it is highly probable that if such a study was done now it would demonstrate, as has the company in this proceeding, that the entire asset is investor supplied. The company also asks that if the pension asset is not added to rate base, then at least the related deferred taxes should not be subtracted from rate base; the Commission will address this issue later in this Order.

The Commission denies the company's petition for administrative review on this issue. The Commission does not question the existence of the asset, nor the prudence of its existence. The Commission rejects arguments made by the company, Public Counsel, and Commission Staff that it is appropriate to compare the pro forma expense level in a rate case setting to actual expense levels in subsequent years. The Commission finds it inappropriate to identify one item out of total investor supplied working capital and propose an adjustment without doing a comprehensive review of all items. Many other circumstances affecting investor supplied working capital have occurred in recent years, including the conversion of toll revenue to extended area service revenue and the approval of SFAS 112 in this proceeding. The Commission in proceedings involving gas, electric, and telephone companies, including Cause No. U-77-87

cited by the company, has refused to reflect directly in rate base such assets as materials and supplies and other deferred debits. These items have been included in the rate base only to the extent that they have been demonstrated to be investor supplied.²

B. Deferred taxes

The other issue arising in connection with the pension asset is the company's treatment of the deferred taxes associated with that asset, which total \$23 million as of 1993. The company has normalized the tax benefits of the pension expense resulting in deferred tax credits; this deferred tax credit is treated as a rate base offset.

Public Counsel suggests that if the Commission denies the company's petition, it might be appropriate to eliminate the accumulated deferred taxes as a rate base offset. Commission Staff argues that the company is required by rule³ to "flow-through" those tax benefits, as no exceptions to the flow-through

² The Commission has used the investor supplied working capital approach in most general rate increase proceedings in recent years. In the most recent general rate increase case for Puget Sound Power & Light Company, not only was this approach accepted but the Commission specifically allowed certain deferred assets in working capital using this approach. (See, Eleventh Supplemental Order, Docket Nos. UE-920433,-920499,-921262, September 21, 1993, p. 84) For Pacificorp d/b/a Pacific Power and Light Company, the Commission rejected the direct inclusion of materials and supplies, cash working capital, and unamortized leasehold improvements and other miscellaneous items in favor of the investor supplied working capital. The Commission's Order indicates that the excluded items are reflected in the balances of the investor supplied approach. (See, Second Supplemental Order, Cause No. U-81-17, December 16, 1981, p. 5) Also, for Pacific Northwest Bell Telephone Company the Commission excluded materials and supplies from rate base stating that these amounts were not contested as to their necessity or utility but were not demonstrated to require additional investor supplied capital. (See, Second Supplemental Order, Cause No. U-77-87, October 18, 1978, p. 11) There the Commission's Order also identified the result of Commission Staff's analysis of investor supplied working capital to be a negative \$37 million. Many other general rate increase proceedings from the mid-1970s to the present involving gas, electric, and telephone companies utilized this approach.

³ WAC 480-120-031(1)(f) provides that unless specific exceptions are granted or required, the company shall flow-through tax benefits to the extent allowed by federal tax regulations.

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requirement have been granted by the Commission, nor is normalization required by federal tax regulations. Staff requests that the company be required to flow-through the tax benefits in its AFOR sharing filing for 1993. The company did not specifically address the issue of normalization versus flow-through on brief, but did seem to agree with Public Counsel's position regarding removal of the deferred taxes as a rate base offset.

The Initial Order stated that it appears the company is improperly normalizing the deferred taxes associated with the pension asset and that it should be required to flow-through those benefits beginning with the 1993 sharing filing. There is no support or justification on this record for normalizing the tax timing benefits as the company has done. The Initial Order would conclude that to the extent these taxes have been deferred and not flowed-through to ratepayers in the past, they should, in an appropriate proceeding, be deducted from rate base.

U S WEST's petition for administrative review argues that the Initial Order is wrong concerning the requirement to flow-through the tax benefits associated with the pension expense credits. The company's argument is based on its interpretation of WAC 480-120-031(3)(k). This rule is an exception to the general requirement to flow-through tax effects of timing differences when normalization is not specifically granted or required. WAC 480-120-031(3)(f) The company reads sub-paragraph "(k)" to require normalization when either of the following is true: (1) the company is allowed to convert to generally accepted accounting principles (GAAP) treatment of an item, or (2) the company is allowed other accounting changes which call for the accrual of expense before the expense is deductible for tax purposes. Further, the company argues that in the past Commission Staff has interpreted this rule to require normalization in this instance, as they have taken no exception to company responses to data requests on this issue in the AFOR proceedings.

