

**RÉPONSES DU TRANSPORTEUR ET DU DISTRIBUTEUR
À LA DEMANDE DE RENSEIGNEMENTS N° 2
DE LA RÉGIE**

**DEMANDE DE RENSEIGNEMENTS N° 2 DE LA RÉGIE DE L'ÉNERGIE (LA RÉGIE) À
HYDRO-QUÉBEC DANS SES ACTIVITÉS DE TRANSPORT ET DE DISTRIBUTION
DEMANDE RELATIVE AUX MODIFICATIONS DE MÉTHODES COMPTABLES
DÉCOULANT DU PASSAGE AUX PRINCIPES COMPTABLES GÉNÉRALEMENT
RECONNUS DES ÉTATS-UNIS (US GAAP)**

Référentiel comptable

1. **Références :** (i) Pièce B-0005;
(ii) Pièce B-0011.

Préambule :

(i) Le Transporteur et le Distributeur présentent aux tableaux suivants, les impacts des modifications de méthodes comptables découlant du passage aux principes comptables généralement reconnus des États-Unis (US GAAP) et couvrant la période du **1^{er} janvier 2015 au 31 décembre 2015** :

Tableau 2	PGEÉ et BEIÉ-Impact de l'ASC 350;
Tableaux 4 et 6	Révision des durées de vie utile aux fins réglementaires;
Tableaux 7 et 8	OLMHS-Impact de l'ASC 410;
Tableaux 9 et 10	Composantes du coût de retraite et du coût des APRA;
Tableaux 11 et 12	Avantages sociaux futurs;
Tableaux 13 et 14	Frais de développement-Impact de l'ASC 730;
Tableau 15	Solde des comptes de frais reportés;
Tableau 16	Incidence des modifications de méthodes comptables proposées sur les revenus requis de 2015.

(ii) En réponse à une demande de renseignements de la Régie, le Transporteur et le Distributeur présentent aux tableaux suivants, des données additionnelles sur les impacts des modifications de méthodes comptables découlant du passage aux principes comptables généralement reconnus des États-Unis (US GAAP) et couvrant la période du **1^{er} janvier 2015 au 31 décembre 2015** :

Tableaux R-6.2-A et R-6.2-B	Bases de tarification détaillées;
Tableau R-9.1	Évolution du PGEÉ et BEIÉ;
Tableaux R-11.1 et R-11.2	Impacts de la révision des durées de vie utile;
Tableaux R-16.1-A et R-16.1-B	Évolution des comptes d'écarts Coût de retraite;
Tableaux R-18.3-A et R-18.3-B	Évolution des frais de développement.

Demandes :

- 1.1 Veuillez déposer les tableaux indiqués aux références (i) et (ii) avec les impacts couvrant la période débutant le **10 juillet 2015 au 31 décembre 2015**.

Réponse :

- 1 **Compte tenu du fait que les données permettant de reproduire les tableaux**
2 **pour la période du 10 juillet au 31 décembre 2015 ne sont pas disponibles, le**

1 Transporteur et le Distributeur informent la Régie qu'il ne leur sera pas
2 possible de déposer les tableaux demandés. En effet, pour pouvoir fournir ces
3 tableaux, le Transporteur et le Distributeur devraient reconstituer à rebours les
4 cadres financiers, dont notamment les bases de tarification, sur une base de
5 six mois IFRS et six mois US GAAP. Vu ce qui précède, cet exercice serait
6 complexe et entraînerait des difficultés techniques importantes.

7 Par ailleurs, soucieux de répondre à la demande de la Régie qui souhaite
8 connaître les impacts sur leurs revenus requis qui découleraient d'une
9 implantation des US GAAP au 10 juillet 2015, le Transporteur et le Distributeur
10 produisent le tableau R-1.1. Il est à noter que pour les fins de cette estimation,
11 la date d'adoption des US GAAP est le 1^{er} juillet 2015.

TABLEAU R-1.1
ESTIMATION DE L'INCIDENCE DE L'ADOPTION DES US GAAP AU 1^{ER} JUILLET 2015
DU TRANSPORTEUR ET DU DISTRIBUTEUR (M\$)

	Transporteur	Distributeur
Immobilisations corporelles	47,2	46,4
Obligations liées à la mise hors service d'immobilisations	0,0	(0,4)
Avantages sociaux futurs – APRA	(3,4)	(8,3)
Avantages sociaux futurs – Retraite	5,6	16,6
Total	49,4	54,3

12 Le Transporteur et le Distributeur considèrent que les estimations linéaires
13 présentées au tableau R-1.1 fournissent un ordre de grandeur raisonnable.
14 Conséquemment, les montants à remettre à la clientèle du Transporteur et du
15 Distributeur dans les tarifs de 2016 seraient respectivement de 49,4 M\$ et
16 54,3 M\$, soit 50 % du solde des comptes d'écarts à remettre à la clientèle
17 soumis au présent dossier.

18 De plus, dans un contexte hypothétique où l'adoption des US GAAP serait au
19 1^{er} juillet 2015, le Transporteur et le Distributeur devraient également prendre
20 en compte la nouvelle évaluation du coût de retraite en IFRS pour Hydro-
21 Québec au cours des six premiers mois de 2015.

22 Considérant que :

- 23 • le coût de retraite d'Hydro-Québec établi en IFRS pour l'année 2015 est
24 évalué à 513 M\$¹,
- 25 • le coût de retraite autorisé pour l'année témoin 2015 est de 407 M\$²,

¹ Tableau 9 de la pièce HQT-D-1, document 1 (B-0005).

² Ibidem.

1 cette réévaluation à la hausse de 106 M\$ donnerait lieu, pour la période du
2 1^{er} janvier au 30 juin 2015, à des montants d'environ 10 M\$ pour le Transporteur
3 et de 20 M\$ pour le Distributeur à récupérer auprès de la clientèle en 2016.

4 Par conséquent, l'adoption des US GAAP au 1^{er} juillet 2015 engendrerait, en
5 2016, un coût supplémentaire pour la clientèle d'environ 59 M\$ pour le
6 Transporteur et de 74 M\$ pour le Distributeur par rapport à une adoption des
7 US GAAP au 1^{er} janvier 2015.

1.2 Veuillez déposer les tableaux indiqués aux références (i) et (ii) avec les impacts
couvrant la période du 1^{er} janvier 2016 au 31 décembre 2016.

Réponse :

8 **Considérant les difficultés énoncées en réponse à la question précédente, le**
9 **Transporteur et le Distributeur ne sont pas en mesure de déposer les tableaux**
10 **demandés pour une application des US GAAP sur la période du 1^{er} janvier au**
11 **31 décembre 2016. Toutefois, dans un scénario de report de la modification des**
12 **méthodes comptables découlant du passage aux US GAAP au 1^{er} janvier 2016,**
13 **il est estimé que les revenus requis de 2016 augmenteraient de la totalité des**
14 **impacts présentés au tableau 16 de la pièce HQTD-1, document 1 (B-0005), soit**
15 **98,9 M\$ pour le Transporteur et 108,6 M\$ pour le Distributeur.**

16 **À ces montants devraient s'ajouter la nouvelle évaluation du coût de retraite en**
17 **IFRS pour Hydro-Québec au cours de l'année 2015.**

18 **Pour la période du 1^{er} janvier au 31 décembre 2015, cette réévaluation à la**
19 **hausse donnerait lieu à des montants d'environ 20 M\$ pour le Transporteur et**
20 **de 40 M\$ pour le Distributeur à récupérer auprès de la clientèle en 2016.**

21 **Par conséquent, l'adoption des US GAAP au 1^{er} janvier 2016 engendrerait un**
22 **coût supplémentaire pour la clientèle d'environ 119 M\$ pour le Transporteur et**
23 **149 M\$ pour le Distributeur par rapport à une adoption des US GAAP au**
24 **1^{er} janvier 2015.**

- 2. Références :** (i) Pièce B-0011, p.11, tableau R-4.1;
(ii) Dossier R-3879-2014, phase 4, pièce B-0501, Annexe B.

Préambule :

(i) Le Transporteur et le Distributeur déposent au tableau R-4.1 une revue du référentiel comptable envisagé ou adopté par des entreprises canadiennes des secteurs électrique et gazier.

(ii) Gaz Métro dépose un tableau qui présente une liste de plusieurs entreprises canadiennes ayant des activités à tarifs réglementés ayant optés pour l'application du référentiel en vertu des US GAAP. Ces entreprises ont obtenu de nouvelles dispenses des Autorités canadiennes en valeurs mobilières (ACVM), ou de la Securities exchange commission (SEC).

Demandes :

2.1 Veuillez confirmer qu'Hydro-Québec a obtenu d'un organisme de réglementation pertinent en matière de valeurs mobilières (AVCM ou SEC) une autorisation afin d'utiliser le référentiel comptable en vertu des US GAAP pour ses états financiers statutaires et lui permettant de répondre à ses obligations d'information continue au Canada.

Réponse :

1 **Hydro-Québec n'est pas tenue d'obtenir une autorisation de l'AVCM ou de la**
2 **SEC afin d'utiliser les US GAAP pour ses états financiers statutaires.**

2.2 Veuillez déposer une copie de l'autorisation obtenue et préciser sa période d'application. Sinon, veuillez expliquer.

Réponse :

3 **Voir la réponse à la question 2.1.**

Activités à tarifs réglementés (ATR)

3. **Référence :** Pièce B-0005, p. 7.

Préambule :

« Les US GAAP permettent, lorsque certains critères sont respectés, de comptabiliser des actifs et des passifs réglementaires dans les états financiers à vocation générale. À l'exception de la NOC-19 « Entités assujetties à la réglementation des tarifs – informations à fournir » portant sur la présentation et la divulgation, la normalisation comptable canadienne ne traite pas spécifiquement de ce sujet, mais permet, en vertu du chapitre 1100 « Principes comptables généralement reconnus », de s'appuyer sur d'autres sources telles les prises de position en comptabilité publiées sous l'autorité du Financial Accounting Standards Board des États-Unis. Ainsi, Hydro-Québec s'appuyait sur les principes de l'ASC 980 « Regulated Operations » pour justifier la comptabilisation d'actifs et de passifs réglementaires dans ses états financiers à vocation générale. Par conséquent, la transition aux US GAAP n'entraînera aucune modification quant aux actifs et passifs réglementaires déjà constatés selon les PCGR du Canada ainsi qu'aux pratiques comptables réglementaires intégrées dans le coût des immobilisations et aux montants à recevoir de (à remettre à) la clientèle à titre d'actifs ou de passifs financiers. »

[nous soulignons]

Demande :

3.1 Veuillez déposer la norme ASC 980 « *Regulated Operations* ».

Réponse :

1 **La norme ASC 980 « Regulated Operations » est présentée à l'annexe A.**

4. **Référence :** Pièce B-0011, p. 8.

Préambule :

En réponse à une demande de renseignements de la Régie, le Transporteur et le Distributeur présentent au tableau R-2.2, la liste des comptes d'écarts et des actifs réglementaires.

Tableau R-2.2
Liste et soldes des comptes d'écarts et des actifs réglementaires du
Transporteur et du Distributeur (M\$)

Débit (Crédit)	31-12-2014		31-12-2015	
	Année de base ⁽¹⁾		Année témoin ⁽⁶⁾	
	Bilan	Résultats réglementaires	Bilan	Résultats réglementaires
Actifs et passifs financiers liés à la réglementation des tarifs				
Compte de <i>pass-on</i> pour l'achat d'électricité - HQD	358,0	(32,2)	228,3	135,8
Compte d'écarts - Charge locale de transport - HQD	(5,1)	(30,3)	-	5,1
Écarts dans les revenus des services de transport de point à point - HQT	(8,5)	-	-	8,5
Compte d'écarts - Montant à remettre à la clientèle - HQD	(1,9)	-	-	(1,9)
Compte de nivellement pour aléas climatiques - HQD	43,1	48,0	142,3	(99,2)
Compte d'écarts - Coût de retraite				
HQD	(13,2) ⁽²⁾	38,0 ⁽²⁾	(24,4) ⁽²⁾	(13,2) ⁽²⁾
HQT	(7,5) ⁽²⁾	-	(11,8) ⁽²⁾	7,6 ⁽²⁾
Compte d'écarts - Combustibles - HQD	7,6	(4,3)	-	7,6
Compte d'écarts - Panneaux majeures - HQD	27,4	8,6	-	27,4
Compte d'écarts - BEIÉ - HQD	(28,7)	-	-	(28,7)
Écarts pénalité réception d'énergie - HQT	(0,1)	-	(0,1)	-
Actifs réglementaires⁽³⁾				
Coûts liés à des projets en attente d'autorisation par la Régie				
HQD	34,2	-	-	34,2
HQT	6,3	-	-	6,3
Coûts liés à une entente de suspension - HQD	note (4)	note (4)	note (4)	note (4)
Programmes et activités en efficacité énergétique (PGEÉ et BEIÉ) - HQD ⁽⁵⁾	905,4	151,8	844,6	160,8
Coûts liés au déglaceur du poste de Lévis - HQT	7,0	1,0	6,0	1,0
Frais de développement ⁽⁵⁾				
HQD	10,4	2,4	9,8	3,2
HQT	16,5	4,3	15,6	4,7
Tarif de maintien de la charge - HQD		0,5		
Compte de frais reportés US GAAP ⁽⁵⁾				
HQD			(5,8)	
HQT			(87,7)	

⁽¹⁾ Selon les données de l'année de base 2014 présentées respectivement aux dossiers R-3903-2014 pour le Transporteur et R-3905-2014 pour le Distributeur

⁽²⁾ Selon les données projetées de la demande USGAAP

⁽³⁾ Les actifs réglementaires ne rencontrent pas les critères de constatation à titre d'actif ou de passif selon IFRS (IAS 32)

⁽⁴⁾ Voir la réponse à la question 18.1 de la demande de renseignement no 1 de la Régie à la pièce HQD-15, document 1 du dossier R-3905-2014 déposée sous pli confidentiel

⁽⁵⁾ Selon demande R-3927-2015

⁽⁶⁾ Selon les données de l'année témoin 2015 présentées respectivement aux dossiers R-3903-2014 pour le Transporteur et R-3905-2014 pour le Distributeur sauf pour les rubriques "Compte d'écarts - Coût de retraite" et "Compte de frais reportés US GAAP"

Demandes :

4.1 Veuillez confirmer que le traitement des coûts relatifs aux PGEÉ et BEIÉ (à l'exception des coûts des activités de recherche, de commercialisation, de publicité, de promotion et d'administration générale) satisfait aux critères de la norme IAS 38 « Immobilisations incorporelles ». Sinon, veuillez expliquer.

Réponse :

1 **Le Distributeur le confirme.**

4.2 Veuillez confirmer que le traitement des frais de développement satisfait aux critères de la norme IAS 38 « Immobilisations incorporelles ». Sinon, veuillez expliquer.

Réponse :

2 **Le Transporteur et le Distributeur le confirment.**

4.3 D'après la liste des comptes d'écarts et des actifs réglementaires présentés au tableau R-2.2, veuillez confirmer que seuls les comptes suivants ne satisfont pas aux critères de constatation à titre d'actif ou de passif selon les IFRS au 31 décembre 2014 :

- Coûts liés à des projets en attente d'autorisation par la Régie- HQD et HQT;
- Coûts liés à une entente de suspension- HQD;
- Coûts liés au déglaceur du poste Lévis- HQT;
- Tarif de maintien de la charge- HQD.

Sinon, veuillez expliquer.

Réponse :

3 **Le Transporteur et le Distributeur le confirment.**

4.4 Veuillez confirmer que le montant des coûts liés à des projets en attente d'autorisation par la Régie et s'élevant à 34,2 M\$ au 31 décembre 2014 est associé au projet LAD-phases 2 et 3 du Distributeur. Sinon, veuillez expliquer.

Réponse :

4 **Le Distributeur le confirme.**

4.5 Puisque le solde du compte d'écarts relatif au projet LAD-phases 2 et 3 sera disposé en 2015, veuillez confirmer que le seul actif réglementaire dont le montant est significatif, et qui ne satisfait pas aux critères de constatation à titre d'actif ou de passif selon les IFRS, est celui du Distributeur relatif aux coûts liés à une entente de suspension. Sinon, veuillez expliquer.

Réponse :

1 **Le Transporteur et le Distributeur confirment qu'en date du 31 décembre 2014,**
2 **le seul actif réglementaire dont le montant est significatif, et qui ne satisfait pas**
3 **aux critères de constatation à titre d'actif selon les IFRS, est le compte relatif**
4 **aux coûts liés à une entente de suspension du Distributeur.**

- 5. Références :** (i) Pièce B-0011, p. 8 et 9, question 2.3;
(ii) Dossier R-3925-2015, pièce B-0014, p. 13 et 14.

Préambule :

(i) « 2.3 Advenant le cas où la Régie accepte la « demande relative à l'utilisation de la centrale de TransCanada Energy Ltd (TCE) de Bécancour en périodes de pointes » du dossier R-3925-2015, veuillez indiquer l'impact sur le compte d'écarts du Distributeur comptabilisant les coûts relatifs à l'entente de suspension temporaire des livraisons de la centrale de TCE. »

Réponse :

L'analyse des impacts comptables des modifications apportées aux différentes ententes et visant l'utilisation de la centrale de TransCanada Energy Ltd. en périodes de pointe est actuellement en cours. L'impact sur le compte d'écarts du Distributeur n'a pas encore été déterminé. »

- (ii) Dans le cadre du dossier R-3925-2015, le Distributeur indique que :

« Comme mentionné dans le cadre du dossier R-3927-2015, l'analyse des impacts comptables des modifications apportées aux différentes ententes et visant l'utilisation de la centrale de TCE en périodes de pointe est actuellement en cours. L'impact sur le compte d'écarts du Distributeur n'a pas encore été déterminé.

Toutefois, le Distributeur souhaite maintenir le principe actuel de récupération des coûts sur une base annuelle, en fonction des factures reçues. Une demande en ce sens sera déposée dans le dossier tarifaire 2016-2017. »

Demandes :

- 5.1 Veuillez déposer l'évolution du compte d'écarts Coûts liés à la suspension de TCE, se terminant le 31 décembre 2016, selon le format présenté à la pièce B-0058 au dossier R-3905-2014, sous pli confidentiel.

Réponse :

5 **Voir l'annexe C déposée sous pli confidentiel de la pièce HQD-9, document 7**
6 **(B-0041) du dossier R-3933-2015.**

5.2 Veuillez indiquer si les données fournies à la réponse précédente tiennent compte de l'impact de la demande relative à l'utilisation de la centrale de TCE en périodes de pointes du dossier R-3925-2015. Si oui, veuillez quantifier. Sinon, veuillez expliquer.

Réponse :

1 Voir la section 12 de la pièce HQD-9, document 7 (B-0041) du dossier
2 R-3933-2015.

Immobilisations corporelles

6. **Références :**
- (i) Pièce B-0005, p. 11;
 - (ii) Pièce B-0005, p. 12;
 - (iii) Pièce B-0011, p. 23, tableau R-8.1-B;
 - (iv) *Loi sur Hydro-Québec*, RLRQ, c. H-5, article 24.

Préambule :

(i) « *En vertu de la norme américaine ASC 360 « Property, Plant, and Equipment », une immobilisation corporelle ayant de multiples composantes est, de façon générale, amortie sur la durée de vie attribuée à l'actif dans son ensemble. Cependant, l'approche par composante est aussi acceptée par les US GAAP. » [nous soulignons]*

(ii) Le Transporteur et le Distributeur présentent, aux tableaux 3 et 4, la révision des durées de vie utile aux fins réglementaires par catégorie d'immobilisations corporelles.

(iii) Le Transporteur et le Distributeur déposent le texte des paragraphes de la norme américaine ASC 360-10-35-4 relatif à l'amortissement des immobilisations corporelles :

« The cost of a productive facility is one of the costs of the services it renders during its useful economic life. Generally accepted accounting principles (GAAP) require that this cost be spread over the expected useful life of the facility in such a way as to allocate it as equitably as possible to the periods during which services are obtained from the use of the facility. This procedure is known as depreciation accounting, a system of accounting which aims to distribute the cost or other basic value of tangible capital assets, less salvage (if any), over the estimated useful life of the unit (which may be a group of assets) in a systematic and rational manner. It is a process of allocation, not of valuation. » [nous soulignons]

(iv) « 24. La Société doit maintenir ses tarifs d'énergie à un niveau suffisant pour défrayer au moins :

1° tous les frais d'exploitation;

2° l'intérêt sur sa dette;

3° l'amortissement de ses immobilisations sur une période maximum de cinquante ans.

S. R. 1964, c. 86, a. 24; 1973, c. 19, a. 4; 1978, c. 41, a. 1; 1979, c. 81, a. 21; 1981, c. 18, a. 8; 1983, c. 15, a. 18. » [nous soulignons]

Demande :

6.1 Veuillez définir de façon détaillée les termes soulignés aux références (i) à (iv).

Réponse :

1 Le terme souligné de la référence i) « amortie sur la durée de vie attribuée à
2 l'actif dans son ensemble » signifie qu'une durée de vie unique est attribuée à
3 l'actif dans son ensemble. L'actif est amorti sur cette durée de vie.

4 Le terme souligné de la référence i) « approche par composante » signifie que
5 chaque partie d'une immobilisation corporelle ayant un coût significatif par
6 rapport au coût total de l'élément doit être amortie séparément.

7 Le terme souligné de la référence ii) « catégorie d'immobilisations corporelles »
8 réfère à une immobilisation ou à une partie de l'immobilisation qui peut être
9 facilement distinguée de l'ensemble dont elle fait partie, qui a une valeur
10 relativement importante et une durée de vie utile distincte.

