

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of

AVISTA CORPORATION d/b/a
AVISTA UTILITIES,

Petitioner,

For an Accounting Order Approval
of Deferred Accounting Related to
Non-contributory Defined Benefit
Pension Plans

DOCKETS UE-220898 and UG-220899

ORDER 01

GRANTING ACCOUNTING
PETITION

BACKGROUND

- 1 On December 6, 2022, Avista Corporation d/b/a Avista Utilities (Avista or Company) filed with the Washington Utilities and Transportation Commission (Commission) a petition (Petition) seeking an accounting order authorizing the Company to: (1) defer the expected impacts associated with the occurrence of pension events, and (2) immediately amortize the impact of pension events (*i.e.*, the increase or decrease in regulatory assets or liabilities) to expense over the same period used to amortize the underlying regulatory assets or liabilities.
- 2 According to Accounting Standards Codification (ASC) 715-30, which is the Financial Accounting Standards Board's accounting standard for governing defined benefit pension plans, for certain pension events Avista is required to immediately recognize and record certain pension-related gains or losses in the Company's financial statements in each relevant year.
- 3 Through November 2022, Avista's lump sum distributions in the Pension Plan (\$60.4 million) surpassed the \$48.8 million settlement accounting service plus interest cost threshold for the plan in 2022. This triggered settlement accounting for a loss of approximately \$11 million. Avista must recognize approximately \$11 million (system) in pension-related losses in 2022. Without the approval of the accounting petition to defer and amortize over the average remaining lives of plan participants, Avista is required to immediately recognize these pension-related losses in the Company's financial statements.
- 4 Avista proposes to defer treatment of the settlement losses as described in its Petition, and to amortize the deferred settlement loss balance over approximately 12 years (the

actuarial assumption of the remaining life expectancy of plan participants). This proposed request would result in no impact to customers and continue to allow recovery of these costs consistent with recovery in rates today.

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 allows the Company 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. If the Commission does not authorize this accounting petition, 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 In addition, Pacific Power & Light Company made a similar request to the Commission in 2018. Pacific Power & Light's accounting petition was approved by the Commission in Docket UE-181042, Order 01. Furthermore, Avista filed the same accounting petition with the Idaho Public Utilities Commission and was approved on March 7, 2023.

7 Commission Staff (Staff) has reviewed the Company's filing and believe that granting the Company's Petition would benefit customers because their rates would not change. Therefore, Staff recommends the Commission approve the Company's Petition and allow the Company to record pension-related losses as a regulatory asset and begin immediately amortizing the losses over the estimated remaining lives of the Pension Plan participants.

DISCUSSION

8 We agree with Staff and grant the Company's Petition. Avista's request 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

9 (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 and natural gas companies.

- 10 (2) Avista is an electric and natural gas company and a public service company subject to Commission jurisdiction.
- 11 (3) WAC 480-07-370(3) allows companies to file accounting petitions.
- 12 (4) The Commission has reviewed the Company's petition and related workpapers filed in Dockets UE-220898 and UG-220899.
- 13 (5) The Commission finds that Avista'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.
- 14 (6) This matter came before the Commission at its regularly scheduled meeting on March 23, 2023.
- 15 (7) After reviewing Avista's Petition filed in Dockets UE-220898 and UG-220899 on December 6, 2022, and giving due consideration to all relevant matters and for good cause shown, the Commission finds that the Company's Petition is consistent with the public interest and should be granted.

ORDER

THE COMMISSION ORDERS:

- 16 (1) Avista Corporation's d/b/a Avista Utilities Petition to change the depreciation and amortization rates for investment in software is granted.
- 17 (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.

18 (3) The Commission retains jurisdiction over the subject matter and Avista Corporation d/b/a Avista Utilities to effectuate the provisions of this Order.

19 The Commissioners, having determined this Order to be consistent with the public interest, directed the Secretary to enter this Order, subject to the Staff's recommended conditions.

DATED at Lacey, Washington, and effective March 23, 2023.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

AMANDA MAXWELL
Executive Director and Secretary