Commission Staff argues that the rules require the company to flow-through the tax benefits in situations of this kind. Staff refers to the requirements of WAC 480-120-031(3)(f) and to paragraph "18.D" of the Settlement Agreement in Docket Nos. U-89-2698-F and U-89-3245-P. Paragraph 18.D prescribes adjustments to the company's rate of return starting point including an adjustment to the lower of normalization or flow through.⁴ With respect to the exception cited by the company in

⁴ 18. Measurement of Achieved Rate of Return. For determining the company's achieved rate of return during the measurement period, the following calculations shall be made:

sub-paragraph "(k)," Staff interprets this paragraph to require normalization when GAAP or other accounting changes are adopted, with the result that the expense will be recognized for book purposes prior to the recognition of these expenses for tax purposes.

With respect to the interpretation of WAC 480-120-031(3)(k), the Commission agrees that Commission Staff's interpretation of the rule is consistent with the intent of the rule as adopted by the Commission in Docket No. U-87-1144-R.⁵ The Commission, however, does not believe that this is the proper proceeding to rule on the appropriate treatment of the deferred taxes in the company's required AFOR sharing filings, as it was not at issue in this proceeding. The Commission believes the more appropriate proceedings would be the company's remaining 1993 and 1994 sharing filings and general rate case proceedings.

The Commission will continue to offset rate base by the unamortized deferred taxes associated with the pension asset. The Commission has concluded in other proceedings that tax expense should be shown on an actual basis, and that when tax expense is recognized on a deferred basis, the deferred amounts contributed by ratepayers through rates should be attributed to them through a reduction in rate base. Note here that rates cover actual cost levels and not the cost levels from pro forma statements from a general rate case proceeding. Other options available to the Commission have been to include the deferred taxes as zero cost capital in the determination of authorized rate of return. In either case, ratepayers are given full credit for the deferred tax expense recognized in rates, which has not been paid or obligated to the federal government.

IV. SFAS 112 -- DOCKET NO. UT-931378

U S WEST requests Commission approval of the company's use for accounting purposes of SFAS 112, Employers' Accounting for Post-Employment Benefits, effective January 1, 1993. If granted, this accounting petition would involve a one-time "catch up" entry of \$9 million on the company's books, to reflect the liability for disability and workers' compensation claims.

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- D. Traditional Adjustments. Adjustments to the starting point shall be made for the following items, * * *
 - h) Lower of normalization versus flow through for tax timing differences where federal law does not mandate normalization.

⁵ Order Adopting Rule, U-87-1144-R, November 25, 1987

The FCC has ordered U S WEST to adopt SFAS 112 effective January 1, 1994. The FASB has required SFAS 112 accounting for all fiscal years beginning after December 15, 1993. The expenses involved in this petition are those associated with claims wherein the disabling event has already occurred, so that the fact of the obligation is certain. The amount of the obligation, for medical expenses, disability payments, etc., varies with each claim and must be estimated.

In support of its petition, U S WEST argues that it is merely requesting permission to adopt accounting practices that reflect reality. The accrual required by SFAS 112 is a superior and more accurate way to keep its books for these legitimate and unavoidable expenses and should be adopted for that reason and not avoided because of its impact on revenue requirement. U S WEST does not want an amortization ranging from three to five years, as suggested by Public Counsel and TRACER, because the impact is small and does not require a phase-in. U S WEST concludes that the settlement agreement clearly contemplates that necessary and desirable accounting changes should be made as they come up during the life of the AFOR and that its petition should be granted to comply with the letter and spirit of that agreement.

Commission Staff opposes this petition on brief on the grounds that the amounts cannot be estimated reliably and that the accrual is nothing more than an accounting entry based on questionable projections.⁶ Staff also points out that the \$9 million will not be placed in a separate account to fund future obligations, that the company will in fact continue to pay the obligations as they are incurred, and that the annual on-going expense will not change significantly as a result of the transition from "pay-as-you-go" to accrual accounting. Public Counsel and TRACER oppose the one year "catch up" recommending instead a three to five year amortization of the \$9 million.

The Initial Order would conclude that it is appropriate to allow U S WEST to adopt SFAS 112 as set forth in its petition, with the modification that the effective date should be January 1, 1994. The Order stated that this later effective date is consistent with FASB and FCC required implementation, and no

⁶ Commission Staff notes that the actuarial report underlying these estimates contains cautions about the uncertainty of estimates and the possibility of unanticipated events which might cause the actual results to vary significantly from the estimates.

reason was advanced for early adoption. On the merits of the petition, the Initial Order would conclude that the accrual method is appropriate for the disability and workers' compensation liabilities⁷ where the disabling event has already occurred.

The company's petition for administrative review argues that the Initial Order mischaracterizes their accounting petition as a request for early adoption of SFAS 112. U S WEST states that the Order implies that the company is asking for early adoption for their own benefit. The company states that its only reason for early adoption is their belief that it is proper accounting. They argue that no party specifically asked for a delay in the implementation of SFAS 112.