11 Le terme souligné de la référence iii) « of the unit » réfère à la plus petite
12 portion d'une immobilisation aux fins de la comptabilisation (par exemple, un
13 isolateur ou un conducteur) à laquelle il est possible d'attribuer une durée de
14 vie spécifique.

15 Le terme souligné de la référence iii) « a group of assets » correspond au plus
16 bas niveau de regroupement d'actifs et de passifs pour lequel les flux de
17 trésorerie identifiables sont dans une large mesure indépendants des flux de
18 trésorerie d'autres actifs ou groupes d'actifs et de passifs.

19 Le terme souligné de la référence iv) « ses immobilisations » fait référence aux
20 actifs tangibles et physiques qui ont une durée relativement longue ou
21 permanente, qui servent à l'exploitation de l'entreprise et qui ne sont pas
22 destinés à être vendus.

7. **Références :**
- (i) Pièce B-0011, p. 34, tableau R-11.1;
 - (ii) Pièce B-0011, p. 35, tableau R-11.2;
 - (iii) Rapport annuel 2014 du Transporteur, pièce HQT-2, document 1.1, p. 4 et 5;
 - (iv) Rapport annuel 2014 du Distributeur, pièce révisée HQD-2, document 2.1, p. 6 et 7.

Préambule :

(i) Le Transporteur présente au tableau R-11.1, l'impact de la révision des durées de vie utile par catégories d'immobilisations corporelles, selon les IFRS et selon les US GAAP :

Tableau R-11.1
Impact de la révision des durées de vie utile 2015 – Transporteur (M\$)

Catégories d'immobilisations corporelles	Amortissement IFRS	Amortissement US GAAP	Impact (écart)
Lignes aériennes de transport de moins de 315 kV	44,8	27,5	17,3
Pylônes	14,7	8,8	5,9
Fondations	13,0	8,4	4,6
Conducteurs	17,1	10,3	6,8
Lignes aériennes de transport de 315 kV et plus	136,0	55,5	80,5
Pylônes	47,5	19,6	27,9
Fondations	28,8	12,4	16,4
Conducteurs	59,7	23,5	36,2
Total	180,8	83,0	97,8

(ii) Le Distributeur présente au tableau R-11.2, l'impact de la révision des durées de vie utile par catégories d'immobilisations corporelles, selon les IFRS et selon les US GAAP :

Tableau R-11.2 :
Impact de la révision des durées de vie utile 2015 - Distributeur (M\$)

Catégories d'immobilisations corporelles	Amortissement IFRS	Amortissement US GAAP	Impact (écart)
Conducteur moyenne tension	28,0	21,3	6,7
Câbles aériens basse tension	29,0	22,3	6,7
Canalisations souterraines en béton	10,6	7,9	2,8
Centrale hydraulique	4,5	2,6	1,9
Fondation	0,7	0,3	0,4
Infrastructure	0,9	0,4	0,5
Canal	0,5	0,1	0,4
Barrage en béton	1,2	0,9	0,3
Autres Catégories	1,2	0,9	0,3
Total	72,2	54,1	18,1

(iii) Dans son rapport annuel 2014, le Transporteur présente au tableau 1, la conciliation des résultats statutaires selon les IFRS et les résultats réglementaires, notamment l'ajustement (h) relatif aux amortissements au montant de 75,0 M\$. Il explique à l'ajustement (h) : « *Respect de la Loi sur Hydro-Québec concernant la limite des durées d'utilité de 50 ans aux fins d'établissement des tarifs* ».

(iv) Dans son rapport annuel 2014, le Distributeur présente au tableau 1, la conciliation des résultats statutaires selon les IFRS et les résultats réglementaires, notamment l'ajustement (g) au niveau des amortissements au montant de 13,4 M\$. Il explique à l'ajustement (g) : « *Pour refléter l'impact au niveau des durées d'utilité et de l'application des durées d'utilité estimées* »

Demandes :

7.1 La Régie comprend que, selon les ajustements entre les résultats statutaires en vertu des IFRS et les résultats réglementaires présentés dans les rapports annuels 2014 du Transporteur et du Distributeur (références (iii) et (iv)), les durées d'utilité appliquées pour la production des résultats statutaires en vertu des IFRS ne sont pas limitées à 50 ans, alors qu'aux fins réglementaires les durées d'utilité actuelles sont limitées à 50 ans. Veuillez confirmer cette compréhension. Sinon, veuillez expliquer.

Réponse :

1 **Dans leurs rapports annuels 2014, le Transporteur et le Distributeur confirment**
2 **que les durées de vie utile appliquées pour la préparation des résultats**
3 **statutaires en vertu des IFRS n'étaient pas limitées à 50 ans, alors qu'aux fins**
4 **réglementaires les durées de vie utile actuelles sont limitées à 50 ans.**

7.2 La Régie comprend que certaines durées d'utilité appliquées pour la production des résultats statutaires en vertu des IFRS du Transporteur et du Distributeur excèdent 50 ans. Il en va de même pour certaines durées de vie utile appliquées pour la production des résultats statutaires en vertu des US GAAP. Par conséquent, la Régie comprend que la présente demande visant à établir une durée de vie moyenne pondérée des actifs sur une période maximale de 50 ans découle uniquement d'une nouvelle interprétation de l'article 24 de la *Loi sur Hydro-Québec*. Veuillez commenter.

Réponse :

5 **La présente demande visant à établir une durée de vie moyenne pondérée des**
6 **actifs sur une période maximale de 50 ans découle d'une interprétation de**
7 **l'article 24 de la *Loi sur Hydro-Québec*, article qui fut examiné lors du passage**
8 **aux US GAAP. L'application de cette interprétation aurait été**
9 **vraisemblablement difficile en IFRS.**

7.3 Advenant le cas où la Régie refusait le basculement des IFRS aux US GAAP pour les états financiers réglementaires, est-ce que le Transporteur et le Distributeur maintiendraient leur demande visant à amortir leurs immobilisations corporelles sur des durées de vie utile en ne les limitant plus à 50 ans, sur une base individuelle, aux fins de l'établissement des tarifs? Veuillez commenter.

Réponse :

10 **Advenant le cas où les états financiers réglementaires demeureraient préparés**
11 **selon les IFRS, le Transporteur et le Distributeur ne pourraient**
12 **vraisemblablement pas maintenir leur demande visant à amortir leurs**
13 **immobilisations corporelles sur des durées de vie utile qui ne soient pas**
14 **limitées à 50 ans sur une base individuelle.**

7.4 Veuillez corriger et compléter les tableaux R-11.1 et R-11.2 en présentant la charge d'amortissement pour ces catégories d'immobilisations corporelles, correspondant aux :

- durées d'utilité utilisées pour les résultats réglementaires actuels;
- durées de vie utile utilisées pour les résultats réglementaires proposés;
- durées d'utilité utilisées pour les résultats statutaires en vertu des IFRS;
- durées de vie utile utilisées pour les résultats statutaires en vertu des US GAAP.

Réponse :

1 Les tableaux R-7.4-A et R-7.4-B présentent respectivement, pour l'année 2015,
2 la charge d'amortissement des résultats réglementaires du Transporteur et du
3 Distributeur selon les méthodes comptables découlant des IFRS ou des
4 US GAAP ainsi que la charge d'amortissement des résultats statutaires en
5 vertu des US GAAP.

6 La charge d'amortissement des résultats statutaires en vertu des IFRS ne peut
7 pas être fournie puisqu'Hydro-Québec n'a jamais préparé d'états financiers
8 statutaires en IFRS.

TABLEAU R-7.4-A
CHARGE D'AMORTISSEMENT 2015 – TRANSPORTEUR (M\$)

Catégories d'immobilisations corporelles	Réglementaires IFRS	Réglementaires US GAAP	Statutaires US GAAP
Lignes aériennes de transport de moins de 315 kV	44,8	27,5	28,3
Pylônes	14,7	8,8	9,0
Fondations	13,0	8,4	8,5
Conducteurs	17,1	10,3	10,8
Lignes aériennes de transport de 315 kV et plus	136,0	55,5	58,3
Pylônes	47,5	19,6	20,7
Fondations	28,8	12,4	12,5
Conducteurs	59,7	23,5	25,1
Total	180,8	83,0	86,6

**TABLEAU R-7.4-B
CHARGE D'AMORTISSEMENT - DISTRIBUTEUR (M\$)**

Catégories d'immobilisations corporelles	Réglementaires	Réglementaires	Statutaires
	IFRS	US GAAP	US GAAP
Conducteur moyenne tension	28,0	21,3	23,1
Câbles aériens basse tension	29,0	22,3	24,5
Canalisations souterraines en béton	10,6	7,9	8,9
Centrale hydraulique	4,5	2,6	2,8
Fondation	0,7	0,3	0,3
Infrastructure	0,9	0,4	0,5
Canal	0,5	0,1	0,2
Barrage en béton	1,2	0,9	0,9
Autres Catégories	1,2	0,9	0,9
Total	72,2	54,1	59,3

- 8. Références :**
- (i) Pièce B-0005, p. 11;
 - (ii) Pièce B-0011, p. 29;
 - (iii) *Loi sur Hydro-Québec*, RLRQ, c. H-5, article 24;
 - (iv) Dossier R-3814-2012, pièce B-0018, p. 11.

Préambule :

(i) « *Étant donné que l'ASC 360 est moins restrictive que les IFRS relativement à l'approche par composante pour l'amortissement des immobilisations, un avis juridique a été demandé sur l'interprétation de l'article 24, alinéa 3 de la Loi sur Hydro-Québec, afin de déterminer si, aux fins d'établissement des tarifs, l'amortissement sur une période maximale de 50 ans dont il est question, peut être établi en fonction d'une durée de vie moyenne pondérée plutôt qu'en fonction de chaque composante.* »

(ii) « *De façon sommaire, l'argumentation conclut que la Loi sur Hydro-Québec ne précisant pas que chaque bien susceptible d'amortissement doit être considéré sur une base individuelle, procéder par une moyenne pondérée rencontre les exigences de l'article 24 de la Loi sur Hydro-Québec.* »

(iii) « *24. La Société doit maintenir ses tarifs d'énergie à un niveau suffisant pour défrayer au moins:*

- 1° tous les frais d'exploitation;*
- 2° l'intérêt sur sa dette;*
- 3° l'amortissement de ses immobilisations sur une période maximum de cinquante ans.*

S. R. 1964, c. 86, a. 24; 1973, c. 19, a. 4; 1978, c. 41, a. 1; 1979, c. 81, a. 21; 1981, c. 18, a. 8; 1983, c. 15, a. 18. »

(iv) Dans son dossier tarifaire 2013, le Distributeur indique que :

« De plus, en respect de la Loi sur Hydro-Québec, les durées d'utilité attribuées à ces catégories d'immobilisations sont limitées à 50 ans aux fins d'établissement des tarifs, bien qu'aux fins des états financiers à vocation générale, la durée d'utilité a été établie à 60 ans pour les catégories d'immobilisations mentionnées précédemment, à l'exception des poteaux qui ont une durée d'utilité de 50 ans. [...] »

TABLEAU 3
RÉVISION DES DURÉES D'UTILITÉ AUX FINS RÉGLEMENTAIRES
ANNÉE 2013

Catégories d'immobilisations corporelles	Durée d'utilité initiale	Durée d'utilité révisée	Diminution des revenus requis 2013 (M\$)
Conducteurs moyenne tension	30 ans	50 ans	49,9
Câbles aériens basse tension	30 ans	50 ans	48,1
Canalisations souterraines en béton	40 ans	50 ans	5,8
Poteaux	40 ans	50 ans	12,2
Total			116,0

Demandes :

8.1 Outre le motif soumis par le Transporteur et le Distributeur affirmant que « l'ASC 360 est moins restrictive que les IFRS », veuillez indiquer s'il y a d'autres motifs justifiant le changement de position du Distributeur entre celle soutenue au dossier tarifaire 2013 (référence (iv)) et celle du présent dossier.

Réponse :

1 **Outre le passage aux US GAAP, aucun autre motif ne justifie le changement de**
2 **position du Transporteur et du Distributeur.**

3 **Par ailleurs, le Transporteur et le Distributeur soulignent que l'utilisation des**
4 **durées de vie utile des actifs aux fins d'établissement des tarifs permettra une**
5 **meilleure équité intergénérationnelle puisqu'elles représentent les périodes**
6 **durant lesquelles les immobilisations devraient rendre des services.**

8.2 Veuillez indiquer de **façon détaillée** le raisonnement juridique présenté à la référence (ii) permettant d'arriver à cette conclusion.

Réponse :

7 **L'article 24 de la Loi sur Hydro-Québec se retrouve dans la section intitulée**
8 **« Objets de la société », qui établit les objets généraux pour lesquels la société**
9 **a été créée. Cette section doit être interprétée de façon large et libérale de**
10 **manière à permettre la réalisation des objets de la société. Ainsi, si le**
11 **législateur avait voulu imposer une règle stricte, pour que chaque bien soit**

1 considéré sur une base individuelle, il l'aurait fait de façon spécifique. Or, tel
2 n'est pas le cas.

3 Ainsi, l'amortissement de l'ensemble des immobilisations sur une base
4 moyenne pondérée sur une période maximum de 50 ans respecte l'article 24 de
5 la *Loi sur Hydro-Québec*, en considérant qu'il s'agit d'une pratique comptable
6 acceptable en vertu des US GAAP.

8.3 L'article 24 de la *Loi sur Hydro-Québec* n'ayant pas fait l'objet d'une modification récente, veuillez préciser ce qui, selon le Transporteur et le Distributeur, a modifié le cadre statutaire afin de permettre une nouvelle interprétation de cet article.

Réponse :

7 Tel que mentionné à la question 7.2, le passage aux US GAAP a permis
8 d'examiner l'interprétation de l'article 24 de la *Loi sur Hydro-Québec*.

9. **Références :**
- (i) Pièce B-0011, p. 30, tableaux R-10.2-A et R-10.2-B;
 - (ii) Dossier R-3823-2012, pièce C-HQT-035, p. 6;
 - (iii) Dossier R-3644-2007, pièce B-1, HQD-8, document 5.

Préambule :

(i) Les tableaux R-10.2-A et R-10.2-B détaillent le calcul des durées de vie moyenne pondérées des immobilisations corporelles du Transporteur et du Distributeur au 31 décembre des années 2014 et 2015.

(ii) Le Transporteur fournit une liste détaillée des immobilisations corporelles en exploitation pour les catégories d'immobilisations corporelles suivantes :

- Postes;
- Lignes;
- Autres actifs de réseau;
- Actifs de soutien;
- Télécommunications.

(iii) Le Distributeur fournit une liste détaillée des immobilisations corporelles en exploitation pour les catégories d'immobilisations corporelles suivantes :

- Équipements de mesurage ;
- Postes de distribution ;
- Lignes aériennes de distribution ;
- Lignes souterraines de distribution ;
- Réseaux autonomes ;
- Autres actifs de réseaux ;
- Actifs de soutien.

Demande :

9.1 Veuillez fournir les durées de vie utile moyennes pondérées pour chacune des catégories d'immobilisations corporelles en exploitation présentées aux références (ii) et (iii) du Transporteur et du Distributeur, aux 31 décembre 2014, 2015, et 2016.

Réponse :

1 **Le tableau R-9.1-A présente les durées de vie utile moyennes pondérées selon**
 2 **les principales fonctions des immobilisations en exploitation de 2014 à 2016**
 3 **pour le Transporteur.**

TABLEAU R-9.1-A
DURÉES DE VIE UTILE MOYENNES PONDÉRÉES 2014 À 2016 - TRANSPORTEUR

	Réel 2014	2015 ¹	2016 ¹
Postes	35	35	35
Lignes	70	70	69
Télécommunications	21	20	20
Bâtiments administratifs	34	34	34
Autres actifs	15	15	15

¹ selon dossier R-3934-2015

4 **Le tableau R-9.1-B présente les durées de vie utile moyennes pondérées des**
 5 **immobilisations corporelles en exploitation de 2014 à 2016 pour le Distributeur.**

TABLEAU R-9.1-B
DURÉES DE VIE UTILE MOYENNES PONDÉRÉES 2014 À 2016 - DISTRIBUTEUR

Catégories d'immobilisations	Réel 2014	2015 ¹	2016 ¹
Équipements de mesurage	17	17	16
Postes de distribution	16	16	16
Lignes aériennes de distribution	47	47	47
Lignes souterraines de distribution	35	35	35
Réseaux autonomes	40	40	40
Autres actifs de réseaux	36	36	36
Actifs de soutien	26	26	26

¹ selon dossier R-3933-2015

10. Référence : Pièce B-0011, p. 32.

Préambule :

« 10.4 Veuillez indiquer quel serait le traitement utilisé par le Transporteur et le Distributeur advenant le cas où les durées de vie moyennes pondérées seraient supérieures à 50 ans dans le futur. Veuillez commenter sur le principe de continuité.

Réponse :

Advenant le cas où les durées de vie moyennes pondérées des immobilisations seraient supérieures à 50 ans, l'amortissement devrait alors être calculé sur une durée de vie de 50 ans, afin de respecter l'article 24 de la Loi sur Hydro-Québec. » [nous soulignons]

Demande :

10.1 Du point de vue réglementaire, advenant le cas où la durée de vie moyenne pondérée serait égale à 51 ans dans le futur, veuillez indiquer le traitement qui serait utilisé par le Transporteur et le Distributeur afin d'allouer la durée de vie pondérée limitée à 50 ans aux actifs (par catégorie d'actifs, par sous catégorie d'actif, par actif individuel, [...].) Veuillez indiquer également comment la charge d'amortissement serait calculée. Veuillez expliciter.

Réponse :

1 **Le mécanisme n'a pas été défini puisque l'on ne prévoit pas dans un avenir**
2 **rapproché que la durée de vie utile moyenne pondérée des immobilisations du**
3 **Transporteur et du Distributeur excède 50 ans. Dans tous les cas, pour les fins**
4 **de la détermination des tarifs du Transporteur et du Distributeur, les**
5 **dispositions de la Loi sur Hydro-Québec et de la Loi sur la Régie de l'énergie**
6 **devront être respectées.**

Obligations liées à la mise hors service (OLMHS) d'immobilisations

11. Références : (i) Pièce B-0005, p. 14;
(ii) Pièce B-0011, p. 38, tableaux R-13.1-A et R-13.1-B.

Préambule :

(i) « En vertu de la norme américaine ASC 410 « Asset Retirement and Environmental Obligations », le traitement comptable des variations résultant des révisions périodiques d'hypothèses est similaire à celui découlant des IFRS, à l'exception du fait que le taux d'actualisation n'est revu au taux courant fondé sur le marché que pour actualiser la hausse, le cas échéant, des flux de trésorerie prévus, qui est alors considérée comme une nouvelle obligation. » [nous soulignons]

(ii) Les tableaux R-13.1-A et R-13.1-B présentent respectivement l'évolution du passif et de l'actif net au titre des OLMHS d'immobilisations du Transporteur et du Distributeur.

Demande :

11.1 Veuillez illustrer, à partir des tableaux de la (référence (ii)), l'impact sur le passif au titre des OLMHS d'immobilisations (l'obligation) dans les cas d'une hausse et d'une baisse de 1 % du taux d'actualisation.

Réponse :

1 Les tableaux R-11.1-A et R-11.1-B présentent respectivement l'évolution du
 2 passif au titre des OLMHS d'immobilisations du Transporteur et du Distributeur
 3 dans les cas d'une variation à la hausse ou à la baisse de 1 % du taux
 4 d'actualisation.
 5 Une hausse ou une baisse du taux d'actualisation n'aurait aucune incidence
 6 sur l'évaluation du passif au titre des OLMHS d'immobilisations selon les
 7 normes US GAAP puisqu'il n'est pas sujet aux variations subséquentes des
 8 taux de marché.

TABLEAU R-11.1-A
ÉVOLUTION DU PASSIF AU TITRE DES OLMHS D'IMMOBILISATIONS –
TRANSPORTEUR (M\$)

Norme	01-01-2015	Charge désactualisation 2015	Coûts engagés	31-12-2015
US GAAP	45,4	0,8	-6,4	39,8
IFRS (R-3903-2014) + 1%	44,3	1,1	-6,4	39
Différence	1,1	-0,3	0	0,8
IFRS (R-3903-2014) - 1%	47,2	0,6	-6,4	41,4
Différence	-1,8	0,2	0	-1,6

TABLEAU R-11.1-B
ÉVOLUTION DU PASSIF AU TITRE DES OLMHS D'IMMOBILISATIONS -
DISTRIBUTEUR (M\$)

Norme	01-01-2015	Charge désactualisation 2015	31-12-2015
US GAAP	51,4	1,9	53,3
IFRS (R-3905-2014) + 1%	46,9	1,7	48,6
Différence	4,5	0,2	4,7
IFRS (R-3905-2014) - 1%	64,1	1,4	65,5
Différence	-12,7	0,5	-12,2

Avantages sociaux futurs

- 12. Références :**
- (i) Pièce B-0005, p. 15 et 16;
 - (ii) Pièce B-0005, p. 17, tableau 9;
 - (iii) Pièce B-0005, p. 17, tableau 10;
 - (iv) Dossier R-3905-2014, pièce B-0023, p. 12.

