# DECISION MEMORANDUM

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

FROM: PATRICIA HARMS
WELDON STUTZMAN

DATE: JUNE 18, 2003

RE: CASE NO. PAC-E-03-8 (PacifiCorp)
ACCOUNTING ORDER REGARDING TREATMENT OF CERTAIN ASSET RETIREMENT OBLIGATIONS

On May 27, 2003, PacifiCorp dba Utah Power & Light Company (PacifiCorp; 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). On the same date, the Company also filed applications with the state commissions of Oregon, Utah, Washington and Wyoming. 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 PacifiCorp 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. Compliance with this accounting standard affects the Company as a whole and therefore affects other jurisdictions in which the Company operates. Staff recommends that the Commission issue a notice of application in Case No. PAC-E-03-8 and establish an intervention deadline of July 21, 2003. Staff further recommends that the Application be processed under Modified Procedure, i.e, by written submission rather than by hearing. Reference Commission Rules of Procedure, IDAPA 31.01.01.201- 204.

In order to appropriately review the Application, Staff recommends that the Commission wait to establish further deadlines for filing in this case until Staff has received additional information from the Company. Staff will also determine that individual Staff recommendations in the various states do not create accounting anomalies.

**Commission Decision**

Staff recommends that the Commission issue a notice of application in Case No. PAC-E-03-8 and establish an intervention deadline of July 21, 2003. Staff further recommends that the Application be processed under Modified Procedure pursuant to IDAPA 31.01.01.201-204. Staff also recommends that the Commission wait to establish further deadlines for filing in this case until Staff has received additional information from the Company and has coordinated with other PacifiCorp states.

Does the Commission find the proposed procedure acceptable?

Patricia Harms

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