Commission Staff originally opposed the adoption of SFAS 112, but in their answer to the company's petition for administrative review, Staff indicates a willingness to accept the Initial Order so long as it does not affect 1993 sharing under the AFOR. Public Counsel/TRACER do not oppose the Order on this issue in their answer, but do refer to their brief where they opposed a one year amortization, recommending instead that the \$9 million be amortized over a period ranging from three to five years.

The Commission agrees with the Initial Order and will approve adoption of SFAS 112 effective January 1, 1994. The Commission also accepts the Order's limitations restricting adoption to the items identified by the company in its petition - long and short-term disability plans, disability pension plan, and self-insured workers' compensation.

Having discussed in detail above the oral and documentary evidence concerning all material matters, and having stated findings of fact and conclusions of law, the Commission now makes the following summary of those facts and conclusions. Those portions of the preceding detailed findings pertaining to the ultimate findings are incorporated by this reference.

⁷ The Initial Order would approve adoption of SFAS 112 limited to the items and methods of calculation proposed in the company's petition, specifically the company's long-term and short-term disability plans, disability pension plan, and self-insured workers' compensation. The approval would not include other items which fall under the general heading of post-employment benefits, including severance benefits, job training, and other items.

FINDINGS OF FACT

1. The Washington Utilities and Transportation Commission is an agency of the state of Washington vested by statute with authority to regulate rates, services, facilities, practices, rules, accounts, securities, and transfers of public service companies, including telecommunications companies.

2. U S WEST Communications, Inc., is engaged in the business of providing telecommunications services to customers in the state of Washington as a public service company.

3. The company has requested adoption of SFAS 106 for ratemaking purposes effective January 1, 1992, rather than January 1, 1993, as previously approved by the Commission. With early adoption, the company would expense and fund an additional \$25 million in 1992, reducing sharing available to ratepayers by \$10.9 million. Potential net benefits to ratepayers from early adoption would not accrue, if at all, until 1998. The potential benefit to ratepayers, as calculated by the company, is \$12-\$24 million over the next 17 years. These benefits are not likely to occur as calculated by the company, as the method used assumes circumstances not likely to continue through the next 17 years.

4. The company has requested inclusion in rate base of a pension asset in the amount of \$67 million on an on-going basis effective with 1992. The pension asset does exist in that amount as a result of an excess amount in the company's pension fund. The pension asset is one element of total working capital. No total working capital calculation was presented in this proceeding.

5. The company has requested adoption of SFAS 112 effective January 1, 1993. The FASB has required SFAS 112 accounting for all fiscal years beginning after December 15, 1993. The expenses involved in this petition are those expenses associated with claims wherein the disabling event has already occurred, so that the fact of the obligation is certain. The amount of the obligation, for medical expenses, disability payments, etc., varies with each claim and must be estimated; the amounts are subject to reasonable projection.

CONCLUSIONS OF LAW

1. The Washington Utilities and Transportation Commission has jurisdiction over the subject matter and the parties in this proceeding.

2. The petition in Docket No. UT-930074 for approval of early adoption of SFAS 106 for ratemaking purposes effective January 1, 1992, should be denied as not in the public interest.

3. The petition in Docket No. UT-930307 for inclusion in rate base of a pension asset should be denied. This addition to rate base should properly be proposed in a properly documented total working capital calculation, which was not presented in this proceeding.

4. The petition in Docket No. UT-931378 for approval of adoption of SFAS 112 for ratemaking purposes effective January 1, 1993, should be modified to request an effective date of January 1, 1994, and, as modified, should be granted.

On the basis of its analysis of the record evidence, and the above findings of fact and conclusions of law, the Washington Utilities and Transportation Commission enters the following order.

ORDER

THE COMMISSION ORDERS:

1. The petition in Docket No. UT-930074 to implement SFAS 106 effective January 1, 1992, is denied.

2. The petition in Docket No. UT-930307 to include the pension asset in rate base is denied.

3. The petition in Docket No. UT-931378 to adopt SFAS 112, as described and limited in this Order, is granted, with the modification that the approved effective date is January 1, 1994, not January 1, 1993, as originally requested.

DATED at Olympia, Washington, and effective this 25th day of January 1995.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Sharon L. Nelson

SHARON L. NELSON, Chairman

Richard Hemstad

RICHARD HEMSTAD, Commissioner

William R. Gillis

WILLIAM R. GILLIS, Commissioner

NOTICE TO PARTIES:

This is a final order of the Commission. In addition to judicial review, administrative relief may be available through a petition for reconsideration, filed within 10 days of the service of this order pursuant to RCW 34.05.470 and WAC 480-09-810, or a petition for rehearing pursuant to RCW 80.04.200 or RCW 81.04.200 and WAC 480-09-820(1).