Préambule :

(i) « Ainsi, en vertu des US GAAP (ASC 715 et ASC 712), les gains et pertes actuariels ainsi que les coûts des services passés sont comptabilisés aux AÉRÉ [autres éléments du résultat étendu] et amortis aux résultats par la suite. Les gains et pertes actuariels sont amortis selon l'approche dite du « corridor », approche identique à celle utilisée auparavant sous le référentiel PCGR du Canada. Cette approche permet de constater, dans le coût des régimes, l'amortissement des gains et pertes qui excèdent 10 % de l'actif ou de l'obligation du régime, selon le plus élevé. »

(ii) Le Transporteur et le Distributeur présentent au tableau 9, les composantes du coût de retraite 2015 d'Hydro-Québec et le détail de l'écart entre IFRS et US GAAP, notamment :

Amortissement de la perte actuarielle nette	291 M\$
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(iii) Le Transporteur et le Distributeur présentent au tableau 10, les composantes du coût 2015 des avantages postérieurs à la retraite autres que la retraite (APRA) d'Hydro-Québec et le détail de l'écart entre IFRS et US GAAP, notamment :

Amortissement de la perte actuarielle nette	24 M\$
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(iv) Dans son dossier tarifaire 2015, le Distributeur indique que « selon l'évaluation actuarielle de capitalisation la plus récente, soit celle du 31 décembre 2013, le surplus de capitalisation est de 2 451 M\$ dégageant un ratio de capitalisation de 115.1 %. L'actif détenu par la Caisse de retraite est suffisant pour couvrir les rentes futures ». [nous soulignons]

Demandes :

12.1 Veuillez présenter le détail du calcul de l'amortissement de la perte actuarielle nette du coût de retraite au montant de 291 M\$ (référence (ii)) et du coût des APRA au montant de 24 M\$ (référence (iii)). Veuillez préciser entre autres le montant de la perte actuarielle. Veuillez quantifier.

Réponse :

- 1 **Le tableau R-12.1 présente le détail du calcul de l'amortissement de la perte**
2 **actuarielle nette du coût de retraite au montant de 291 M\$.**

TABLEAU R-12.1
DÉTAIL DU CALCUL DE L'AMORTISSEMENT DE LA PERTE ACTUARIELLE NETTE
DU COÛT DE RETRAITE (M\$)

Perte actuarielle au 1^{er} janvier 2015	4 809
Gain (perte) non encore pris en compte dans la valeur de l'actif à recycler	1 208
Perte actuarielle nette à amortir au 1^{er} janvier 2015	6 017
Moins : montant non amortissable résultant du corridor de 10 %	(2 227)
Perte actuarielle à amortir	3 790
DMERCA (années) ¹	13 ans
Amortissement de la perte actuarielle nette	291

¹ Durée moyenne estimative du reste de la carrière active des employés

1 Le tableau R-12.2 présente le détail du calcul de l'amortissement de la perte
2 actuarielle nette du coût des APRA au montant de 24 M\$.

TABLEAU R-12.2
DÉTAIL DU CALCUL DE L'AMORTISSEMENT DE LA PERTE ACTUARIELLE NETTE
DU COÛT DES APRA (M\$)

Perte actuarielle nette au 1^{er} janvier 2015	398
Moins : Montant non amortissable résultant du corridor de 10 %	(124)
Perte actuarielle à amortir	274
DMERCA (années) ¹	7 et 12 ans
Amortissement de la perte actuarielle nette	24

¹ Durée moyenne estimative du reste de la carrière active des employés

12.2 Veuillez faire le lien entre la perte actuarielle qui est amortie à la référence (ii) et le surplus de capitalisation indiqué à la référence (iv).

Réponse :

3 La perte actuarielle nette de 6 017 M\$ est établie en date du 1^{er} janvier 2015
4 dans l'évaluation actuarielle aux fins comptables selon la norme ASC 715.

5 Le surplus de capitalisation de 2 451 M\$ a été calculé lors de l'évaluation de la
6 capitalisation en date du 31 décembre 2013. Les valeurs sont très différentes
7 entre ces deux évaluations puisque, d'une part, les dates d'évaluation diffèrent
8 et que, d'autre part, les taux d'actualisation utilisés pour l'obligation aux fins
9 comptables et aux fins de capitalisation sont différents.

- 13. Références :**
- (i) Pièce B-0005, p. 16;
 - (ii) Pièce B-0005, p. 17, tableau 9;
 - (iii) Pièce B-0005, p. 17, tableau 10;
 - (iv) Décision D-2012-021, dossier R-3768-2011, p. 31 et 32.

Préambule :

(i) « [...] *Les coûts des services passés sont amortis selon la méthode de l'amortissement linéaire, sur des périodes n'excédant pas la durée résiduelle moyenne d'activité des salariés actifs, qui est de 13 ans au 1er janvier 2015.* »

(ii) Le Transporteur et le Distributeur présentent au tableau 9, les composantes du coût de retraite 2015 d'Hydro-Québec et le détail de l'écart entre IFRS et US GAAP, notamment :

Amortissement du coût des services passés 29 M\$

(iii) Le Transporteur et le Distributeur présentent au tableau 10, les composantes du coût 2015 des avantages postérieurs à la retraite autres que la retraite (APRA) d'Hydro-Québec et le détail de l'écart entre IFRS et US GAAP, notamment :

Amortissement du crédit des services passés - 5 M\$

(iv) Dans sa décision D-2012-021 aux paragraphes 138 et 139, la Régie autorise une exception reliée aux coûts des services passés non amortis au 31 décembre 2011 et permet la récupération de la totalité des quotes-parts respectives du Transporteur (27,9 M\$) et du Distributeur (54,7 M\$) à cet égard dans leurs revenus requis 2012.

Demandes :

13.1 Veuillez présenter le détail du calcul de l'amortissement du coût des services passés des régimes de retraite au montant de 29 M\$ (référence (ii)) et du crédit des services passés des APRA au montant de -5 M\$ (référence (iii)). Veuillez préciser entre autres le montant des services passés (le solde au 31 décembre 2011 et des années suivantes). Veuillez quantifier.

Réponse :

1 **Les tableaux R-13.1 et R-13.2 présentent respectivement le détail du calcul de**
2 **l'amortissement du coût des services passés du régime de retraite et des**
3 **APRA, en vertu des US GAAP.**

TABLEAU R-13.1
DÉTAIL DU CALCUL DE L'AMORTISSEMENT DU COÛT DES SERVICES PASSÉS
DU RÉGIME DE RETRAITE (US GAAP)

Numéro du Règlement du Régime de retraite	N° 707	N° 734	N° 749	Total
Date du règlement	01-01-2004	30-06-2008	31-12-2013	
Coût à amortir (M\$) ¹	161	168	26	
Amortissement 2015 (M\$)	9	7	13	29

¹ Coût à amortir : 185 M\$ au 31 décembre 2011, 137 M\$ au 31 décembre 2012, 125 M\$ au 31 décembre 2013 et 88 M\$ au 31 décembre 2014

TABLEAU R-13.2
DÉTAIL DU CALCUL DE L'AMORTISSEMENT DU CRÉDIT DES SERVICES PASSÉS
DES APRA – US GAAP (M\$)

Crédit non amorti - services passés au 01-01-2015 ¹	48
Amortissement sur une période de 10 ans	5
Crédit non amorti - services passés au 31-12-2015	43

¹ Solde nul aux 31 décembre 2011 et 2012 et 49 M\$ au 31 décembre 2013

13.2 Veuillez expliquer comment a été traitée, dans la présente demande, l'exception reliée aux coûts des services passés non amortis au 31 décembre 2011 permettant la récupération de la totalité des quotes-parts respectives du Transporteur (27,9 M\$) et du Distributeur (54,7 M\$) à cet égard, dans leurs revenus requis 2012 respectifs (référence (iv)).

Réponse :

1 **Le coût de retraite et le coût des APRA ont été déterminés en respect des**
 2 **normes ASC 712 et ASC 715.**

14. Référence : Pièce B-0011, p. 42.

Préambule :

« 14.3 Un actif réglementaire a été créé au titre des avantages sociaux futurs au montant de 3 425 M\$ dans le bilan consolidé au 31 décembre 2014 indiqué à la note 14 a (référence (ii)). Veuillez préciser si le Transporteur et le Distributeur demandent de reconnaître dans la présente demande la création d'un compte de frais reportés qui inclut leur quote-part du montant de 3 425 M\$ (1^{er} janvier 2015). Si oui, veuillez justifier et quantifier l'évolution de ce compte du 1^{er} janvier au 31 décembre 2015.

Réponse :

Le Transporteur et le Distributeur ne demandent pas à la Régie de reconnaître l'actif réglementaire au titre des avantages sociaux futurs. » [nous soulignons]

Demandes :

14.1 Veuillez confirmer que la norme ASC 980-715-25 permet à une entité ayant des activités à tarifs réglementées de constater cet actif réglementaire au bilan de ses états financiers statutaires sans l'autorisation de son organisme de réglementation, si certaines conditions spécifiques sont rencontrées. Veuillez démontrer que le Transporteur et le Distributeur satisfont aux critères énoncés aux extraits pertinents de la norme.

Réponse :

1 Il faut en premier lieu se référer au paragraphe 980-340-25-1 qui traite des
2 critères généraux requis pour la comptabilisation d'un actif réglementaire : une
3 décision de l'organisme de réglementation n'est pas un critère requis pour la
4 comptabilisation d'un actif réglementaire.

5 La sous-section ASC 980-715-25 vient, quant à elle, préciser que l'écart entre le
6 coût de retraite constaté selon l'ASC 715 et le coût de retraite considéré dans
7 les tarifs d'une même période doit être comptabilisé à titre d'actif ou passif
8 réglementaire, selon le cas, lorsque les actions de l'organisme de
9 réglementation donnent naissance à un tel actif ou passif. Lorsqu'un
10 organisme de réglementation permet l'inclusion dans les tarifs, des avantages
11 sociaux futurs selon l'ASC 715, cette action de l'organisme de réglementation
12 fait en sorte que les avantages sociaux futurs constatés dans les autres
13 éléments du résultat étendu selon l'ASC 715 et qui seront recyclés aux
14 résultats dans le futur conformément à l'ASC 715, seront par conséquent inclus
15 dans les tarifs futurs à ce moment-là. Cette différence entre le moment où des
16 avantages sociaux futurs sont encourus dans les autres éléments du résultat
17 étendu et le moment où ils sont recyclés dans les résultats et alors inclus dans
18 les tarifs de par la pratique réglementaire autorisée par l'organisme de
19 réglementation, donne lieu automatiquement à un actif réglementaire dans la
20 mesure où les critères généraux de l'ASC-340-25-1 sont également respectés.

21 L'ouvrage « *Accounting for Public Utilities* »³ mentionne explicitement que
22 lorsque le coût des avantages sociaux futurs est récupéré dans les tarifs sur la
23 base de l'ASC 715, il n'est pas nécessaire d'avoir une décision de l'organisme
24 de réglementation pour comptabiliser un actif réglementaire relatif aux
25 avantages sociaux futurs présentés dans le cumul des autres éléments du
26 résultat étendu puisque ces montants seront éventuellement recyclés dans les
27 résultats et inclus dans les tarifs.

³ HAHNE, Robert L; ALIFF, Gregory E., *Accounting for Public Utilities*.

1 Puisque le Transporteur et le Distributeur pourront récupérer dans leurs tarifs
2 futurs respectifs le coût de retraite et le coût des APRA calculés selon les
3 US GAAP suite à l'autorisation de cette pratique réglementaire, un actif
4 réglementaire relatif aux avantages sociaux futurs comptabilisés dans le cumul
5 des autres éléments du résultat étendu doit donc être comptabilisé sans
6 nécessiter l'autorisation spécifique de cet actif réglementaire par la Régie. La
7 Régie doit toutefois approuver la récupération dans les tarifs du coût des
8 avantages sociaux futurs calculés selon l'ASC 715.

14.2 Veuillez déposer les paragraphes pertinents de la norme ASC 980-715-25 « *Regulated Operations - Compensation Retirement benefits* ».

Réponse :

9 Les extraits pertinents de l'ASC 980 et de l'ouvrage *Accounting for Public*
10 *Utilities* sont les suivants :

11 **ASC 980-340-25-1:**

12 Rate actions of a regulator can provide reasonable assurance of
13 the existence of an asset. An entity shall capitalize all or part of
14 an incurred cost that would otherwise be charged to expense if
15 both of the following criteria are met:

16 It is probable (as defined in Topic 450) that future revenue in an
17 amount at least equal to the capitalized cost will result from
18 inclusion of that cost in allowable costs for rate-making
19 purposes.

20 Based on available evidence, the future revenue will be provided
21 to permit recovery of the previously incurred cost rather than to
22 provide for expected levels of similar future costs. If the revenue
23 will be provided through an automatic rate adjustment clause,
24 this criterion requires that the regulator's intent clearly be to
25 permit recovery of the previously incurred cost.

26 **ASC 980-715-25-1:**

27 This Subtopic requires that the difference between net periodic
28 pension cost as defined in Subtopic 715-30 and amounts of
29 pension cost considered for rate-making purposes be
30 recognized as an asset or a liability created by the actions of the
31 regulator. Those actions of the regulator change the timing of
32 recognition of net pension cost as an expense; they do not
33 otherwise affect the requirements of that Subtopic.

Ouvrage Accounting for Public Utilities⁴:

ASC 715 (Statement 158) has many regulatory implications. Amounts otherwise charged/credited to accumulated other comprehensive income (AOCI) could/should be recorded as a regulatory asset or liability if the utility has historically recovered and currently recovers its ASC 715-30, Compensation - Retirement Benefits: Defined Benefit Plans – Pensions (Statement 87, Employers’ Accounting for Pensions), pension expense and/or ASC 715-60 (Statement 106), OPEB expense in rates (the determination should be made on a plan by plan basis) and there is no negative evidence that the existing regulatory treatment will change.

A specific regulatory order may not be required to record the regulatory asset or liability in the absence of such negative evidence. The reasoning is that if the utility is currently recovering ASC 715 (Statement 87 and Statement 106) expense in rates, the AOCI amounts ultimately will be amortized to ASC 715 (Statement 87 or Statement 106) expense in subsequent years and thus recovered/refunded in future rates.

Frais de développement

- 15. Références :**
- (i) Pièce B-0011, p. 48, tableau R-18.2;
 - (ii) Pièce B-0011, p. 49, tableau R-18.3;
 - (iii) Pièce B-0005, p. 19, tableau 13.

Préambule :

(i) Le tableau R-18,2 présente les frais de développement du Transporteur et du Distributeur sur la période 2010 à 2015.

Tableau R-18.2
Frais de développement du Transporteur et du Distributeur sur la période 2010-2015 (M\$)

		Mises en service	
		Transporteur	Distributeur
2010	Réel	2,2	2,0
2011	Réel	3,6	3,6
2012	Réel	7,1	3,5
2013	Réel	4,9	2,4
2014	Année de base ¹	6,0	4,8
2015	Année témoin ¹	3,8	2,6

¹ Selon le dossier R-3903-2014 du Transporteur et R-3905-2014 du Distributeur

⁴ HAHNE, Robert L; ALIFF, Gregory E. *Accounting for Public Utilities*, pages 12-20

(ii) Le Transporteur présente au tableau R-18.3, l'évolution 2015 des frais de développement.

Tableau R-18.3-A
Évolution 2015 des frais de développement - Transporteur (M\$)

	Solde au 01/01/2015	Mises en service	Amortissement	Solde au 31/12/2015
Frais de développement	16,5	3,8	-4,7	15,6

(iii) Le Transporteur présente au tableau 13, des charges d'exploitation liées aux frais de développement (investissements prévus de 2015) au montant de 8,0 M\$.

TABLEAU 13
FRAIS DE DÉVELOPPEMENT – IMPACT DE L'ASC 730 SUR LES REVENUS REQUIS DE 2015
DU TRANSPORTEUR DANS LE CAS D'UNE NON-RECONNAISSANCE PAR LA RÉGIE
À TITRE D'ACTIF RÉGLEMENTAIRE (M\$)

	Transporteur
Radiation des frais de développement au 1 ^{er} janvier 2015 selon le dossier R-3903-2014	16,5
Charge d'amortissement	(4,7)
Charges d'exploitation (investissements prévus de 2015)	8,0
Rendement sur la base de tarification au taux de 6,970 %	(1,1)
Impact total sur les revenus requis	18,7

Demande :

15.1 Veuillez concilier les frais de développement prévus en 2015 du Transporteur présentés aux tableaux R-18.2 et R-18.3-A au montant de 3,8 M\$ et ceux présentés au tableau 13 au montant de 8,0 M\$. Veuillez apporter les correctifs aux années 2010-2015, le cas échéant.

Réponse :

1 **Le montant de 8,0 M\$ inclut un investissement pour un projet qui a été classifié**
 2 **par erreur comme un projet de développement et pour lequel aucune mise en**
 3 **service n'était prévue en 2015. Ce montant doit donc être révisé à 3,8 M\$, ce qui**
 4 **correspond aux investissements et aux mises en service des projets de**
 5 **développement de 2015. La pièce HQTD-1, document 1 (B-0005) révisée en date**
 6 **du 7 août pour tenir compte des modifications requises aux tableaux 13 et 14**
 7 **est déposée avec les présentes réponses.**

ANNEXE A

ASC 980 « REGULATED OPERATIONS »

August 07, 2015

980 Regulated Operations
 10 Overall
 980-10-00 Status

General Note: The Status Section identifies changes to this Subtopic resulting from Accounting Standards Updates. The Section provides references to the affected Codification content and links to the related Accounting Standards Updates. Nonsubstantive changes for items such as editorial, link and similar corrections are included separately in Maintenance Updates.

General

980-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
<u>980-10-05-1</u>	Amended	<u>Accounting Standards Update No. 2014-09</u>	05/28/2014
<u>980-10-15-6</u>	Superseded	<u>Accounting Standards Update No. 2014-10</u>	06/10/2014

980-10-05 Overview and Background

General Note: The Overview and Background Section provides overview and background material for the guidance contained in the Subtopic. It does not provide the historical background or due process. It may contain certain material that users generally consider useful to understand the typical situations addressed by the standards. The Section does not summarize the accounting and reporting requirements.

General

980-10-05-1 The Regulated Operations Topic includes the following Subtopics:

- a. Overall
- b. Discontinuation of Rate-Regulated Accounting
- c. Accounting Changes and Error Corrections

- d. Other Assets and Deferred Costs
- e. Intangibles—Goodwill and Other
- f. Property, Plant, and Equipment
- g. Liabilities
- h. Asset Retirement and Environmental Obligations
- i. Contingencies
- j. Debt
- k. Revenue Recognition
- l. Compensation—General
- m. Compensation—Retirement Benefits
- n. Income Taxes
- o. Consolidation
- p. Interest
- q. Leases.

- **Pending Content:**

Transition Date: (P) December 16, 2016; (N) December 16, 2017

Guidance: 606-10-65-1

The Regulated Operations Topic includes the following Subtopics:

- a. Overall
- b. Discontinuation of Rate-Regulated Accounting
- c. Accounting Changes and Error Corrections
- d. Other Assets and Deferred Costs
- e. Intangibles—Goodwill and Other
- f. Property, Plant, and Equipment
- g. Liabilities
- h. Asset Retirement and Environmental Obligations
- i. Contingencies
- j. Debt
- k. Revenue Recognition—Alternative Revenue Programs
- l. Compensation—General
- m. Compensation—Retirement Benefits
- n. Income Taxes
- o. Consolidation
- p. Interest

q. Leases.

980-10-05-2 The Overall Subtopic provides guidance on the accounting and reporting for entities with regulated operations.

- > **Effect of Regulatory Accounting**

980-10-05-3 Regulation of an entity's rates (also referred to as prices) is sometimes based on the entity's costs. Regulators use a variety of mechanisms to estimate a regulated entity's **allowable costs**, and they allow the entity to charge rates that are intended to produce revenue approximately equal to those allowable costs. Specific costs that are allowable for rate-making purposes result in revenue approximately equal to the costs.

980-10-05-4 In most cases, allowable costs are used as a means of estimating costs of the period during which the rates will be in effect, and there is no intent to permit recovery of specific prior costs. The process is a way of setting prices—the results of the process are reported in general-purpose financial statements in accordance with the same accounting principles that are used by unregulated entities.

980-10-05-5 Regulators sometimes include costs in allowable costs in a period other than the period in which the costs would be charged to expense by an unregulated entity. For the regulated entity, that procedure can do any of the following:

- a. Create assets (future cash inflows that will result from the rate-making process)
- b. Reduce assets (reductions of future cash inflows that will result from the rate-making process)
- c. Create liabilities (future cash outflows that will result from the rate-making process).

980-10-05-6 For general-purpose financial reporting, an **incurred cost** for which a regulator permits recovery in a future period is accounted for like an incurred cost that is reimbursable under a cost-reimbursement-type contract.

980-10-05-7 Accounting requirements that are not directly related to the economic effects of rate actions may be imposed on regulated businesses by orders of regulatory authorities and occasionally by court decisions or statutes. This does not necessarily mean that those accounting requirements conform with generally accepted accounting principles (GAAP). For example, a regulatory authority may order an entity to **capitalize** and amortize a cost that would be charged to income currently by an unregulated entity. Unless capitalization of that cost is appropriate under this Topic, GAAP requires the regulated entity to charge the cost to current income.

980-10-05-8 Unless an accounting order indicates the way a cost will be handled for rate-making purposes, it causes no economic effects that would justify deviation from the GAAP applicable to business entities in general. The mere issuance of an accounting order not tied to rate treatment does not change an entity's economic resources or obligations. In other words, the economic effect of regulatory decisions—not the mere existence of regulation—is the pervasive factor that determines the application of GAAP.

