

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF AVISTA’S)	CASE NOS. AVU-E-22-16
APPLICATION FOR AN ORDER)	AVU-G-22-08
AUTHORIZING DEFERRAL ACCOUNTING)	
AND ACCOUNTING ORDER RELATED TO)	
NON-CONTRIBUTORY DEFINED BENEFIT)	ORDER NO. 35696
PENSIONS PLANS)	
)	

On December 6, 2022, Avista Corporation dba Avista Utilities (“Company”) applied requesting the Idaho Public Utilities Commission (“Commission”) issue an accounting order under Accounting Standards Codification (“ASC”) 980 to defer losses related to the Company’s defined benefit pension plan (“Pension Plan”) costs and amortize the deferred Pension Plan costs over approximately 12 years (“Application”)¹. The Company states that the proposed accounting treatment would not impact customers. Application at 1, 9. The Company requested that its Application be processed by Modified Procedure.

On January 11, 2023, the Commission issued a Notice of Application and Notice of Modified Procedure setting public comment and Company reply deadlines. Order No. 35660.

On January 31, 2023, Commission Staff (“Staff”) filed comments to which the Company did not reply. No public comments were submitted.

The Commission now issues this Order approving the Company’s Application.

THE APPLICATION

The Company offers a Pension Plan to regular, full-time employees who were hired prior to January 1, 2014. Application at 3. Qualifying employees can opt for early retirement under the Pension Plan. Benefits are paid in the form of life annuities, social security level income, ten-year certain benefits, and lump sum cash payments. *Id.*

The Company’s Pension Plan costs are affected by many factors, including the “employee demographics (including age, and length of service by employees); the amount of cash contributions made by the Company; the actual return on Pension Plan assets; the expected return on Pension Plan assets; the discount rate used in determining the projected benefit obligation and

¹ The Company’s filing referred to both a petition and an application. Commission Rule of Procedure 52 states “[a]ll pleadings requesting a right, certificate, permit, or authority from the Commission are called ‘applications’” IDAPA 31.01.01.052. We believe this filing is best characterized as an application and will refer to the filing only as an application to avoid confusion.

Pension Plan costs; the assumed rate of increase in employee compensation; the life expectancy of participants and other beneficiaries; and the expected method of payment (lump sum or annuity) or pension benefits.” *Id.* at 4.

Under ASC 715-30, the Company is required to immediately recognize the funded status of the Pension Plan on its balance sheet. *Id.* at 5. As of December 31, 2021, the Pension Plan had a funded status of \$9.1 million below the projected benefit obligation. *Id.* at 3, 6. ASC 715-30 treats gains and losses arising from “investment activities related to plan assets” and “changes in actuarial assumptions and experience” similarly as arising at the time of plan remeasurement. *Id.* at 5. Unless a reporting entity chooses to immediately recognize these gains and losses, they are charged or credited directly to Accumulated Other Comprehensive Income (“AOCI”). *Id.*

Under ASC 715-30, pension settlement events require immediate recognition rather than recognition over time, and “unrecognized actuarial gains or losses are recorded in AOCI or as a regulatory asset” (settlement accounting). *Id.* at 6. “A settlement is a transaction that (a) is an irrevocable action, (b) relieves the plan of primary responsibility for a pension obligation, and (c) eliminates significant risk related to the obligation and the assets used to affect the settlement.” *Id.* An entity that adopts an accounting policy to apply settlement accounting to one or more settlements must apply the policy to all settlements. *Id.* If settlement accounting is triggered prior to the last month of the fiscal year, every lump sum distribution after the initial triggering event will result in additional settlement losses to be recorded by the year-end measurement date. *Id.* at 6-7.

