

DECISION MEMORANDUM

TO: COMMISSIONER KJELLANDER
COMMISSIONER SMITH
COMMISSIONER HANSEN
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL
WORKING FILE

FROM: WELDON STUTZMAN
PATRICIA HARMS

DATE: NOVEMBER 25, 2003

RE: ACCOUNTING ORDER REGARDING TREATMENT OF CERTAIN
ASSET RETIREMENT OBLIGATIONS, CASE NO. IPC-E-03-11.

On September 26 2003, Idaho Power Company (Idaho Power; Company) filed an Application with the Idaho Public Utilities Commission (Commission) seeking an Accounting Order authorizing the Company to record regulatory assets and/or liabilities associated with implementation of Statement of Financial Accounting Standards (SFAS) 143 (Accounting for Asset Retirement Obligations). This change, the Company states, will not affect the current level of asset removal cost included in the Company's revenue requirement through depreciation expense. The Company further states that nothing in the Application is intended to request any approval regarding future ratemaking treatment. Pursuant to *Idaho Code* §61-524, the Commission is empowered to establish a system of accounts to be kept by the public utilities subject to its jurisdiction.

THE APPLICATION

Under the accounting method currently used by the Company for both financial reporting and ratemaking purposes, the cost of removing a tangible long-lived asset at retirement is included in the calculation of depreciation rates as negative salvage and is recovered over the useful life of the asset. Under this method, the accrued removal cost is included in Account 108 Accumulated Depreciation. Under SFAS 143, entities are required to recognize and account for certain asset retirement obligations in a manner different from the way that Idaho Power and

other public utilities have traditionally recognized and accounted for such costs. Specifically, if a legally enforceable asset retirement obligation ("ARO"), as defined by SFAS 143 is deemed to exist, an entity must measure and record the liability for the ARO on its books. SFAS 143 was effective for financial statements issued for fiscal years beginning after June 15, 2002. The accounting changes proposed in the Application are supported by a series of exhibits identifying the proposed journal entries the Company believes are needed for compliance with SFAS 143. Idaho Power has not requested a specific effective date in its Application.

STAFF RECOMMENDATION

Staff recommends that the Commission issue a Notice of Application and Notice of Modified Procedure in Case No. IPC-E-03-11 and establish a comment deadline of December 31, 2003. This schedule should allow sufficient time for interested parties to review the Company's Application and file their comments with the Commission. Reference Commission Rules of Procedure, IDAPA 31.01.01.201-.204.

COMMISSION DECISION

Does the Commission find the proposed procedure and comment deadline acceptable?



Patricia Harms

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