980-10-15 Scope and Scope Exceptions

General Note: The Scope and Scope Exceptions Section outlines the items (for example, the entities, transactions, instruments, or events) to which the guidance in the Subtopic does or does not apply. In some cases, the Section may contain definitional or other text to frame the scope.

General Note for Financial Instruments: Some of the items subject to the guidance in this Subtopic are [financial instruments](#). For guidance on matters related broadly to all financial instruments, (including the fair value option, accounting for registration payment arrangements, and broad financial instrument disclosure requirements), see Topic [825](#). See Section [825-10-15](#) for guidance on the scope of the Financial Instruments Topic.

General

- > **Overall Guidance**

980-10-15-1 The Subtopics within the Regulated Operations Topic only provide incremental industry-specific guidance for the entities defined in this Scope Section, or as further defined in the Scope Sections of the individual Regulated Operations Subtopics. Entities within the scope of this Topic shall also comply with the applicable guidance not included in this Topic.

- > **Entities**

980-10-15-2 The guidance in the Regulated Operations Topic applies to general-purpose external financial statements of an entity that has regulated operations that meet all of the following criteria:

- a. The entity's rates for regulated services or products provided to its customers are established by or are subject to approval by an independent, third-party regulator or by its own governing board empowered by statute or contract to establish rates that bind customers.
- b. The regulated rates are designed to recover the specific entity's costs of providing the regulated services or products. This criterion is intended to be applied to the substance of the regulation, rather than its form. If an entity's regulated rates are based on the costs of a group of entities and the entity is so large in relation to the group of entities that its costs are, in essence, the group's costs, the regulation would meet this criterion for that entity.
- c. In view of the demand for the regulated services or products and the level of competition, direct and indirect, it is reasonable to assume that rates set at levels that will recover the entity's costs can be charged to and collected from customers. This criterion requires consideration of anticipated changes in levels of demand or competition during the recovery period for any capitalized costs. This last criterion is not intended as a requirement that the entity earn a fair return on shareholders' investment under all conditions; an entity can earn less than a fair return for many reasons unrelated to the ability to bill and collect rates that will recover **allowable costs**. For example, mild weather might reduce demand for energy utility services. In that case, rates that were expected to recover an entity's allowable costs might not do so. The resulting decreased earnings do not demonstrate an inability to charge and collect rates that would recover the entity's costs; rather, they demonstrate the uncertainty inherent in estimating weather conditions. This requirement must also be evaluated in light of the circumstances. For example, if the entity has an exclusive franchise to provide regulated services or products in an area and competition from other services or products is minimal, there is usually a reasonable expectation that it will continue to meet the other criteria. Exclusive franchises can be revoked, but they seldom are. If the entity has no exclusive franchise but has made the very large capital investment required to provide either the regulated services or products or an acceptable substitute, future competition also may be unlikely.

980-10-15-3 In some cases, the rates set by state regulatory agencies are accepted for Medicare and Medicaid reimbursement purposes. There is some disagreement about the extent to which such rates are based on a provider's costs. If regulatory agencies in those states base rates on the provider's costs and adopt a permanent system of regulation, health care providers in those jurisdictions could be subject to the provisions of this Topic. However, the criterion in (c) in the preceding paragraph also would have to be considered to determine whether this Topic applies to the entity.

980-10-15-4 If some of an entity's operations are regulated and meet the criteria of paragraph 980-10-15-2, this Topic shall be applied to only that portion of the entity's operations.

980-10-15-5 Guidance in other Codification Topics that applies to entities in general also applies to regulated entities. However, entities subject to this Topic shall apply it instead of any conflicting provisions of other parts of the Codification. For example, a regulator might authorize a regulated entity to incur a major research and development cost because the cost is expected to benefit future customers. The regulator might also direct that cost to be capitalized and amortized as an allowable cost over the period of expected benefit. If the criteria of paragraph 980-340-25-1 are met, the entity shall **capitalize** that cost even though Subtopic 730-10 requires such costs to be charged to income currently. That Subtopic shall still apply to accounting for other research and development costs of the regulated entity, as shall the disclosure requirements of that Subtopic.

980-10-15-6 Section 915-205-45 and paragraphs 915-215-45-1 through 45-3 and 915-235-50-1, which require disclosure of additional information, apply to development stage entities, which are also regulated entities in all cases.

- **Pending Content:**

Transition Date: (P) December 16, 2014; (N) December 16, 2014

Guidance: 915-10-65-1

[Paragraph superseded by Accounting Standards Update No. 2014-10]

- > **Transactions**

980-10-15-7 The guidance in the Regulated Operations Topic does not apply to any of the following transactions:

- a. Accounting for price controls that are imposed by governmental action in times of emergency, high inflation, or other unusual conditions, or accounting for contracts in general. However, if the terms of a contract between an entity and its customer are subject to regulation and the criteria of paragraph 980-10-15-2 are met with respect to that contract, the guidance in this Topic shall apply.
- b. An entity's regulatory accounting. Regulators may require regulated entities to maintain their accounts in a form that permits the regulator to obtain the information needed for regulatory purposes. This Topic neither limits a regulator's actions nor endorses them. Regulators' actions are based on many considerations. Accounting addresses the effects of those actions. This Topic merely specifies how the effects of different types of rate actions are reported in general-purpose financial statements.
- c. The criterion in paragraph 980-10-15-2(a) is intended to exclude contractual arrangements in which the government, or another party that could be viewed as a regulator, is a party to a contract and is the entity's principal customer.

980-10-20 Glossary

General Note: The Master Glossary contains all terms identified as glossary terms throughout the Codification. Clicking on any term in the Master Glossary will display where the term is used. The Master Glossary may contain identical terms with different definitions, some of which may not be appropriate for a particular Subtopic. For any particular Subtopic, users should only use the glossary terms included in the particular Subtopic Glossary Section (Section 20).

Allowable Costs

All costs for which revenue is intended to provide recovery. Those costs can be actual or estimated. In that context, allowable costs include interest cost and amounts provided for earnings on shareholders' investments.

Capitalize

Capitalize is used to indicate that the cost would be recorded as the cost of an asset. That procedure is often referred to as deferring a cost, and the resulting asset is sometimes described as a deferred cost.

Incurred Cost

A cost arising from cash paid out or obligation to pay for an acquired asset or service, a loss from any cause that has been sustained and has been or must be paid for.

980-10-75 XBRL Elements

General Note: This section contains a list of XBRL elements that reference paragraphs in this Subtopic. For additional details regarding changes to the development version of the US GAAP Financial Reporting Taxonomy, refer to the [FASB taxonomy review and comment system](#) on the FASB web site.

- **Competitive Transition Charge, Noncurrent**

Element Name: *CompetitiveTransitionChargeNoncurrent*

- **This XBRL element references the following paragraph(s)/term(s) in this Subtopic:**
 - [Incurred Cost](#)
- **This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):**
 - [980 Regulated Operations > 20 Discontinuation of Rate-Regulated Accounting > 35 Subsequent Measurement > General, 35-1](#)
 - [980 Regulated Operations > 20 Discontinuation of Rate-Regulated Accounting > 35 Subsequent Measurement > General, 35-6](#)
 - [980 Regulated Operations > 20 Discontinuation of Rate-Regulated Accounting > 45 Other Presentation > General, 45-1](#)

- **Earnings Per Share Policy, Basic**

[Label and/or reference(s) most recently revised on 11/24/2013 after the last taxonomy release.]

Element Name: *EarningsPerSharePolicyBasic*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 10 Overall > 05 Background > General, 05-1](#)
- This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):
 - [235 Notes to Financial Statements > 10 Overall > 50 Disclosure > General, 50-3](#)
- **Outage Costs, Policy [Policy Text Block]**

[Label and/or reference(s) most recently revised on 11/22/2013 after the last taxonomy release.]

Element Name: *OutageCostsPolicy*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 10 Overall > 05 Background > General, 05-1](#)
- This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):
 - [235 Notes to Financial Statements > 10 Overall > 50 Disclosure > General, 50-3](#)
- **Public Utilities, Description of Regulatory Scope**

Element Name: *PublicUtilitiesDescriptionOfRegulatoryScope*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 10 Overall > 15 Scope > General, 15-2\(a\)](#)
- **Public Utilities, Policy [Policy Text Block]**

[Label and/or reference(s) most recently revised on 11/24/2013 after the last taxonomy release.]

Element Name: *PublicUtilitiesPolicyTextBlock*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 10 Overall > 05 Background > General, 05-1](#)
- This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):

- [235 Notes to Financial Statements > 10 Overall > 50 Disclosure > General, 50-3](#)

- **Regulated Jurisdictions, Policy**

[Label and/or reference(s) most recently revised on 11/24/2013 after the last taxonomy release.]

Element Name: *RegulatedJurisdictionsPolicy*

- **This XBRL element references the following paragraph(s)/term(s) in this Subtopic:**
 - [980 Regulated Operations > 10 Overall > 15 Scope > General, 15-3](#)
- **This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):**
 - [235 Notes to Financial Statements > 10 Overall > 50 Disclosure > General, 50-3](#)

- **Utility, Revenue and Expense Recognition, Policy [Policy Text Block]**

[Label and/or reference(s) most recently revised on 11/24/2013 after the last taxonomy release.]

Element Name: *UtilityRevenueAndExpenseRecognitionPolicy*

- **This XBRL element references the following paragraph(s)/term(s) in this Subtopic:**
 - [980 Regulated Operations > 10 Overall > 05 Background > General, 05-3](#)
- **This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):**
 - [235 Notes to Financial Statements > 10 Overall > 50 Disclosure > General, 50-3](#)

980-10-S00 Status

General Note: The Status Section identifies changes to this Subtopic resulting from Accounting Standards Updates. The Section provides references to the affected Codification content and links to the related Accounting Standards Updates. Nonsubstantive changes for items such as editorial, link and similar corrections are included separately in Maintenance Updates.

General

980-10-S00-1 No updates have been made to this subtopic.

980-10-S45 Other Presentation Matters

General Note: The Other Presentation Matters Section provides guidance on other

presentation matters not addressed in the Recognition, Initial Measurement, Subsequent Measurement, and Derecognition Sections. Other presentation matters may include items such as current or long-term balance sheet classification, cash flow presentation, earnings per share matters, and so forth. The FASB Codification also contains Presentation Topics, which provide guidance for general presentation and display items. See those Topics for general guidance.

General

- > **Income Statement Presentation**

980-10-S45-1 See paragraph [225-10-S99-2](#), Regulation S-X Rule 5-03.1, for the income statement presentation requirements for a public utility company.

- > **Cost of Power Obtained Under Long-Term Purchase Contracts**

980-10-S45-2 See paragraph [980-10-S99-1](#), SAB Topic 10.D, for SEC Staff views on the presentation of cost of power obtained under long-term purchase contracts.

980-10-S50 Disclosure

General Note: The Disclosure Section provides guidance regarding the disclosure in the notes to financial statements. In some cases, disclosure may relate to disclosure on the face of the financial statements.

General

- > **Cost of Power Obtained Under Long-Term Purchase Contracts**

980-10-S50-1 See paragraph [980-10-S99-1](#), SAB Topic 10.D, for SEC Staff views on the disclosure requirements for cost of power obtained under long-term purchase contracts.

980-10-S75 XBRL Elements

General Note: This section contains a list of XBRL elements that reference paragraphs in this Subtopic. For additional details regarding changes to the development version of the US GAAP Financial Reporting Taxonomy, refer to the [FASB taxonomy review and comment system](#) on the FASB web site.

- **Long-term Contract for Purchase of Electric Power [Axis]**

Element Name: *LongTermContractForPurchaseOfElectricPowerAxis*

- **This XBRL element references the following paragraph(s)/term(s) in this Subtopic:**

- [980 Regulated Operations > 10 Overall > S99 SEC Materials > General, S99-1\(SAB TOPIC 10.D\)](#)

- Long-term Contract for Purchase of Electric Power [Domain]

Element Name: *LongTermContractForPurchaseOfElectricPowerDomain*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 10 Overall > S99 SEC Materials > General, S99-1\(SAB TOPIC 10.D\)](#)
- Long-term Contract for Purchase of Electric Power, Amount of Long-term Debt or Lease Obligation Outstanding

Element

Name: *LongTermContractForPurchaseOfElectricPowerAmountOfLongTermDebtOrLeaseObligationOutstanding*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 10 Overall > S99 SEC Materials > General, S99-1\(SAB TOPIC 10.D\)](#)
- Long-term Contract for Purchase of Electric Power, Annual Minimum Debt Service Payment Required

Element

Name: *LongTermContractForPurchaseOfElectricPowerAnnualMinimumDebtServicePaymentRequired*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 10 Overall > S99 SEC Materials > General, S99-1\(SAB TOPIC 10.D\)](#)
- Long-term Contract for Purchase of Electric Power, Date of Contract Expiration

Element Name: *LongTermContractForPurchaseOfElectricPowerDateOfContractExpiration*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 10 Overall > S99 SEC Materials > General, S99-1\(SAB TOPIC 10.D\)](#)
- Long-term Contract for Purchase of Electric Power, Description

Element Name: *LongTermContractForPurchaseOfElectricPowerDescription*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 10 Overall > S99 SEC Materials > General, S99-1\(SAB TOPIC 10.D\)](#)
- Long-term Contract for Purchase of Electric Power, Estimated Annual Cost

Element Name: *LongTermContractForPurchaseOfElectricPowerEstimatedAnnualCost*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:

- [980 Regulated Operations > 10 Overall > S99 SEC Materials > General, S99-1\(SAB TOPIC 10.D\)](#)
- **Long-term Contract for Purchase of Electric Power, Interest Included in Contract Charges**

Element

Name: *LongTermContractForPurchaseOfElectricPowerInterestIncludedInContractCharges*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 10 Overall > S99 SEC Materials > General, S99-1\(SAB TOPIC 10.D\)](#)
- **Long-term Contract for Purchase of Electric Power, Share of Plant Output Being Purchased**

Element

Name: *LongTermContractForPurchaseOfElectricPowerShareOfPlantOutputBeingPurchased*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 10 Overall > S99 SEC Materials > General, S99-1\(SAB TOPIC 10.D\)](#)
- **Long-term Contracts for Purchase of Electric Power [Table]**

Element Name: *LongTermContractsForPurchaseOfElectricPowerTable*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 10 Overall > S99 SEC Materials > General, S99-1\(SAB TOPIC 10.D\)](#)
- This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):
 - [440 Commitments > 10 Overall > 25 Recognition > Unconditional Purchase Obligations, 25-3](#)
- **Schedule of Long-term Contracts for Purchase of Electric Power [Table Text Block]**

Element Name: *ScheduleOfLongTermContractsForPurchaseOfElectricPowerTextBlock*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 10 Overall > S99 SEC Materials > General, S99-1\(SAB TOPIC 10.D\)](#)
- This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):
 - [440 Commitments > 10 Overall > 25 Recognition > Unconditional Purchase Obligations, 25-3](#)
- **Utilities Operating Expense, Purchased Power under Long-term Contracts**

Element Name: *UtilitiesOperatingExpensePurchasedPowerUnderLongTermContracts*

- **This XBRL element references the following paragraph(s)/term(s) in this Subtopic:**
 - [980 Regulated Operations > 10 Overall > S99 SEC Materials > General, S99-1\(SAB TOPIC 10.D\)](#)
- **This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):**
 - [225 Income Statement > 10 Overall > S99 SEC Materials > General, S99-2\(SX 210.5-03.2\(b\)\)](#)

980-10-S99 SEC Materials

General Note: As more fully described in [About the Codification](#), the Codification includes selected SEC and SEC Staff content for reference by public companies. The Codification does not replace or affect how the SEC or SEC Staff issues or updates SEC content. SEC Staff content does not constitute Commission-approved rules or interpretations of the SEC.

General

- > **SEC Staff Guidance**
- >> **Staff Accounting Bulletins**
- >>> **SAB Topic 10.D, Long-Term Contracts for Purchase of Electric Power**

980-10-S99-1 The following is the text of SAB Topic 10.D, Long-Term Contracts for Purchase of Electric Power.

- **Facts:** Under long-term contracts with public utility districts, cooperatives or other organizations, a utility company receives a portion of the output of a production plant constructed and financed by the district or cooperative. The utility has only a nominal or no investment at all in the plant but pays a proportionate part of the plant's costs, including debt service. The contract may be in the form of a sale of a generating plant and its immediate lease back. The utility is obligated to pay certain minimum amounts which cover debt service requirements whether or not the plant is operating. At the option of other parties to the contract and in accordance with a predetermined schedule, the utility's proportionate share of the output may be reduced. Separate agreements may exist for the transmission of power to the utility's system. FN2.
 - FN2 Registrants are reminded that the arrangement may contain a guarantee that is within the scope of Interpretation 45 [Topic [460](#)]. Further, registrants should consider the guidance of Interpretation 46 [Topic [810](#)]. Also, registrants would need to consider whether the arrangement contains a derivative that should be accounted for according to Statement 133 [Topic [815](#)].
- **Question:** How should the cost of power obtained under long-term purchase contracts be reflected on the financial statements and what supplemental disclosures should be made in notes to the statements?

- Interpretive Response: The cost of power obtained under long-term purchase contracts, including payments required to be made when a production plant is not operating, should be included in the operating expenses section of the income statement. A note to the financial statements should present information concerning the terms and significance of such contracts to the utility company including date of contract expiration, share of plant output being purchased, estimated annual cost, annual minimum debt service payment required and amount of related long-term debt or lease obligations outstanding.
- Additional disclosure should be given if the contract provides, or is expected to provide, in excess of five percent of current or estimated future system capability. This additional disclosure may be in the form of separate financial statements of the vendor entity or inclusion of the amount of the obligation under the contract as a liability on the balance sheet with a corresponding amount as an asset representing the right to purchase power under the contract.
- The note to the financial statements should disclose the allocable portion of interest included in charges under such contracts.

980 Regulated Operations
20 Discontinuation of Rate-Regulated Accounting

980-20-00 Status

General Note: The Status Section identifies changes to this Subtopic resulting from Accounting Standards Updates. The Section provides references to the affected Codification content and links to the related Accounting Standards Updates. Nonsubstantive changes for items such as editorial, link and similar corrections are included separately in Maintenance Updates.

General

980-20-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
<u>980-20-40-4</u>	Amended	<u>Accounting Standards Update No. 2015-01</u>	01/09/2015
<u>980-20-50-2</u>	Amended	<u>Accounting Standards Update No. 2015-01</u>	01/09/2015
<u>980-20-55-4</u>	Amended	<u>Accounting Standards Update No. 2015-01</u>	01/09/2015
<u>980-20-55-9</u>	Amended	<u>Accounting Standards Update No. 2015-01</u>	01/09/2015

<u>980-20-55-13</u>	Amended	<u>Accounting Standards Update No. 2015-01</u>	01/09/2015
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980-20-05 Overview and Background

General Note: The Overview and Background Section provides overview and background material for the guidance contained in the Subtopic. It does not provide the historical background or due process. It may contain certain material that users generally consider useful to understand the typical situations addressed by the standards. The Section does not summarize the accounting and reporting requirements.

General

980-20-05-1 This Subtopic addresses the discontinuation of rate-regulated accounting when an entity no longer meets the criteria in paragraph 980-10-15-2.

980-20-05-2 Deregulation of certain industries and changes in the method of regulating others have caused several entities to discontinue application of this Topic for some or all of their operations.

980-20-15 Scope and Scope Exceptions

General Note: The Scope and Scope Exceptions Section outlines the items (for example, the entities, transactions, instruments, or events) to which the guidance in the Subtopic does or does not apply. In some cases, the Section may contain definitional or other text to frame the scope.

General

- > **Overall Guidance**

980-20-15-1 This Subtopic follows the same Scope and Scope Exceptions as outlined in the Overall Subtopic, see Section 980-10-15, with specific exceptions as noted below, which provides further guidance on an entity's operations that no longer meet the criteria of regulated operations.

- > **Entities**

980-20-15-2 Failure of an entity's operations to continue to meet the criteria in paragraph 980-10-15-2 can result from different causes. Examples include the following:

- a. Deregulation
- b. A change in the regulator's approach to setting rates from cost-based rate-making to another form of regulation

c. Increasing competition that limits the entity's ability to sell utility services or products at rates that will recover costs (as used in paragraph [980-10-15-2](#))

d. Regulatory actions resulting from resistance to rate increases that limit the entity's ability to sell utility services or products at rates that will recover costs if the entity is unable to obtain (or chooses not to seek) relief from prior regulatory actions through appeals to the regulator or the courts.

980-20-15-3 Regardless of the reason for an entity's discontinuation of application of the Regulated Operations Topic, this Subtopic specifies how that discontinuation shall be reported in the entity's general-purpose external financial statements.

980-20-20 Glossary

General Note: The Master Glossary contains all terms identified as glossary terms throughout the Codification. Clicking on any term in the Master Glossary will display where the term is used. The Master Glossary may contain identical terms with different definitions, some of which may not be appropriate for a particular Subtopic. For any particular Subtopic, users should only use the glossary terms included in the particular Subtopic Glossary Section (Section 20).

Allowance for Funds Used during Construction

The cost of financing construction as financed partially by borrowings and partially by equity, capitalized as part of the cost of plant and equipment pursuant to requirements of the regulator.

Regulatory Assets and Regulatory Liabilities

Regulatory assets and regulatory liabilities are those assets and liabilities recognized pursuant to the provisions of paragraphs [980-340-25-1](#) and [980-405-25-1](#). These assets and liabilities are not recognized by entities in general.