The Company represented that, through November 2022, the lump sum distributions in the Pension Plan totaled \$60.4 million, which surpassed the \$48.8 million threshold that would trigger settlement accounting for a settlement loss of approximately \$11 million.² *Id.* at 7. Absent the requested accounting order, under ASC 715-30 the Company would be required to immediately recognize this loss on its income statement. *Id.*

The Company proposed to record deferred amounts in FERC Account 182.3 (Other Regulatory Assets), and credit FERC Account 407.4 (Regulatory Credit). *Id.* at 8. The Company would thereafter begin to amortize the FERC Account 182.3 (Other Regulatory Assets) monthly

² The Company noted that the actual settlement loss will be different than its estimate cited in the Application after final 2022 actuarial calculations are completed. The Company will notify the Commission of the final settlement losses once known if its Application is approved.

over the actuarial assumption of the remaining life expectancy of the plan participants—approximately 12 years by “crediting FERC Account 182.3 (Other Regulatory Assets) and debiting FERC Account 407.X (Regulatory Debit).” *Id.*

STAFF COMMENTS

Staff reviewed the Company’s Application, accompanying documents, and the relevant accounting rules—ASC 715-30 and ASC 980. Staff explained the Company’s Pension Plan costs and how accounting rules ASC 715-30 and ASC 980 affect the timing and impact of the Pension Plan losses. Staff Comments, 3-4. Staff concurred with the Company’s interpretation of ASC 715-30, ASC 980, and acknowledged the disadvantages of ASC 715-30 in the timing and recognition of Pension Plan costs. *Id.* Staff also agreed that ASC 980 allows the Company to defer immediate recognition of costs and avoid settlement accounting—ultimately benefiting customers. *Id.* Staff recognized that granting the Company’s Application would benefit customers as their rates would not change because the Company’s “recovery of periodic net benefits would remain consistent as if the settlement event never happened.” *Id.* Therefore, Staff recommended the Commission approve the Company’s Application, and allow the Company to record Pension Plan settlement losses as a regulatory asset and begin immediately amortizing the losses over the estimated remaining lives of the Pension Plan participants. *Id.* at 4.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

The Commission has jurisdiction over this matter under *Idaho Code* §§ 61-502 and 61-503. The Commission has the express statutory authority to investigate rates, charges, rules, regulations, practices, and contracts of public utilities and to determine whether they are just, reasonable, preferential, discriminatory, or in violation of any provision of law, and may fix the same by order. *Idaho Code* §§ 61-502 and 61-503. The Company is a public utility engaged in the generation, purchase, transmission, distribution and sale of electric energy and the purchase, distribution, and sale of natural gas. The Company is a gas corporation within the definition of *Idaho Code* § 61-117, an electric corporation within the definition of *Idaho Code* § 61-119, and a public utility within the definition of *Idaho Code* § 61-129.

The Commission has reviewed the record in this matter, including the Application, supporting documentation, and Staff’s comments. The Commission has considered the request to implement accounting rule ASC 980 to allow the Company to defer losses related to the Company’s Pension Plan costs and amortize the Pension Plan costs over the actuarially assumed

remaining lives of the Pension Plan participants—approximately 12 years. The Company’s proposed accounting treatment is allowed under the ASC standards, is for a lawful purpose, and is compatible with the public interest. The Company’s customers’ rates will not change because of the proposed accounting practices due to the deferral of Pension Plan costs.

Therefore, the Commission finds it just and reasonable for the Company to implement ASC 980, defer losses related the Company’s defined Pension Plan, amortize the otherwise recognizable Pension Plan losses, record deferred amounts in FERC Account 182.3, credit FERC Account 407.4, and thereafter amortize the FERC Account 182.3 monthly over the actuarial assumption of the remaining life expectancy of the plan participants by crediting FERC Account 182.3 and debiting FERC Account 407.X.

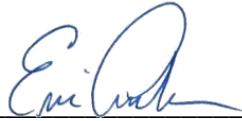
ORDER

IT IS HEREBY ORDERED that the Company’s Application to implement ASC 980, defer expected impacts related to the Company’s pension events, and amortize the pension event impacts over the actuarial assumption of the remaining life expectancy of the plan participants, is granted.

IT IS FURTHER ORDERED that the Company shall record deferred amounts in FERC Account 182.3 and credit FERC Account 407.4. On a monthly basis thereafter the Company shall amortize the FERC Account 182.3 monthly over the actuarial assumption of the remaining life expectancy of the Pension Plan participants by crediting FERC Account 182.3 and debiting FERC Account 407.X.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order regarding any matter decided in this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 7th day of March 2023.



ERIC ANDERSON, PRESIDENT

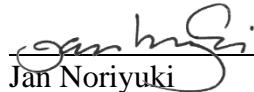


JOHN R. HAMMOND JR., COMMISSIONER



EDWARD LODGE, COMMISSIONER

ATTEST:



Jan Noriyuki
Commission Secretary

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