980-20-35 Subsequent Measurement

General Note: The Subsequent Measurement Section provides guidance on an entity's subsequent measurement and subsequent recognition of an item. Situations that may result in subsequent changes to carrying amount include impairment, fair value adjustments, depreciation and amortization, and so forth.

General

- > **Discontinuation of Recognition Following Regulator Actions**

980-20-35-1 An entity that discontinues application of the Regulated Operations Topic shall no longer recognize the effects of actions of a regulator as assets or liabilities unless the right to receive payment or the obligation to pay exists as a result of past events or transactions and regardless of future transactions.

- > **Plant, Equipment, and Inventory**

980-20-35-2 This Subtopic requires that upon the discontinuation of rate-regulated accounting, the carrying amounts of the plant, equipment, and inventory measured and recorded pursuant to this Topic shall not be adjusted unless those assets are impaired.

980-20-35-3 The carrying amounts of plant, equipment, and inventory for entities applying this Topic differ from those for entities in general only because of the **allowance for funds used during construction**, intra-entity profit, and disallowances of costs of recently completed plants. If any other amounts that would not be includable in the carrying amounts of plant, equipment, or inventory by entities in general are included in or netted against the carrying amounts of plant, equipment, and inventory, those amounts shall be separated from the carrying amounts of plant, equipment, and inventory and accounted for as prescribed in this Subtopic.

980-20-35-4 For example, postconstruction operating costs that were capitalized pursuant to paragraph 980-340-25-1 represent the effects of actions of a regulator regardless of their classification in the financial statements and shall be accounted for as this Subtopic prescribes for the effects of actions of a regulator.

980-20-35-5 Another example of the effect of actions of a regulator that would require adjustment is the cumulative difference, if any, between recorded depreciation and depreciation computed using a generally accepted method of depreciation.

- > **Regulatory Assets and Liabilities Originating in a Separable Portion of the Entity**

980-20-35-6 The **regulatory assets and regulatory liabilities** that originate in a separable portion of an entity to which this Subtopic is applied shall be evaluated on the basis of where (that is, the portion of the business in which) the regulated cash flows to realize and settle them, respectively, will be derived. Regulated cash flows are from rates that are charged to customers and intended by regulators to be for the recovery of the specified regulatory assets and the settlement of regulatory liabilities. They are derived from a levy on rate-regulated goods or services provided by another separable portion of the entity that meets the criteria of paragraph 980-10-15-2 for application of this Topic.

980-20-35-7 There is no elimination of the regulatory assets and regulatory liabilities that originate in the separable portion of the business to which this Subtopic is applied and for which the deregulatory legislation or rate order (whichever is necessary to effect change in the jurisdiction) specifies the collection of regulated cash flows until any of the following occur:

- a. They are recovered by (in the case of assets) or settled through (in the case of liabilities) collection of regulated cash flows.
- b. They are individually impaired (in the case of assets) or the regulator eliminates the obligation (in the case of liabilities) as specified by the provisions of this Topic.
- c. The separable portion of the business from which the regulated cash flows are derived no longer meets the criteria of paragraph 980-10-15-2 for application of this Topic.

980-20-35-8 The source of the cash flow approach adopted in paragraphs 980-20-35-6 through 35-9 shall be used for recoveries of all costs and settlements of all obligations (not just for regulatory assets and regulatory liabilities that are recorded at the date this Subtopic is applied) for which regulated cash flows are specifically provided in the deregulatory legislation or rate order (whichever is necessary to effect change in the jurisdiction).

980-20-35-9 A cost or an obligation is recognized as a regulatory asset or a regulatory liability within the separable portion of the entity from which the regulated cash flows for its recovery or settlement, respectively, are derived once it meets both of the following conditions:

- a. Expensed or incurred after this Subtopic is applied to the portion of the business where it originated (such as the loss on the sale of an electricity generating plant or the loss on the buy-out of a purchased power contract that is recognized after this Subtopic is applied to the generation portion of the business)
- b. Specified for recovery or settlement in the deregulatory legislation or a rate order (whichever is necessary to effect change in the jurisdiction) and is recovered or settled in the same manner (that is, via regulated cash flows) as the regulatory assets and regulatory liabilities described in paragraphs 980-20-35-6 through 35-9.

Those regulatory assets and regulatory liabilities shall be carried in this other separable portion of the business until they are collected or settled, until they are individually impaired (assets) or eliminated (liabilities), or until that separable portion of the business no longer meets the criteria of paragraph 980-10-15-2 for application of this Topic.

980-20-40 Derecognition

General Note: The Derecognition Section provides guidance on determining whether and when an entity should remove an item from the financial statements. For example, the entity would derecognize an asset because it no longer has rights to the asset or it would derecognize a liability because it no longer has any obligation.

General

- > **Discontinuation of Regulatory Operations Guidance**

980-20-40-1 When an entity determines that its operations in a regulatory jurisdiction no longer meet the criteria of paragraph 980-10-15-2 for application of the Regulated Operations Topic, that entity shall discontinue application of this Topic to its operations in that jurisdiction. If a separable portion of the entity's operations within a regulatory jurisdiction ceases to meet the criteria of that paragraph for application of this Topic, application of this Topic to that separable portion shall be discontinued. That situation creates a presumption that application of this Topic shall be discontinued for all of the entity's operations within that regulatory jurisdiction. That presumption can be overcome by establishing that the entity's other operations within that jurisdiction continue to meet the criteria of paragraph 980-10-15-2 for application of this Topic. The separable portion may be an entity's operations within a regulatory jurisdiction or a smaller portion (such as a customer class within a regulatory jurisdiction), either of which could require the allocation of system-wide assets and liabilities.

980-20-40-2 When an entity discontinues application of this Topic to all or part of its operations, that entity shall eliminate from its statement of financial position prepared for general-purpose external financial reporting the effects of any actions of regulators that had been recognized as assets and liabilities pursuant to this Topic but would not have been recognized as assets and liabilities by entities in general, and the Impairment or Disposal of Long-Lived Assets Subsections of Subtopic 360-10 shall apply, except for the provisions for income statement reporting in paragraphs 360-10-45-4 and 360-10-50-2. However, the

carrying amounts of plant, equipment, and inventory measured and reported pursuant to this Topic shall not be adjusted unless those assets are impaired, in which case the carrying amounts of those assets shall be reduced to reflect that impairment.

980-20-40-3 The carrying amounts of plant, equipment, and inventory for entities applying this Topic differ from those for entities in general only because of the **allowance for funds used during construction**, intra-entity profit, and disallowances of costs of recently completed plants. If any other amounts that would not be includable in the carrying amounts of plant, equipment, or inventory by entities in general (such as postconstruction operating costs capitalized pursuant to paragraph 980-340-25-1) are included in or netted against the carrying amounts of plant, equipment, or inventory, those amounts shall be accounted for as this Subtopic prescribes for the effects of actions of a regulator.

980-20-40-4 Whether those assets have been impaired shall be judged in the same manner as for entities in general. The net effect of the adjustments required by this Subtopic shall be included in income of the period in which the discontinuation occurs and shall be classified as an extraordinary item.

- **Pending Content:**

Transition Date: (P) December 16, 2015; (N) December 16, 2015

Guidance: 225-20-65-1

Whether those assets have been impaired shall be judged in the same manner as for entities in general. The net effect of the adjustments required by this Subtopic shall be included in income of the period in which the discontinuation occurs and shall be classified separately in income from continuing operations as an unusual or infrequently occurring item.

980-20-40-5 Examples illustrating the discontinuation of regulatory operations guidance include the following:

- Example 1 (see paragraph 980-20-55-1) illustrates assets recorded based solely on expected future revenue from the regulator.
- Example 2 (see paragraph 980-20-55-6) illustrates liabilities recorded based solely on actions of the regulator.
- Example 3 (see paragraph 980-20-55-10) illustrates assets recorded for deferred income taxes not previously recognized for rate-making purposes but expected to be in the future.

- > **Deregulatory Legislation or Rate Order in a Separable Portion of the Entity**

980-20-40-6 When deregulatory legislation is passed or when a rate order (whichever is necessary to effect change in the jurisdiction) that contains sufficient detail for the entity to reasonably determine how the transition plan will affect a separable portion of its business whose pricing is being deregulated is issued, the entity shall stop applying this Topic to that separable portion of its business. It has not been established whether an entity shall stop applying the accounting and reporting for regulatory operations as provided in the other Subtopics of this Topic to that separable portion of its business before the issuance of sufficiently detailed deregulatory legislation or a sufficiently detailed rate order.

980-20-45 Other Presentation Matters

General Note: The Other Presentation Matters Section provides guidance on other presentation matters not addressed in the Recognition, Initial Measurement, Subsequent Measurement, and Derecognition Sections. Other presentation matters may include items

such as current or long-term balance sheet classification, cash flow presentation, earnings per share matters, and so forth. The FASB Codification also contains Presentation Topics, which provide guidance for general presentation and display items. See those Topics for general guidance.

General

- > **Separable Portion Following Discontinuation of Regulatory Operations Guidance**

980-20-45-1 Once the Regulated Operations Topic is no longer applied to a separable portion of an entity's business, the financial statements shall segregate, via financial statement display or footnote disclosure, the amounts contained in the financial statements that relate to that separable portion.

980-20-50 Disclosure

General Note: The Disclosure Section provides guidance regarding the disclosure in the notes to financial statements. In some cases, disclosure may relate to disclosure on the face of the financial statements.

General

980-20-50-1 For the period in which an entity reflects the discontinuation of application of the Regulated Operations Topic all or a separable portion of its operations, the entity shall disclose the reasons for the discontinuation and identify the portion of its operations to which the application of this Topic is being discontinued.

980-20-50-2 The disclosure requirements of Subtopic 225-20 for extraordinary items apply to the net adjustment reported in the statement of operations as a result of applying this Subtopic.

- **Pending Content:**

Transition Date: (P) December 16, 2015; (N) December 16, 2015 **Transition**

Guidance: 225-20-65-1

The disclosure requirements of Subtopic 225-20 for unusual or infrequently occurring items apply to the net adjustment reported in the statement of operations as a result of applying this Subtopic.

980-20-55 Implementation Guidance and Illustrations

General Note: The Implementation Guidance and Illustrations Section contains implementation guidance and illustrations that are an integral part of the Subtopic. The implementation guidance and illustrations do not address all possible variations. Users must consider carefully the actual facts and circumstances in relation to the requirements of the

Subtopic.

General

- > Illustrations
- >> Example 1: Assets Recorded Based Solely on Expected Future Revenue from the Regulator

980-20-55-1 This Example illustrates the guidance in paragraphs 980-20-40-1 through 40-4.

980-20-55-2 Utility A operates solely in one regulatory jurisdiction. At December 31, 19X1, Utility A concludes, based on current market conditions, that it no longer meets the criteria of paragraph 980-10-15-2 for the application of the Regulated Operations Topic. Utility A's statement of financial position at December 31, 19X1, includes all of the following items:

- a. Deferred purchased power costs (costs of power used for operations in prior periods that were expected to be recovered from customers as a result of an automatic adjustment clause)
- b. Deferred costs of abandoned plant (costs for which recovery was being provided through rates)
- c. Deferred costs of repairing storm damage.

980-20-55-3 Those items should be reported as follows as of December 31, 19X1.

980-20-55-4 All of those items should be eliminated from the entity's statement of financial position when it ceases to apply this Topic. The resulting charge to income, net of any related tax effects should be reported as an extraordinary item in the period that includes December 31, 19X1. The entity should no longer defer those costs and report them as assets because they could not be reported as assets by entities in general. Entities in general would report a receivable for those items only if a right to receive payment exists as a result of past events or transactions and regardless of future transactions (such as future sales).

- Pending Content:

Transition Date: (P) December 16, 2015; (N) December 16, 2015

Guidance: 225-20-65-1

All of those items should be eliminated from the entity's statement of financial position when it ceases to apply this Topic. The resulting charge to income should be reported as an unusual or infrequently occurring item in the period that includes December 31, 19X1. The entity should no longer defer those costs and report them as assets because they could not be reported as assets by entities in general. Entities in general would report a receivable for those items only if a right to receive payment exists as a result of past events or transactions and regardless of future transactions (such as future sales).

980-20-55-5 For example, a contract between a supplier and a customer for the sale of fuel oil may specify that next year's sales price will be adjusted based on the supplier's current-year cost of fuel oil. Even though it is probable that a future economic benefit (the ability to charge a higher price in the future) will result from the supplier's current-year cost of fuel oil, no asset exists at the end of the current year because the transactions (sales to the customer) that give the supplier control of the benefit are in the future. However, if the contract provides

that the customer is obligated to pay additional amounts related to past purchases and regardless of future purchases, the supplier has an asset and it does not matter whether that payment is made in a single amount or when the customer will pay for next year's purchases.

- >> **Example 2: Liabilities Recorded Based Solely on Actions of the Regulator**

980-20-55-6 This Example illustrates the guidance in paragraphs 980-20-40-1 through 40-4.

980-20-55-7 Utility B operates in two regulatory jurisdictions, State 1 and State 2; 40 percent of Utility B's operations are located in State 1 and 60 percent in State 2; system-wide assets, liabilities, and certain gains and losses are allocated 40 percent to State 1 and 60 percent to State 2. At December 31, 19X2, Utility B concludes, based on current and expected future market conditions in State 1, that it no longer meets the criteria of paragraph 980-10-15-2 for application of this Topic to its operations in State 1. No similar conditions exist in State 2, and actions of State 1's regulators are not expected to influence the decisions of regulators in State 2. Utility B's statement of financial position at December 31, 19X2, includes the following items.

Deferred gain on restructuring debt, being amortized for rate-making purposes on an allocated basis by both states	\$ 50,000
Revenues collected subject to refund in prior years in State 1, expected to be refunded through future rates	\$ 75,000

980-20-55-8 Those items should be reported as follows as of December 31, 19X2.

980-20-55-9 The portion of the deferred gain allocable to State 1 (determined in this Example to be 40 percent of \$50,000, or \$20,000), net of any related tax effects, should be eliminated from the entity's statement of financial position when it ceases to apply this Topic to its operations in State 1. No adjustment should be made for the deferred gain applicable to State 2. The regulatory-created accrual for revenues subject to refund in State 1, net of any related tax effects, should be eliminated. Whether any liability related thereto exists should be determined under generally accepted accounting principles (GAAP) for entities in general. For example, amounts that were collected in the current or prior periods for which refunds will be made regardless of future sales should continue to be reported as liabilities after application of this Topic is discontinued. The credit to income resulting from the above adjustments, net of any related tax effects, should be reported as an extraordinary item in the period that includes December 31, 19X2.

- **Pending Content:**

Transition Date: (P) December 16, 2015; (N) December 16, 2015

Guidance: 225-20-65-1

The portion of the deferred gain allocable to State 1 (determined in this Example to be 40 percent of \$50,000, or \$20,000) should be eliminated from the entity's statement of financial position when it ceases to apply this Topic to its operations in State 1. No adjustment should be made for the deferred gain applicable to State 2. The regulatory-created accrual for revenues subject to refund in State 1 should be eliminated. Whether any liability related thereto exists should be determined under generally accepted accounting principles (GAAP) for entities in general. For example, amounts that were collected in the current or prior periods for which refunds will be made regardless of future sales should continue to be reported as liabilities after application of this Topic is discontinued. The credit to income resulting from the

above adjustments should be reported as an unusual or infrequently occurring item in the period that includes December 31, 19X2.

- >> **Example 3: Regulatory-Created Assets Resulting from the Recording of Deferred Income Taxes Not Recognized for Rate-Making**

980-20-55-10 This Example illustrates the guidance in paragraphs [980-20-40-1](#) through [40-4](#).

980-20-55-11 Utility C operates solely in one regulatory jurisdiction. At June 30, 19X3, Utility C concludes, based on new legislation, that it no longer meets the criteria of paragraph [980-10-15-2](#) for application of this Topic. Utility C had adopted Subtopic [740-10](#) in 19X2 and because of applying this Topic had recorded a regulatory-created asset of \$650,000 for deferred taxes resulting from temporary differences that had not been recognized in the rate-making process but that were expected to be recovered in the future.

980-20-55-12 The following reporting is required for that regulatory-created asset.

980-20-55-13 Utility C should eliminate that regulatory-created asset from its statement of financial position when the entity ceases to apply this Topic. The charge to income, net of any related tax effects, should be reported as an extraordinary item in the period that includes June 30, 19X3.

- **Pending Content:**

Transition Date: (P) December 16, 2015; (N) December 16, 2015

Guidance: [225-20-65-1](#)

Utility C should eliminate that regulatory-created asset from its statement of financial position when the entity ceases to apply this Topic. The charge to income should be reported as an unusual or infrequently occurring item in the period that includes June 30, 19X3.

980-20-75 XBRL Elements

General Note: This section contains a list of XBRL elements that reference paragraphs in this Subtopic. For additional details regarding changes to the development version of the US GAAP Financial Reporting Taxonomy, refer to the [FASB taxonomy review and comment system](#) on the FASB web site.

- **Allowance for Funds Used During Construction, Capitalized Interest**

[Label and/or reference(s) most recently revised on 06/15/2011 after the last taxonomy release.]

Element Name: *PublicUtilitiesAllowanceForFundsUsedDuringConstructionCapitalizedInterest*

- **This XBRL element references the following paragraph(s)/term(s) in this Subtopic:**
 - [Allowance for Funds Used during Construction](#)
- **This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):**
 - [980 Regulated Operations > 835 Interest > 45 Other Presentation > General, 45-1](#)

- **Amount of Embedded Regulatory Asset**

[Label and/or reference(s) most recently revised on 11/05/2012 after the last taxonomy release.]

Element Name: *AmountOfEmbeddedRegulatoryAsset*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 20 Discontinuation of Rate-Regulated Accounting > 40 Derecognition > General, 40-3](#)
- This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 25 Recognition > General, 25-1](#)
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 50 Disclosure > General, 50-1](#)

- **Amount of Embedded Regulatory Liability**

[Label and/or reference(s) most recently revised on 10/26/2012 after the last taxonomy release.]

Element Name: *AmountOfEmbeddedRegulatoryLiability*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 20 Discontinuation of Rate-Regulated Accounting > 40 Derecognition > General, 40-3](#)
- This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):
 - [980 Regulated Operations > 405 Liabilities > 25 Recognition > General, 25-1](#)

- **Capitalized Interest Costs, Including Allowance for Funds Used During Construction**

[Label and/or reference(s) most recently revised on 06/15/2011 after the last taxonomy release.]

Element Name: *InterestCostsIncurredCapitalized*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [Allowance for Funds Used during Construction](#)
- This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):
 - [980 Regulated Operations > 835 Interest > 45 Other Presentation > General, 45-1](#)

- **Competitive Transition Charge, Noncurrent**

Element Name: *CompetitiveTransitionChargeNoncurrent*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 20 Discontinuation of Rate-Regulated Accounting > 35 Subsequent Measurement > General, 35-1](#)
 - [980 Regulated Operations > 20 Discontinuation of Rate-Regulated Accounting > 35 Subsequent Measurement > General, 35-6](#)
 - [980 Regulated Operations > 20 Discontinuation of Rate-Regulated Accounting > 45 Other Presentation > General, 45-1](#)
- This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):
 - [Incurred Cost](#)
- **Discontinuance of Certain Regulatory Reporting Practices**

Element Name: *DiscontinuanceOfCertainRegulatoryReportingPractices*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 20 Discontinuation of Rate-Regulated Accounting > 50 Disclosure > General, 50-1](#)
- This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):
 - [235 Notes to Financial Statements > 10 Overall > 50 Disclosure > General, 50-3](#)

- **Discontinued Application of Specialized Accounting for Regulated Operations**

Element Name: *DiscontinuedApplicationOfSpecializedAccountingForRegulatedOperations*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 20 Discontinuation of Rate-Regulated Accounting > 50 Disclosure > General, 50-1](#)
 - [980 Regulated Operations > 20 Discontinuation of Rate-Regulated Accounting > 50 Disclosure > General, 50-2](#)

- **Interest Costs Capitalized**

[Label and/or reference(s) most recently revised on 11/14/2011 after the last taxonomy release.]

Element Name: *InterestCostsCapitalized*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [Allowance for Funds Used during Construction](#)
- This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):

- [835 Interest > 20 Capitalization of Interest > 50 Disclosure > General, 50-1\(b\)](#)

- **Public Utilities, Deregulation Activities**

Element Name: *PublicUtilitiesDeregulationActivities*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 20 Discontinuation of Rate-Regulated Accounting > 50 Disclosure > General, 50-1](#)
- This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):
 - [860 Transfers and Servicing > 10 Overall > 55 Implementation > General, 55-7](#)

- **Public Utilities, Deregulation of Electricity Pricing Activities**

Element Name: *PublicUtilitiesDeregulationOfElectricityPricingActivities*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 20 Discontinuation of Rate-Regulated Accounting > 45 Other Presentation > General, 45-1](#)
 - [980 Regulated Operations > 20 Discontinuation of Rate-Regulated Accounting > 50 Disclosure > General, 50-1](#)
 - [980 Regulated Operations > 20 Discontinuation of Rate-Regulated Accounting > 50 Disclosure > General, 50-2](#)
- This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):
 - [860 Transfers and Servicing > 10 Overall > 55 Implementation > General, 55-7](#)

- **Public Utilities, Disclosure of Regulatory Matters Pending**

Element Name: *PublicUtilitiesDisclosureOfRegulatoryMattersPending*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 20 Discontinuation of Rate-Regulated Accounting > 40 Derecognition > General, 40-6](#)
- This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):
 - [450 Contingencies > 20 Loss Contingencies > 50 Disclosure > General, 50-1](#)
 - [450 Contingencies > 20 Loss Contingencies > 50 Disclosure > General, 50-3](#)
 - [450 Contingencies > 20 Loss Contingencies > 50 Disclosure > General, 50-4](#)

- [450 Contingencies > 20 Loss Contingencies > 50 Disclosure > General, 50-5](#)
- [980 Regulated Operations > 360 Property, Plant, and Equipment > 55 Implementation > General, 55-16](#)
- [980 Regulated Operations > 360 Property, Plant, and Equipment > 55 Implementation > General, 55-17](#)
- [980 Regulated Operations > 360 Property, Plant, and Equipment > 55 Implementation > General, 55-20](#)
- [980 Regulated Operations > 360 Property, Plant, and Equipment > 55 Implementation > General, 55-21](#)
- [980 Regulated Operations > 360 Property, Plant, and Equipment > 55 Implementation > General, 55-22](#)
- [980 Regulated Operations > 360 Property, Plant, and Equipment > 55 Implementation > General, 55-23](#)
- [980 Regulated Operations > 360 Property, Plant, and Equipment > 55 Implementation > General, 55-24](#)
- [980 Regulated Operations > 360 Property, Plant, and Equipment > 55 Implementation > General, 55-25](#)
- [980 Regulated Operations > 360 Property, Plant, and Equipment > 55 Implementation > General, 55-27](#)
- [980 Regulated Operations > 360 Property, Plant, and Equipment > 55 Implementation > General, 55-28](#)
- [980 Regulated Operations > 360 Property, Plant, and Equipment > 55 Implementation > General, 55-29](#)

- **Public Utilities, Impact of Deregulation Activities**

Element Name: *PublicUtilitiesImpactOfDeregulationActivities*

- **This XBRL element references the following paragraph(s)/term(s) in this Subtopic:**
 - [980 Regulated Operations > 20 Discontinuation of Rate-Regulated Accounting > 45 Other Presentation > General, 45-1](#)
 - [980 Regulated Operations > 20 Discontinuation of Rate-Regulated Accounting > 50 Disclosure > General, 50-1](#)
 - [980 Regulated Operations > 20 Discontinuation of Rate-Regulated Accounting > 50 Disclosure > General, 50-2](#)

- **Public Utility Property, Plant, and Equipment [Table Text Block]**

[Label and/or reference(s) most recently revised on 08/22/2012 after the last taxonomy release.]

Element Name: *ScheduleOfPublicUtilityPropertyPlantAndEquipmentTextBlock*

- **This XBRL element references the following paragraph(s)/term(s) in this Subtopic:**

- [980 Regulated Operations > 20 Discontinuation of Rate-Regulated Accounting > 45 Other Presentation > General, 45-1](#)
- This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):
 - [210 Balance Sheet > 10 Overall > S99 SEC Materials > General, S99-1\(SX 210.5-02.13\(b\)\)](#)
- **Public Utility, Property, Plant and Equipment [Table]**

Element Name: *PublicUtilityPropertyPlantAndEquipmentTable*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 20 Discontinuation of Rate-Regulated Accounting > 45 Other Presentation > General, 45-1](#)
- This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):
 - [210 Balance Sheet > 10 Overall > S99 SEC Materials > General, S99-1\(SX 210.5-02.13\(b\)\)](#)
- **Regulated and Unregulated Operation [Domain]**

Element Name: *RegulatedAndUnregulatedOperationDomain*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 20 Discontinuation of Rate-Regulated Accounting > 45 Other Presentation > General, 45-1](#)
- **Regulation Status [Axis]**

[Label and/or reference(s) most recently revised on 12/20/2011 after the last taxonomy release.]

Element Name: *PublicUtilityRegulatedOrUnregulatedStatusAxis*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 20 Discontinuation of Rate-Regulated Accounting > 45 Other Presentation > General, 45-1](#)

980 Regulated Operations
250 Accounting Changes and Error Corrections
980-250-05 Overview and Background

General Note: The Overview and Background Section provides overview and background material for the guidance contained in the Subtopic. It does not provide the historical background or due process. It may contain certain material that users generally consider useful to understand the typical situations addressed by the standards. The Section does not summarize the accounting and reporting requirements.

General

980-250-05-1 This Subtopic provides guidance for accounting changes and error corrections for entities with regulated operations.

980-250-15 Scope and Scope Exceptions

General Note: The Scope and Scope Exceptions Section outlines the items (for example, the entities, transactions, instruments, or events) to which the guidance in the Subtopic does or does not apply. In some cases, the Section may contain definitional or other text to frame the scope.

General

- > **Overall Guidance**

980-250-15-1 This Subtopic follows the same Scope and Scope Exceptions as outlined in the Overall Subtopic, see Section [980-10-15](#).

980-250-20 Glossary

General Note: The Master Glossary contains all terms identified as glossary terms throughout the Codification. Clicking on any term in the Master Glossary will display where the term is used. The Master Glossary may contain identical terms with different definitions, some of which may not be appropriate for a particular Subtopic. For any particular Subtopic, users should only use the glossary terms included in the particular Subtopic Glossary Section (Section 20).

Allowable Costs

All costs for which revenue is intended to provide recovery. Those costs can be actual or estimated. In that context, allowable costs include interest cost and amounts provided for earnings on shareholders' investments.

980-250-55 Implementation Guidance and Illustrations

General Note: The Implementation Guidance and Illustrations Section contains implementation guidance and illustrations that are an integral part of the Subtopic. The implementation guidance and illustrations do not address all possible variations. Users must consider carefully the actual facts and circumstances in relation to the requirements of the Subtopic.

General

- > **Implementation Guidance**

980-250-55-1 All of the following guidance assumes that the entity meets the criteria in paragraph 980-10-15-2; thus, recovery of any cost is probable if that cost is designated for future recovery by the regulator.

- >> **Accounting Changes**

980-250-55-2 Topic 250 defines various types of accounting changes and establishes guidelines for reporting each type.

980-250-55-3 If a regulated entity changes accounting methods and the change does not affect costs that are allowable for rate-making purposes, the regulated entity would apply the change in the same manner as would an unregulated entity. Capitalization of leases with no income statement effect (see paragraphs 980-840-45-1 through 45-4) is an example of that type of change. If a regulated entity changes accounting methods and the change affects **allowable costs** for rate-making purposes, the change generally would be implemented in the way that it is implemented for regulatory purposes. A change in the method of accounting for research and development costs, either from a policy of capitalization and amortization to one of charging those costs to expense as incurred or vice versa, is an example of that type of change.

- >> **Refunds to Customers**

980-250-55-4 Paragraphs 250-10-45-25 through 45-26 limit prior period adjustments (other than those that result from reporting accounting changes) to corrections of errors and adjustments related to prior interim periods of the current fiscal year.

980-250-55-5 In accordance with Section 250-10-45, estimated refunds that were not previously accrued would be charged to income in the first period in which they meet the criteria for accrual (see paragraph 450-20-25-2). If the amounts are material, the disclosures specified in paragraph 980-605-50-1 should be furnished.

980 Regulated Operations
340 Other Assets and Deferred Costs
980-340-05 Overview and Background

General Note: The Overview and Background Section provides overview and background material for the guidance contained in the Subtopic. It does not provide the historical background or due process. It may contain certain material that users generally consider useful to understand the typical situations addressed by the standards. The Section does not summarize the accounting and reporting requirements.

General

980-340-05-1 This Subtopic provides guidance for deferred costs for entities with regulated operations, including **phase-in plans**.

- > **Phase-In Plans**

980-340-05-2 When a utility places a newly completed plant in service, traditional rate-making procedures establish rates to recover the **allowable costs** of that plant. A combination of circumstances can cause traditional rate-making procedures to result in a phenomenon called rate spike, which is a major, one-time increase in rates that can result from the inclusion of the cost of new plants in rates under traditional rate-making procedures.

980-340-05-3 Phase-in plans were developed to alleviate the problem of rate spike. Those plans are intended to moderate the initial increase in rates that would otherwise result from placing newly completed plants in service by deferring some of that rate increase to future years and providing the utility with return on investment for those deferred amounts. Instead of the traditional pattern of an increase in allowable costs followed by decreasing allowable costs for utility plants after the plants are placed in service, phase-in plans create a pattern of gradually increasing allowable costs for the initial years of the plant's service life.

980-340-15 Scope and Scope Exceptions

General Note: The Scope and Scope Exceptions Section outlines the items (for example, the entities, transactions, instruments, or events) to which the guidance in the Subtopic does or does not apply. In some cases, the Section may contain definitional or other text to frame the scope.

General

- > **Overall Guidance**

980-340-15-1 This Subtopic follows the same Scope and Scope Exceptions as outlined in the Overall Subtopic, see Section [980-10-15](#).

980-340-20 Glossary

General Note: The Master Glossary contains all terms identified as glossary terms throughout the Codification. Clicking on any term in the Master Glossary will display where the term is used. The Master Glossary may contain identical terms with different definitions, some of which may not be appropriate for a particular Subtopic. For any particular Subtopic, users should only use the glossary terms included in the particular Subtopic Glossary Section (Section 20).

Allowable Costs

All costs for which revenue is intended to provide recovery. Those costs can be actual or estimated. In that context, allowable costs include interest cost and amounts provided for earnings on shareholders' investments.

Allowance for Funds Used during Construction

The cost of financing construction as financed partially by borrowings and partially by equity, capitalized as part of the cost of plant and equipment pursuant to requirements of the regulator.

Capitalize

Capitalize is used to indicate that the cost would be recorded as the cost of an asset. That procedure is often referred to as deferring a cost, and the resulting asset is sometimes described as a deferred cost.

Incurred Cost

A cost arising from cash paid out or obligation to pay for an acquired asset or service, a loss from any cause that has been sustained and has been or must be paid for.

Phase-In Plan

Any method of recognition of allowable costs in rates that meets all of the following criteria:

- a. The method was adopted by the regulator in connection with a major, newly completed plant of the regulated entity or of one of its suppliers or a major plant scheduled for completion in the near future.
- b. The method defers the rates intended to recover allowable costs beyond the period in which those allowable costs would be charged to expense under generally accepted accounting principles (GAAP) applicable to entities in general.
- c. The method defers the rates intended to recover allowable costs beyond the period in which those rates would have been ordered under the rate-making methods routinely used prior to 1982 by that regulator for similar allowable costs of that regulated entity.

980-340-25 Recognition

General Note: The Recognition Section provides guidance on the required criteria, timing, and location (within the financial statements) for recording a particular item in the financial statements. Disclosure is not recognition.

General

- > **Effects of Regulation**
- >> **Recognition of Regulatory Assets**

980-340-25-1 Rate actions of a regulator can provide reasonable assurance of the existence of an asset. An entity shall **capitalize** all or part of an **incurred cost** that would otherwise be charged to expense if both of the following criteria are met:

- a. It is probable (as defined in Topic 450) that future revenue in an amount at least equal to the capitalized cost will result from inclusion of that cost in **allowable costs** for rate-making purposes.
- b. Based on available evidence, the future revenue will be provided to permit recovery of the previously incurred cost rather than to provide for expected levels of similar future costs. If the revenue will be provided through an automatic rate-adjustment clause, this criterion requires that the regulator's intent clearly be to permit recovery of the previously incurred cost.

A cost that does not meet these asset recognition criteria at the date the cost is incurred shall be recognized as a regulatory asset when it does meet those criteria at a later date.

- >> **Phase-In Plans**

980-340-25-2 If a **phase-in plan** is ordered by a regulator in connection with a plant on which no substantial physical construction had been performed before January 1, 1988, none of the allowable costs that are deferred for future recovery by the regulator under the plan for rate-making purposes shall be capitalized for general-purpose financial reporting purposes (hereinafter referred to as financial reporting). Allowable costs that are deferred for future recovery by the regulator under the plan consist of all allowable costs deferred for rate-making purposes under the plan beyond the period in which those allowable costs would be charged to expense under generally accepted accounting principles (GAAP) applicable to entities in general.

980-340-25-3 If a phase-in plan is ordered by a regulator in connection with a plant completed before January 1, 1988, or a plant on which substantial physical construction had been performed before January 1, 1988, the following criteria shall be applied to that plan. If the phase-in plan meets all of those criteria, all allowable costs that are deferred for future recovery by the regulator under the plan shall be capitalized for financial reporting as a separate asset (a deferred charge). If any one of those criteria is not met, none of the allowable costs that are deferred for future recovery by the regulator under the plan shall be capitalized for financial reporting. The criteria to determine whether capitalization is appropriate are:

- a. The allowable costs in question are deferred pursuant to a formal plan that has been agreed to by the regulator.
- b. The plan specifies the timing of recovery of all allowable costs that will be deferred under the plan.
- c. All allowable costs deferred under the plan are scheduled for recovery within 10 years of the date when deferrals begin.
- d. The percentage increase in rates scheduled under the plan for each future year is no greater than the percentage increase in rates scheduled under the plan for each immediately preceding year. That is, the scheduled percentage increase in Year 2 is no greater than the percentage increase granted in Year 1, the scheduled percentage increase in Year 3 is no greater than the scheduled percentage increase in Year 2, and so forth.

980-340-25-4 The following Examples illustrate various circumstances that may or may not constitute phase-in plans:

- a. Example 1 (see paragraph [980-340-55-9](#)) illustrates a sale with leaseback as a capital lease.
- b. Example 2 (see paragraph [980-340-55-12](#)) illustrates a sale with leaseback as an operating lease.
- c. Example 3 (see paragraph [980-340-55-15](#)) illustrates a sale with leaseback with profit recognition accelerated.
- d. Example 4 (see paragraph [980-340-55-18](#)) illustrates the modified depreciation method.
- e. Example 5 (see paragraph [980-340-55-21](#)) illustrates deferred costs before a rate order is issued.
- f. Example 7 (see paragraph [980-340-55-39](#)) illustrates a phase-in plan for two plants completed at different times that share common facilities.

- >> **Allowance for Earnings on Shareholder Investments Capitalized for Rate-Making Purposes**

980-340-25-5 If specified criteria are met, paragraph 980-340-25-1 requires capitalization of an incurred cost that would otherwise be charged to expense. An allowance for earnings on shareholders' investment is not an incurred cost that would otherwise be charged to expense. Accordingly, such an allowance shall not be capitalized pursuant to that paragraph. The phrase *an allowance for earnings on shareholders' investment*, as used in this Subtopic, is intended to have the same meaning as the phrase *a designated cost of equity funds*, used in paragraph 980-835-30-1, which, in specified circumstances, requires capitalization of an allowance for earnings on shareholders' investment (a designated cost of equity funds) during construction.

980-340-25-6 Paragraphs 980-340-25-2 through 25-3 require capitalization of an allowance for earnings on shareholders' investment for qualifying phase-in plans. If an allowance for earnings on shareholders' investment is capitalized for rate-making purposes other than during construction or as part of a phase-in plan, the amount capitalized for rate-making purposes shall not be capitalized for financial reporting. For the requirement to accrue a carrying charge related to the expected recovery of the investment in abandoned assets, see paragraph 980-360-35-7.

980-340-35 Subsequent Measurement

General Note: The Subsequent Measurement Section provides guidance on an entity's subsequent measurement and subsequent recognition of an item. Situations that may result in subsequent changes to carrying amount include impairment, fair value adjustments, depreciation and amortization, and so forth.

General

- > **Effect of Rate Action on Asset Value**

980-340-35-1 Rate actions of a regulator can reduce or eliminate the value of an asset. If a regulator excludes all or part of a cost from **allowable costs**, the carrying amount of any asset recognized pursuant to paragraph 980-340-25-1 shall be reduced to the extent of the excluded cost. Whether other assets have been impaired shall be judged the same as for entities in general and the Impairment or Disposal of Long-Lived Assets Subsections of Subtopic 360-10 shall apply.

980-340-35-2 If a regulator allows recovery through rates of costs previously excluded from allowable costs, that action shall result in recognition of a new asset. The classification of that asset shall be consistent with the classification that would have resulted had those costs been initially included in allowable costs.

- > **Phase-In Plans**

- >> **Modifications of and Supplements to Phase-In Plans**

980-340-35-3 When an existing **phase-in plan** is modified or a new plan is ordered to replace or supplement an existing plan, the criteria in paragraph 980-340-25-3 shall be applied to the combination of the original plan and the new plan. The date when deferrals begin, used in applying the criterion in paragraph 980-340-25-3(c), would be the date of the earliest deferral under either the new or the old plan, and the final recovery date would be the date of the last recovery of all amounts deferred under the plans.

- >> **Relationship of Phase-In Plans and Disallowances**

980-340-35-4 A phase-in plan is a method of rate-making intended to moderate a sudden increase in rates while providing the regulated entity with recovery of its investment and a return on that investment during the recovery period. A disallowance is a rate-making action that prevents the regulated entity from recovering either some amount of its investment or some amount of return on its investment. Section 980-360-35 specifies the accounting for disallowances of plant costs. If a method of rate-making that meets the criteria of this Subtopic for a phase-in plan includes an indirect disallowance of plant costs, that disallowance shall be accounted for in accordance with that Section. Example 6 (see paragraph 980-340-55-33) illustrates a phase-in plan with an indirect disallowance.

980-340-40 Derecognition

General Note: The Derecognition Section provides guidance on determining whether and when an entity should remove an item from the financial statements. For example, the entity would derecognize an asset because it no longer has rights to the asset or it would derecognize a liability because it no longer has any obligation.

General

980-340-40-1 If at any time an entity's **incurred cost** no longer meets the criteria for the capitalization of an incurred cost (see paragraph 980-340-25-1), that cost shall be charged to earnings.

980-340-45 Other Presentation Matters

General Note: The Other Presentation Matters Section provides guidance on other presentation matters not addressed in the Recognition, Initial Measurement, Subsequent Measurement, and Derecognition Sections. Other presentation matters may include items such as current or long-term balance sheet classification, cash flow presentation, earnings per share matters, and so forth. The FASB Codification also contains Presentation Topics, which provide guidance for general presentation and display items. See those Topics for general guidance.

General

- > **Phase-In Plans**

980-340-45-1 Cumulative amounts capitalized under phase-in plans shall be reported as a separate asset in the balance sheet. The net amount capitalized in each period or the net amount of previously capitalized **allowable costs** recovered during each period shall be reported as a separate item of other income or expense in the income statement. Allowable costs capitalized shall not be reported as reductions of other expenses.

980-340-50 Disclosure

General Note: The Disclosure Section provides guidance regarding the disclosure in the notes to financial statements. In some cases, disclosure may relate to disclosure on the face of the financial statements.

General

- > **Recovery of Cost Without Return on Investment**

980-340-50-1 In some cases, a regulator may permit an entity to include a cost that would be charged to expense by an unregulated entity as an allowable cost over a period of time by amortizing that cost for rate-making purposes, but the regulator does not include the unrecovered amount in the rate base. That procedure does not provide a return on investment during the recovery period. If recovery of such major costs is provided without a return on investment during the recovery period, the entity shall disclose the remaining amounts of such assets and the remaining recovery period applicable to them.

- > **Phase-In Plans**

980-340-50-2 The terms of any phase-in plans in effect during the year or ordered for future years shall be disclosed. This Subtopic does not permit capitalization for financial reporting of **allowable costs** deferred for future recovery by the regulator pursuant to a **phase-in plan** that does not meet the criteria of paragraph [980-340-25-3](#) or a phase-in plan related to a plant on which substantial physical construction was not completed before January 1, 1988. Nevertheless, the financial statements shall include disclosure of the net amount deferred at the balance sheet date for rate-making purposes and the net change in deferrals for rate-making purposes during the year for those plans.

- > **Allowance for Earnings on Shareholders' Investment Capitalized for Rate-Making Purposes**

980-340-50-3 The nature and amounts of any allowance for earnings on shareholders' investment capitalized for rate-making purposes but not capitalized for financial reporting shall be disclosed.

980-340-55 Implementation Guidance and Illustrations

General Note: The Implementation Guidance and Illustrations Section contains implementation guidance and illustrations that are an integral part of the Subtopic. The implementation guidance and illustrations do not address all possible variations. Users must consider carefully the actual facts and circumstances in relation to the requirements of the Subtopic.

General

980-340-55-1 This Section provides guidance for application of this Subtopic to some specific situations, but does not address all possible applications of this Subtopic. All of the implementation guidance and illustrations assume that the entity meets the criteria in

paragraph 980-10-15-2; thus, recovery of any cost is probable if that cost is designated for future recovery by the regulator.

- > **Implementation Guidance**
- >> **Recovery of Cost Without Return on Investment**

980-340-55-2 In some cases, a regulator may approve rates that are intended to recover an **incurred cost** over an extended period without a return on the unrecovered cost during the recovery period.

980-340-55-3 The regulator's action provides reasonable assurance of the existence of an asset (see paragraph 980-340-25-1). Accordingly, the regulated entity would **capitalize** the cost and amortize it over the period during which it will be allowed for rate-making purposes. That cost would not be recorded at discounted present value. An exception to this general rule is provided for costs of abandoned plants. See Example 1 (paragraph 980-360-55-2) for an illustration of accounting for future revenues expected to result from the cost of an abandoned plant. If the amounts are material, the disclosures specified in paragraph 980-340-50-1 would be furnished.

- >> **Applying the Definition of Phase-in Plan**
- >>> **Inclusion of Construction Work in Progress in Rate Base**

980-340-55-4 Mirror construction work in progress is one means of moderating the sudden, one-time increase in rates that would otherwise result from placing a newly completed utility plant in service. Under mirror construction work in progress, increasing amounts of construction work in progress are included in the current rate base in the periods before the plant goes into service, providing the utility with a current return on a portion of its investment in construction while the construction proceeds. After the plant is placed in service, a decreasing amount of plant-in-service is excluded from the rate base each year, mirroring the pattern in which the construction was included in the rate base. The result of this procedure is to increase rates while the plant is under construction and to reduce the increase in rates in the initial years of the plant's service life.

980-340-55-5 For rate-making purposes, no **allowance for funds used during construction** is recognized on the portion of the construction that is included in the rate base while the asset is under construction, and an allowance for funds used during construction is recognized on the portion of the plant-in-service that is subsequently excluded from the rate base after the plant is placed in service. The same total amount is capitalized as if no construction had been included in the current rate base.

980-340-55-6 The mirror construction work in progress arrangement described is not a **phase-in plan** under the definition used in this Subtopic because it does not defer recovery of costs that would not have been deferred under the methods of rate making used prior to 1982. Rather, it effectively provides a temporary loan from customers to the utility during construction and requires repayment of that loan after the plant is placed in service.

980-340-55-7 If the arrangement is known to be a mirror construction work in progress arrangement at the time of the construction (for example, if that arrangement is required by law or has been specifically ordered by the regulator), an allowance for funds used during construction should be accrued on the total cumulative construction cost in each period for financial reporting. The revenue collected as a result of inclusion of construction in the current rate base should be recorded as a liability to customers, with disclosure of the approximate

timing of the repayment that will be required under the mirror construction work in progress arrangement.

980-340-55-8 If the arrangement is not known to be a mirror construction work in progress arrangement when the construction is included in the rate base but the regulator later orders a mirror construction work in progress arrangement, the accounting described in the preceding paragraph should be implemented as soon as the nature of the arrangement becomes known. That will require an adjustment for the cumulative effect of the arrangement to date. An amount should be capitalized, with a corresponding accrual of an allowance for funds used during construction, when the mirror construction work in progress arrangement becomes known. Current revenues should be reduced by an equal amount, and a corresponding liability to customers should be recognized. That amount should be the amount that would have been capitalized if the arrangement had been known to be a mirror construction work in progress arrangement when the revenue was collected during construction. That capitalized amount should be reported in the year in which the mirror construction work in progress arrangement becomes known in the same manner as if it had been capitalized during construction.

- > **Illustrations**
- >> **Example 1: Sale with Leaseback—Capital Lease**

980-340-55-9 This Example illustrates the guidance in paragraphs 980-340-25-2 through 25-3.

980-340-55-10 Utility B sells its interest in a newly completed electric generating plant for an amount equal to its cost and leases that interest back under a lease that requires equal annual payments. The sale meets the criteria of Section 360-20-40 for recognition as a sale, and the leaseback meets the criteria of Subtopic 840-30 for a capital lease. Utility B's regulator includes the lease rentals in allowable cost as they accrue. In the past, Utility B's regulator has treated other leases entered into by Utility B in the same manner, but those leases were for much less significant items of equipment—not for an interest in an electric generating plant.

980-340-55-11 The rate-making method described is a phase-in plan under the definition in this Subtopic. Generally accepted accounting principles (GAAP) applicable to entities in general require a capital lease to be accounted for much like a purchase of the leased property. The resulting expense related to the lease consists of interest on the remaining lease obligation and depreciation based on the method used for similar owned property. In the early years of a lease, the lease rentals included in allowable cost as they accrue are significantly less than the sum of interest on the lease obligation and depreciation on the leased asset. Thus, significant deferrals will result. The method also defers recognition of expenses compared with the methods of expense recognition used by Utility B's regulator for similar assets of Utility B prior to 1982 because Utility B's interests in electric generating plants were included in **allowable costs** in the past based on current provisions for depreciation and for the cost of capital invested in the plants. The use of this rate-making method in the past for leases of equipment does not change this conclusion. The definition is based on the method of rate-making used prior to 1982 for similar allowable costs. Similar allowable costs would be those resulting from electric generating plants.

- >> **Example 2: Sale with Leaseback—Operating Lease**

980-340-55-12 This Example illustrates the guidance in paragraphs 980-340-25-2 through 25-3.

980-340-55-13 Utility C sells its interest in a newly completed electric generating plant for an amount equal to its cost and leases that interest back under a lease that requires equal annual

payments. The sale meets the criteria of Section 360-20-40 for recognition as a sale, and the leaseback meets the criteria of Subtopic 840-20 for an operating lease. Utility C's regulator includes the lease rentals in allowable cost as they accrue. In the past, Utility C's regulator has treated other leases entered into by Utility C in the same manner, but those leases were not for an interest in an electric generating plant.

980-340-55-14 The rate-making method applied to Utility C is not a phase-in plan under the definition in this Subtopic because it recognizes rent expense for rate-making purposes in the same way as that expense would be recognized for entities in general for this type of lease.

- >> **Example 3: Sale with Leaseback—Profit Recognition Accelerated**

980-340-55-15 This Example illustrates the guidance in paragraphs 980-340-25-2 through 25-3.

980-340-55-16 Utility D sells its interest in a 5-year-old electric generating plant for an amount that exceeds its undepreciated cost by \$500,000 and leases that interest back. The leaseback term is 20 years, and there are no renewal options. The sale meets the criteria of Section 360-20-40 for recognition as a sale with full profit recognition, and the leaseback meets the criteria of Subtopic 840-20 for an operating lease. Utility D's regulator includes the lease rentals in allowable cost as they accrue and orders Utility D to amortize the profit, for rate-making purposes, over 10 years. The sale occurred at a time when Utility D was about to place a newly completed plant in service. Utility D has not had any similar transactions in the past.

980-340-55-17 The rate-making method described is a phase-in plan under the definition in this Subtopic. GAAP applicable to entities in general require a profit on a sale-leaseback transaction to be amortized over the term of the leaseback. Amortization of that profit, for rate-making purposes, over 10 years when GAAP applicable to entities in general require amortization over the 20-year leaseback term is equivalent to a deferral of allowable costs. In view of the timing of the rate order on the sale-leaseback transaction, the presumption is that the order was issued in connection with the newly completed plant. The method cannot be compared with methods in use prior to 1982 because Utility D has had no previous transactions of this type.

- >> **Example 4: Modified Depreciation Method**

980-340-55-18 This Example illustrates the guidance in paragraphs 980-340-25-2 through 25-3.

980-340-55-19 Utility E's regulator orders it to depreciate its new electric generating plant, for rate-making purposes, by using an annuity method. Under the method ordered, depreciation increases each year so that the total of depreciation and return on investment stays approximately level over the life of the plant. In the past, Utility E's regulator required the use of straight-line depreciation for electric generating plants.

980-340-55-20 The rate-making method applied to Utility E is a phase-in plan under the definition in this Subtopic because it meets both of the following conditions:

a. It defers depreciation expense compared with the depreciation methods that are acceptable under GAAP applicable to entities in general (as indicated in paragraph 360-10-35-10, annuity methods of depreciation are not acceptable under GAAP applicable to entities in general).

b. It defers depreciation expense compared with the method of depreciation used by Utility E's regulator for Utility E's electric generating plants prior to 1982.

- >> **Example 5: Deferred Costs Before Rate Order Is Issued**

980-340-55-21 This Example illustrates the guidance in paragraphs [980-340-25-2 through 25-3](#) and [980-340-35-3 through 35-4](#) related to the deferral of costs before a rate order is issued when:

- a. Utility F has deferred costs before a rate order is issued (Case A).
- b. Utility F has deferred costs before a rate order is issued and has subsequent interaction with a disallowance (Case B).
- c. Utility G has deferred costs before a rate order is issued and has interaction with a subsequent phase-in plan (Case C).

980-340-55-22 Cases A, B, and C share all of the assumptions described in the following paragraph.

980-340-55-23 Utility F completes construction of a nuclear generating plant and places that plant in service. Utility F's regulator decides that it will complete its examination of the prudence of Utility F's construction cost before rates are adjusted to reflect the cost of operating the plant. During the examination and until rates are adjusted, the regulator orders Utility F to capitalize its net cost of operating the plant (operating costs, depreciation, allocable interest cost, and an allowance for earnings on shareholders' investment, all net of savings that result from operation of the new plant).

- >>> **Case A: Deferral of Costs Before a Rate Order Is Issued**

980-340-55-24 The resulting deferral is not a phase-in plan under the definition in this Subtopic. The regulator's order to capitalize an amount pending completion of a rate hearing is designed to protect the utility from the effects of regulatory lag in the absence of a rate order—a routine procedure on the part of regulators. Regulatory lag is the delay between a change in a regulated entity's costs and a change in rates ordered by a regulator as a result of that change in costs. A shortfall in a utility's net income can occur when regulators set rates prospectively and the estimated or test-period costs on which those rates were based are less than the actual costs that are incurred during the period covered by those rates. Regulators' actions that are designed to protect a utility from the effects of regulatory lag can occur during a rate case but before a rate order is issued, as in this Case, and when no rate case is under active consideration. An accounting order to a utility to capitalize the cost of repairing storm damage would be an example of the latter situation. Those actions can also be a part of a rate order. An example of that type of action would be a fuel adjustment clause that is intended to protect the utility from the effects of unanticipated changes in fuel costs.

980-340-55-25 The definition of a phase-in plan in this Subtopic is not intended to encompass actions of a regulator that are designed to protect a utility from the effects of regulatory lag in the absence of a rate order, nor is it intended to encompass the regulator's subsequent treatment of any allowable costs that result from those actions.

980-340-55-26 Under paragraph [980-340-25-1](#), Utility F should capitalize that portion of the amount capitalized for rate-making purposes that represents incurred costs that would otherwise be charged to expense, provided that it is probable that future revenue in an amount at least equal to the capitalized cost will result from inclusion of those costs in allowable costs for rate-making purposes. Otherwise, Utility F should not capitalize those costs.

980-340-55-27 Since the situation in this Case is neither during construction nor a phase-in plan, this Topic does not permit capitalization of an allowance for earnings on shareholders' investment. Accordingly, Utility F should not capitalize, for financial reporting, the portion of the

amount capitalized for rate-making purposes that represents an allowance for earnings on shareholders' investment. If recovery of that allowance subsequently occurs, increased earnings during the recovery period will result.

- >>> **Case B: Interaction with Disallowance**

980-340-55-28 Six months after the accounting order referred to in Case A, Utility F's regulator approves part of the cost of the new plant but disallows \$600,000,000—consisting of construction expenditures of \$570,000,000 and amounts capitalized for rate-making purposes during this 6-month operating period prior to the rate order of \$30,000,000. The recorded cost of the plant before consideration of the disallowance is \$4,500,000,000. During this 6-month period, Utility F has capitalized \$500,000,000 of net cost for rate-making purposes. This \$500,000,000 consists of an allowance for earnings on shareholders' investment of \$200,000,000 and incurred costs that would otherwise be charged to expense of \$300,000,000. For rate-making purposes, the balance sheet accounts, before and after the disallowance, are as follows.

	<u>Balance before Disallowance</u>	<u>Disallowance (in thousands)</u>	<u>Balance after Disallowance</u>
Plant in service	\$ 4,500,000	\$ (570,000)	\$ 3,930,000
Amounts capitalized pending rate order	500,000	(30,000)	470,000
• Combined totals	<u>\$ 5,000,000</u>	<u>\$ (600,000)</u>	<u>\$ 4,400,000</u>

980-340-55-29 Section 980-360-35 requires a disallowance of plant costs to be recognized as a loss. Utility F should perform the following analysis to determine the loss that should be recognized and how it will be allocated:

a. Assuming that \$300,000,000 of the \$500,000,000 capitalized for rate-making purposes during the 6-month period was also capitalized for financial reporting (the \$200,000,000 allowance for earnings on shareholders' investment would not be capitalized), the total loss recognized by Utility F for financial reporting should be the amount that reduces the combined total of plant in service and amounts capitalized pending rate order (\$4,800,000,000) to the combined total that will be honored for rate-making purposes (\$4,400,000,000). The recognizable loss is \$400,000,000.

b. Utility F should allocate to plant in service the lesser of the amount of the disallowance that was allocated to plant in service by the regulator (\$570,000,000) or the total disallowance recognized for financial reporting (\$400,000,000), or \$400,000,000.

c. Utility F should allocate the rest of the disallowance recognized for financial reporting, if any, to amounts capitalized pending rate order. In this case, no amount is allocated to that asset.

980-340-55-30 The recognition of the disallowance and the effect of that recognition on the financial reporting balance sheet accounts are as follows.

	<u>Balance before Disallowance</u>	<u>Recognition of Disallowance (in thousands)</u>	<u>Balance after Disallowance</u>
Plant in service	\$ 4,500,000	\$ (400,000)	\$ 4,100,000
Amounts capitalized pending rate order	300,000		300,000
• Combined totals	<u>\$ 5,000,000</u>	<u>\$ (400,000)</u>	<u>\$ 4,400,000</u>

- >>> **Case C: Interaction with Subsequent Phase-In Plan**

980-340-55-31 Utility G's fact situation is identical to that of Utility F, described in Cases A and B, except that Utility G's regulator approves all of the costs related to the newly completed plant. Utility G's regulator adopts a formal phase-in plan intended to provide recovery of amounts deferred under the plan and amounts capitalized, for rate-making purposes, during the six-month period from the plant's in-service date to the date of the rate order.

980-340-55-32 The phase-in plan does not affect the financial reporting of those previously deferred costs described in paragraphs 980-340-55-26 through 55-27, nor does the existence of those previously deferred costs affect the financial reporting of the phase-in plan. Accordingly, the allowance for earnings on shareholders' investment that was not capitalized previously during the period preceding issuance of the rate order may not be capitalized upon adoption of the phase-in plan.

- >> **Example 6: Phase-In Plan with an Indirect Disallowance**

980-340-55-33 This Example illustrates the guidance in paragraph 980-340-35-4.

980-340-55-34 Utility A is an electric utility that operates solely in a single-state jurisdiction. On January 1, 19X1, Utility A's new electric generating plant becomes operational. The cost of that plant is \$1 billion.

980-340-55-35 Utility A's regulator orders that the costs of the newly completed plant be phased in over a three-year period, as follows:

- 19X1—A portion of the return (interest and an allowance for earnings on shareholders' investment) on unrecovered investment is deferred by excluding 25 percent of the cost of the plant from the rate base.
- 19X2—All of the remaining cost of the plant is to be included in the rate base with no recovery of previously deferred amounts.
- 19X3—All of the remaining cost of the plant is to be included in the rate base. Also, additional revenue is to be provided equal to the return on unrecovered investment excluded from rates in Year 1.

The order does not provide for recovery in any year of a return on Utility A's investment in the deferred amounts. Utility A's weighted-average cost of capital in its latest rate case was 11 percent.

980-340-55-36 The phase-in plan is partially a disallowance of plant costs because no return on investment is provided for the deferred amounts. That disallowance should be recognized in accordance with Section 980-360-35 when it became probable. The amount of equivalent cost disallowed should be determined as shown in Schedule 1. The recorded cost of the plant should be reduced by that amount, and a corresponding loss should be reported in 19X1.

980-340-55-37 The disallowance will reduce revenues only in Years 1 through 3, so the depreciation charge that would otherwise be recognized for that plant in Years 1 through 3 should be reduced by the amount of the effective disallowance attributable to those years (the amount in column 4 of Schedule 1). Amounts deferred under the plan (the amount for months 1-12 in column 1 of Schedule 1) should be capitalized as a separate asset, and that asset should be amortized as recovery occurs (in months 25-36), using the amounts in column 1 of Schedule 1.

980-340-55-38 The following table illustrates the determination of effective disallowance.

Schedule 1

Utility A

Determination of Effective Disallowance Return on Investment
Disallowed for Amounts Deferred under Phase-in Plan
(in thousands)

Month	(1) Cost Deferral (Recovery)	(2) Cumulative Amount Deferred	(3) Return on Investment on Cumulative Deferral	(4) Effective Disallowance
1	\$ 2,292	\$ 2,292	\$ 21	\$ -
2	2,291	4,583	42	21
3	2,292	6,875	63	41
4	2,292	9,167	84	61
5	2,291	11,458	105	80
6	2,292	13,750	126	99
7	2,292	16,042	147	118
8	2,291	18,333	168	137
9	2,292	20,625	189	155
10	2,292	22,917	210	173
11	2,291	25,208	231	190
12	2,292	27,500	252	207
13	-	27,500	252	224
14	-	27,500	252	222
15	-	27,500	252	220
16	-	27,500	252	218
17	-	27,500	252	216
18	-	27,500	252	214
19	-	27,500	252	212
20	-	27,500	252	210
21	-	27,500	252	208
22	-	27,500	252	206
23	-	27,500	252	204
24	-	27,500	252	202
25	(2,292)	25,208	231	201
26	(2,291)	22,917	210	182
27	(2,292)	20,625	189	164
28	(2,292)	18,333	168	146
29	(2,291)	16,042	147	129
30	(2,292)	13,750	126	112
31	(2,292)	11,458	105	95
32	(2,291)	9,167	84	78
33	(2,292)	6,875	63	62
34	(2,292)	4,583	42	46
35	(2,291)	2,292	21	31
36	(2,292)	-	-	15
Total loss to be recognized in 19X1				<u>\$ 5,099</u>

Computations:

Column (1)—Cost of plant (\$1 billion) × .25 × 11% ÷ 12

Column (2)—Column (2) for prior month + Column (1) for current month

Column (3)—Column (2) × 11% ÷ 12

Column (4)—Present value (at beginning of month 1) at 11% (.9167 per month)
of amount in Column (3) for prior month

- >>> **Example 7: Phase-in Plan for Two Plants, Completed at Different Times, That Share Common Facilities**

980-340-55-39 This Example illustrates the guidance in paragraph 980-340-25-2 and the application of the definition of a **phase-in plan**.

980-340-55-40 A utility that meets the criteria of paragraph 980-10-15-2 for application of this Topic constructs two generating plants on a common site and those plants share certain facilities (primarily coal handling equipment, transmission facilities, and an administrative building). One plant (Unit 1) is completed January 31, 19X1, and the other plant (Unit 2) is completed December 31, 19X1. The coal handling equipment, transmission facilities, and administrative building are completed by January 31, 19X1, and are used by Unit 1 during 19X1.

980-340-55-41 New rates are placed in effect on February 1, 19X1, that include the effect on revenue requirements of Unit 1 and one-half of the coal handling equipment, transmission facilities, and administrative building. New rates are again placed in effect on January 1, 19X2, to include the effect on revenue requirements of Unit 2 and the other half of the coal handling equipment, transmission facilities, and administrative building.

980-340-55-42 Consistent with the above rate treatment, the utility capitalizes interest on and does not depreciate one-half of the coal handling equipment, transmission facilities, and administrative building from January 31 to December 31, 19X1. The question is whether deferral of depreciation and continued capitalization of interest on one-half of the coal handling equipment, transmission facilities, and administrative building is a phase-in plan under Subtopic 980-340.

980-340-55-43 This deferral represents a phase-in plan unless that rate treatment was routinely used before 1982 by that regulator for similar allowable costs of that regulated entity. The definition of a phase-in plan provides that a phase-in plan defers the rates intended to recover allowable costs beyond the period in which those allowable costs would be charged to expense under generally accepted accounting principles (GAAP) applicable to entities in general. The interest capitalization period should end and depreciation for the common facilities should begin on February 1, 19X1. Assuming the depreciation pattern for those facilities that results from the above rate-making treatment is not a rational and systematic method of depreciation that would be acceptable for an entity in general, that deferral of depreciation and interest is a phase-in plan. If the depreciation pattern for those facilities that results from the above treatment is a rational and systematic method of depreciation that would be acceptable for an entity in general, only the deferral of the interest is a phase-in plan.

980-340-55-44 Subtopic 980-340 provides an exception to the definition of a phase-in plan for the effects of regulatory lag. However, regulatory lag ends for a utility's newly completed plant with the first rate order that both:

- a. Is effective after the in-service date of that plant
- b. Addresses the costs of that plant.

Therefore, even if different portions of the cost of a unit of property (for example, transmission facilities) are considered for rate treatment in successive rate filings under the notion of regulatory lag, it creates a phase-in plan.

980-340-75 XBRL Elements

General Note: This section contains a list of XBRL elements that reference paragraphs in this

Subtopic. For additional details regarding changes to the development version of the US GAAP Financial Reporting Taxonomy, refer to the [FASB taxonomy review and comment system](#) on the FASB web site.

- **Allowance for Funds Used During Construction, Capitalized Interest**

[Label and/or reference(s) most recently revised on 06/15/2011 after the last taxonomy release.]

Element Name: *PublicUtilitiesAllowanceForFundsUsedDuringConstructionCapitalizedInterest*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [Allowance for Funds Used during Construction](#)
- This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):
 - [980 Regulated Operations > 835 Interest > 45 Other Presentation > General, 45-1](#)

- **Amount of Embedded Regulatory Asset**

[Label and/or reference(s) most recently revised on 11/05/2012 after the last taxonomy release.]

Element Name: *AmountOfEmbeddedRegulatoryAsset*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 25 Recognition > General, 25-1](#)
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 50 Disclosure > General, 50-1](#)
- This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):
 - [980 Regulated Operations > 20 Discontinuation of Rate-Regulated Accounting > 40 Derecognition > General, 40-3](#)

- **Amount of Impairment to Carrying Amount of Regulatory Assets**

Element Name: *AmountOfImpairmentToCarryingAmountOfRegulatoryAssets*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 35 Subsequent Measurement > General, 35-1](#)

- **Asset Impairment for Regulatory Action [Member]**

[Label and/or reference(s) most recently revised on 10/26/2012 after the last taxonomy release.]

Element Name: *AssetImpairmentForRegulatoryActionMember*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 25 Recognition > General, 25-1](#)
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 35 Subsequent Measurement > General, 35-1](#)

- **Asset Recoverable Gas Costs [Member]**

[Label and/or reference(s) most recently revised on 10/26/2012 after the last taxonomy release.]

Element Name: *AssetRecoverableGasCostsMember*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 25 Recognition > General, 25-1](#)

- **Asset Recovery Damaged Property Costs, Current**

Element Name: *AssetRecoveryDamagedPropertyCostsCurrent*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 25 Recognition > General, 25-1](#)

- **Asset Recovery Damaged Property Costs, Noncurrent**

Element Name: *AssetRecoveryDamagedPropertyCostsNoncurrent*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 25 Recognition > General, 25-1](#)

- **Asset Retirement Obligation Costs [Member]**

[Label and/or reference(s) most recently revised on 10/26/2012 after the last taxonomy release.]

Element Name: *AssetRetirementObligationCostsMember*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 25 Recognition > General, 25-1](#)
- This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):
 - [980 Regulated Operations > 410 Asset Retirement and Environmental Obligations > 25 Recognition > General, 25-2](#)

- **Capitalization and Amortization of Fuel Costs, Policy [Policy Text Block]**

[Label and/or reference(s) most recently revised on 11/22/2013 after the last taxonomy release.]

Element Name: *CapitalizationAndAmortizationOfFuelCostsPolicy*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 50 Disclosure > General, 50-1](#)
- This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):
 - [235 Notes to Financial Statements > 10 Overall > 50 Disclosure > General, 50-3](#)
- **Capitalized Interest Costs, Including Allowance for Funds Used During Construction**

[Label and/or reference(s) most recently revised on 06/15/2011 after the last taxonomy release.]

Element Name: *InterestCostsIncurredCapitalized*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [Allowance for Funds Used during Construction](#)
- This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):
 - [980 Regulated Operations > 835 Interest > 45 Other Presentation > General, 45-1](#)
- **Competitive Transition Charge, Noncurrent**

Element Name: *CompetitiveTransitionChargeNoncurrent*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [Incurred Cost](#)
- This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):
 - [980 Regulated Operations > 20 Discontinuation of Rate-Regulated Accounting > 35 Subsequent Measurement > General, 35-1](#)
 - [980 Regulated Operations > 20 Discontinuation of Rate-Regulated Accounting > 35 Subsequent Measurement > General, 35-6](#)
 - [980 Regulated Operations > 20 Discontinuation of Rate-Regulated Accounting > 45 Other Presentation > General, 45-1](#)
- **Deferred Electric Cost**

Element Name: *DeferredElectricCost*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:

- [980 Regulated Operations > 340 Other Assets and Deferred Costs > 25 Recognition > General, 25-1](#)

- **Deferred Fuel Cost**

Element Name: *DeferredFuelCost*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:

- [980 Regulated Operations > 340 Other Assets and Deferred Costs > 25 Recognition > General, 25-1](#)

- **Deferred Fuel Costs [Member]**

[Label and/or reference(s) most recently revised on 10/26/2012 after the last taxonomy release.]

Element Name: *DeferredFuelCostsMember*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:

- [980 Regulated Operations > 340 Other Assets and Deferred Costs > 25 Recognition > General, 25-1](#)

- **Deferred Gain (Loss) on Early Extinguishment of Debt [Member]**

[Label and/or reference(s) most recently revised on 10/26/2012 after the last taxonomy release.]

Element Name: *DeferredLossOnEarlyExtinguishmentOfDebtMember*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:

- [980 Regulated Operations > 340 Other Assets and Deferred Costs > 25 Recognition > General, 25-1](#)

- This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):

- [980 Regulated Operations > 405 Liabilities > 25 Recognition > General, 25-1](#)

- [980 Regulated Operations > 470 Debt > 40 Derecognition > General, 40-1](#)

- **Deferred Gas Cost**

Element Name: *DeferredGasCost*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:

- [980 Regulated Operations > 340 Other Assets and Deferred Costs > 25 Recognition > General, 25-1](#)

- **Deferred Income Tax Charge [Member]**

[Label and/or reference(s) most recently revised on 10/26/2012 after the last taxonomy release.]

Element Name: *DeferredIncomeTaxChargesMember*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 25 Recognition > General, 25-1](#)
- This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):
 - [980 Regulated Operations > 405 Liabilities > 25 Recognition > General, 25-1](#)
 - [980 Regulated Operations > 740 Income Taxes > 25 Recognition > General, 25-1](#)
 - [980 Regulated Operations > 740 Income Taxes > 25 Recognition > General, 25-2](#)
- **Deferred Project Costs [Member]**

[Label and/or reference(s) most recently revised on 10/26/2012 after the last taxonomy release.]

Element Name: *DeferredProjectCostsMember*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 25 Recognition > General, 25-1](#)
- **Deferred Storm and Property Reserve Deficiency, Current**

Element Name: *DeferredStormAndPropertyReserveDeficiencyCurrent*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 25 Recognition > General, 25-1](#)
- **Deferred Storm and Property Reserve Deficiency, Noncurrent**

Element Name: *DeferredStormAndPropertyReserveDeficiencyNoncurrent*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 25 Recognition > General, 25-1](#)
- **Demand Side Management Program Costs, Noncurrent**

Element Name: *DemandSideManagementProgramCostsNoncurrent*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:

- [980 Regulated Operations > 340 Other Assets and Deferred Costs > 25 Recognition > General, 25-1](#)
- This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):
 - [210 Balance Sheet > 10 Overall > S99 SEC Materials > General, S99-1\(SX 210.5-02.17\)](#)
- **Description of Impairment to Carrying Amount of Regulatory Assets**

Element Name: *DescriptionOfImpairmentToCarryingAmountOfRegulatoryAssets*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 35 Subsequent Measurement > General, 35-1](#)
- This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):
 - [980 Regulated Operations > 360 Property, Plant, and Equipment > 35 Subsequent Measurement > General, 35-12](#)
- **Description of Regulatory Assets and Liabilities**

Element Name: *DescriptionOfRegulatoryAssetsAndLiabilities*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 50 Disclosure > General, 50-1](#)
- This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):
 - [980 Regulated Operations > 405 Liabilities > 25 Recognition > General, 25-1](#)
- **Description of Specific Regulatory Assets**

Element Name: *DescriptionOfSpecificRegulatoryAssets*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 50 Disclosure > General, 50-1](#)
- **Interest Costs Capitalized**

[Label and/or reference(s) most recently revised on 11/14/2011 after the last taxonomy release.]

Element Name: *InterestCostsCapitalized*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [Allowance for Funds Used during Construction](#)

- This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):

- [835 Interest > 20 Capitalization of Interest > 50 Disclosure > General, 50-1\(b\)](#)

- **Loss on Reacquired Debt [Member]**

[Label and/or reference(s) most recently revised on 10/26/2012 after the last taxonomy release.]

Element Name: *LossOnReacquiredDebtMember*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:

- [980 Regulated Operations > 340 Other Assets and Deferred Costs > 25 Recognition > General, 25-1](#)

- This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):

- [980 Regulated Operations > 470 Debt > 40 Derecognition > General, 40-2](#)

- **Natural Gas Transition Cost [Member]**

[Label and/or reference(s) most recently revised on 10/26/2012 after the last taxonomy release.]

Element Name: *NaturalGasTransitionCostMember*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:

- [980 Regulated Operations > 340 Other Assets and Deferred Costs > 25 Recognition > General, 25-1](#)

- **Net Regulatory Assets**

Element Name: *NetRegulatoryAssets*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:

- [980 Regulated Operations > 340 Other Assets and Deferred Costs > 50 Disclosure > General, 50-1](#)

- **Phase-in Plan, Amount of Capitalized Costs Recovered**

Element Name: *PhaseInPlanAmountOfCapitalizedCostsRecovered*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:

- [980 Regulated Operations > 340 Other Assets and Deferred Costs > 45 Other Presentation > General, 45-1](#)
- [980 Regulated Operations > 340 Other Assets and Deferred Costs > 50 Disclosure > General, 50-2](#)

- **Phase-in Plan, Amount of Costs Deferred for Rate-making Purposes**

Element Name: *PhaseInPlanAmountOfCostsDeferredForRateMakingPurposes*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 45 Other Presentation > General, 45-1](#)
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 50 Disclosure > General, 50-2](#)
- **Phase-in Plan, Net Change in Amount of Costs Deferred for Rate-making Purposes**

Element Name: *PhaseInPlanNetChangeInAmountOfCostsDeferredForRateMakingPurposes*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 50 Disclosure > General, 50-2](#)
- **Public Utilities, Allowance for Funds Used During Construction, Additions**

Element Name: *PublicUtilitiesAllowanceForFundsUsedDuringConstructionAdditions*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 50 Disclosure > General, 50-3](#)
- This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):
 - [230 Statement of Cash Flows > 10 Overall > 45 Other Presentation > General, 45-28\(b\)](#)
 - [980 Regulated Operations > 360 Property, Plant, and Equipment > 25 Recognition > General, 25-1](#)
- **Public Utilities, Amount of Allowance for Earnings on Equity Capitalized for Rate Making Purposes**

Element

Name: *PublicUtilitiesAmountOfAllowanceForEarningsOnEquityCapitalizedForRateMakingPurposes*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 50 Disclosure > General, 50-3](#)
- **Public Utilities, Amount of Allowance for Funds Used During Construction, Equity Costs Capitalized Only for Rate-making Purposes**

[Label and/or reference(s) most recently revised on 07/06/2011 after the last taxonomy release.]

Element

Name: *PublicUtilitiesAmountOfAllowanceForFundsUsedDuringConstructionEquityCostsCapitalizedOnlyForRateMakingPurposes*

- **This XBRL element references the following paragraph(s)/term(s) in this Subtopic:**
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 50 Disclosure > General, 50-3](#)
- **This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):**
 - [980 Regulated Operations > 835 Interest > 25 Recognition > General, 25-1](#)
 - [980 Regulated Operations > 835 Interest > 45 Other Presentation > General, 45-1](#)
- **Public Utilities, Description of Allowance for Funds Used During Construction, Equity Costs Capitalized Only for Rate-making Purposes**

[Label and/or reference(s) most recently revised on 07/06/2011 after the last taxonomy release.]

Element

Name: *PublicUtilitiesAllowanceForFundsUsedDuringConstructionEquityCostsCapitalizedOnlyForRateMakingPurposes*

- **This XBRL element references the following paragraph(s)/term(s) in this Subtopic:**
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 50 Disclosure > General, 50-3](#)
- **This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):**
 - [980 Regulated Operations > 835 Interest > 25 Recognition > General, 25-1](#)
 - [980 Regulated Operations > 835 Interest > 45 Other Presentation > General, 45-1](#)
- **Public Utilities, Description of Impact on Leases Due to Regulatory Rate Making**

Element Name: *PublicUtilitiesDescriptionOfImpactOnLeasesDueToRegulatoryRateMaking*

- **This XBRL element references the following paragraph(s)/term(s) in this Subtopic:**
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 55 Implementation > General, 55-10](#)
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 55 Implementation > General, 55-11](#)
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 55 Implementation > General, 55-13](#)

- [980 Regulated Operations > 340 Other Assets and Deferred Costs > 55 Implementation > General, 55-14](#)
- [980 Regulated Operations > 340 Other Assets and Deferred Costs > 55 Implementation > General, 55-16](#)
- [980 Regulated Operations > 340 Other Assets and Deferred Costs > 55 Implementation > General, 55-17](#)
- This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):
 - [840 Leases > 30 Capital Leases > 45 Other Presentation > Lessees, 45-3](#)
 - [980 Regulated Operations > 840 Leases > 45 Other Presentation > General, 45-1](#)
 - [980 Regulated Operations > 840 Leases > 45 Other Presentation > General, 45-2](#)
 - [980 Regulated Operations > 840 Leases > 45 Other Presentation > General, 45-3](#)
 - [980 Regulated Operations > 840 Leases > 45 Other Presentation > General, 45-4](#)
 - [980 Regulated Operations > 840 Leases > 55 Implementation > General, 55-1](#)
- **Public Utilities, Impact on Leases Due to Regulatory Rate Making**

Element Name: *PublicUtilitiesImpactOnLeasesDueToRegulatoryRateMaking*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 55 Implementation > General, 55-10](#)
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 55 Implementation > General, 55-11](#)
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 55 Implementation > General, 55-13](#)
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 55 Implementation > General, 55-14](#)
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 55 Implementation > General, 55-16](#)
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 55 Implementation > General, 55-17](#)
- **Public Utilities, Nature of Allowance for Earnings on Equity Capitalized for Rate Making Purposes**

Element

Name: *PublicUtilitiesNatureOfAllowanceForEarningsOnEquityCapitalizedForRateMakingPurposes*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:

- [980 Regulated Operations > 340 Other Assets and Deferred Costs > 50 Disclosure > General, 50-3](#)

- **Public Utilities, Phase-in Plan Modifications**

Element Name: *PublicUtilitiesPhaseInPlanModifications*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:

- [980 Regulated Operations > 340 Other Assets and Deferred Costs > 25 Recognition > General, 25-3](#)
- [980 Regulated Operations > 340 Other Assets and Deferred Costs > 35 Subsequent Measurement > General, 35-3](#)

- **Public Utilities, Phase-in Plan Terms**

Element Name: *PublicUtilitiesPhaseInPlanTerms*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:

- [980 Regulated Operations > 340 Other Assets and Deferred Costs > 50 Disclosure > General, 50-2](#)

- **Regulatory Asset Recovery Assessments**

Element Name: *RegulatoryAssetRecoveryAssessments*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:

- [980 Regulated Operations > 340 Other Assets and Deferred Costs > 25 Recognition > General, 25-1](#)
- [980 Regulated Operations > 340 Other Assets and Deferred Costs > 40 Derecognition > General, 40-1](#)

- **Regulatory Asset [Axis]**

Element Name: *RegulatoryAssetAxis*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:

- [980 Regulated Operations > 340 Other Assets and Deferred Costs > 50 Disclosure > General, 50-1](#)
- [980 Regulated Operations > 340 Other Assets and Deferred Costs > 50 Disclosure > General, 50-2](#)

- This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):

- [980 Regulated Operations > 715 Compensation—Retirement Benefits > 50 Disclosure > General, 50-1](#)

- **Regulatory Asset [Domain]**

Element Name: *RegulatoryAssetDomain*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 50 Disclosure > General, 50-1](#)
- **Regulatory Assets**

Element Name: *RegulatoryAssets*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 50 Disclosure > General, 50-1](#)
- **Regulatory Assets and Liabilities, Recognition Criteria**

[Label and/or reference(s) most recently revised on 11/24/2013 after the last taxonomy release.]

Element Name: *RegulatoryAssetsAndLiabilitiesRecognitionCriteria*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 25 Recognition > General, 25-1](#)
- This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):
 - [235 Notes to Financial Statements > 10 Overall > 50 Disclosure > General, 50-3](#)
 - [980 Regulated Operations > 405 Liabilities > 25 Recognition > General, 25-1](#)
- **Regulatory Assets, Current**

Element Name: *RegulatoryAssetsCurrent*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 50 Disclosure > General, 50-1](#)
- **Regulatory Assets, Noncurrent**

Element Name: *RegulatoryAssetsNoncurrent*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 50 Disclosure > General, 50-1](#)
- **Regulatory Current Asset, End Date for Recovery**

Element Name: *RegulatoryCurrentAssetEndDateForRecovery*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 50 Disclosure > General, 50-1](#)
- Remaining Amounts of Regulatory Assets for which No Return on Investment During Recovery Period is Provided

Element

Name: *RemainingAmountsOfRegulatoryAssetsForWhichNoReturnOnInvestmentDuringRecoveryPeriodIsProvided*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 50 Disclosure > General, 50-1](#)
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 55 Implementation > General, 55-2](#)
- Remaining Recovery Period of Regulatory Assets for which No Return on Investment During Recovery Period is Provided

[Label and/or reference(s) most recently revised on 11/21/2011 after the last taxonomy release.]

Element

Name: *RemainingRecoveryPeriodOfRegulatoryAssetsForWhichNoReturnOnInvestmentDuringRecoveryPeriodIsProvided1*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 50 Disclosure > General, 50-1](#)
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 55 Implementation > General, 55-2](#)
- Schedule of Regulatory Assets [Table Text Block]

Element Name: *ScheduleOfRegulatoryAssetsTextBlock*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 50 Disclosure > General, 50-1](#)
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 50 Disclosure > General, 50-2](#)
- This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):
 - [980 Regulated Operations > 715 Compensation—Retirement Benefits > 50 Disclosure > General, 50-1](#)
- Schedule of Regulatory Assets [Table]

Element Name: *ScheduleOfRegulatoryAssetsTable*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 50 Disclosure > General, 50-1](#)
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 50 Disclosure > General, 50-2](#)
- This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):
 - [980 Regulated Operations > 715 Compensation—Retirement Benefits > 50 Disclosure > General, 50-1](#)

- **Securitized Regulatory Transition Assets, Noncurrent**

Element Name: *SecuritizedRegulatoryTransitionAssetsNoncurrent*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 50 Disclosure > General, 50-1](#)
- This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):
 - [860 Transfers and Servicing > 10 Overall > 55 Implementation > General, 55-7](#)

- **Types of Costs for Recovery**

Element Name: *TypesOfCostsForRecovery*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 50 Disclosure > General, 50-1](#)

- **Types of Net Regulatory Assets Earning Returns**

Element Name: *TypesOfNetRegulatoryAssetsEarningReturns*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 50 Disclosure > General, 50-1](#)

- **Unrecovered Costs for Purchased Gas Amount**

Element Name: *UnrecoveredCostsForPurchasedGasAmount*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 50 Disclosure > General, 50-1](#)

980 Regulated Operations
350 Intangibles—Goodwill and Other

980-350-05 Overview and Background

General Note: The Overview and Background Section provides overview and background material for the guidance contained in the Subtopic. It does not provide the historical background or due process. It may contain certain material that users generally consider useful to understand the typical situations addressed by the standards. The Section does not summarize the accounting and reporting requirements.

General

980-350-05-1 This Subtopic provides guidance for goodwill and other intangible assets for entities with regulated operations.

980-350-15 Scope and Scope Exceptions

General Note: The Scope and Scope Exceptions Section outlines the items (for example, the entities, transactions, instruments, or events) to which the guidance in the Subtopic does or does not apply. In some cases, the Section may contain definitional or other text to frame the scope.

General

- > **Overall Guidance**

980-350-15-1 This Subtopic follows the same Scope and Scope Exceptions as outlined in the Overall Subtopic, see Section 980-10-15.

980-350-35 Subsequent Measurement

General Note: The Subsequent Measurement Section provides guidance on an entity's subsequent measurement and subsequent recognition of an item. Situations that may result in subsequent changes to carrying amount include impairment, fair value adjustments, depreciation and amortization, and so forth.

General

- > **Amortization of Goodwill**

980-350-35-1 Topic 350 states that goodwill shall not be amortized and shall be tested for impairment in accordance with that Subtopic. For rate-making purposes, a regulator may

permit an entity to amortize purchased goodwill over a specified period. In other cases, a regulator may direct an entity not to amortize goodwill or to write off goodwill.

980-350-35-2 If the regulator permits all or a portion of goodwill to be amortized over a specific time period as an allowable cost for rate-making purposes, the regulator's action provides reasonable assurance of the existence of a regulatory asset (see paragraph 980-340-25-1). That regulatory asset would then be amortized for financial reporting purposes over the period during which it will be allowed for rate-making purposes. Otherwise, goodwill shall not be amortized and shall be accounted for in accordance with Topic 350.

- > **Long-Term Power Sales Contracts**

980-350-35-3 A long-term power sales contract that is not accounted for as a derivative instrument under Topic 815 shall be periodically reviewed to determine whether it is a loss contract in which the loss shall be recognized immediately.

980-350-35-4 For long-term power sales contracts acquired in a purchase business combination, any premium related to a contractual rate in excess of the current market rate should be amortized over the remaining portion of the respective portion of the contract. For example, if the above market rate relates to the fixed or scheduled portion of the contract, the premium would be amortized over the remaining fixed period of the acquired contract.

980-350-35-5 See paragraph 980-605-25-15 for a discussion of a long-term power sales contract that meets the definition of a derivative.

980 Regulated Operations

360 Property, Plant, and Equipment

980-360-05 Overview and Background

General Note: The Overview and Background Section provides overview and background material for the guidance contained in the Subtopic. It does not provide the historical background or due process. It may contain certain material that users generally consider useful to understand the typical situations addressed by the standards. The Section does not summarize the accounting and reporting requirements.

General

980-360-05-1 This Subtopic provides guidance for property, plant, and equipment for entities with regulated operations. It provides guidance for plant abandonments and disallowances of costs of recently completed plants, as well as for the capitalization of an **allowance for funds used during construction**.

980-360-15 Scope and Scope Exceptions

General Note: The Scope and Scope Exceptions Section outlines the items (for example, the entities, transactions, instruments, or events) to which the guidance in the Subtopic does or does not apply. In some cases, the Section may contain definitional or other text to frame the scope.

General

- > **Overall Guidance**

980-360-15-1 This Subtopic follows the same Scope and Scope Exceptions as outlined in the Overall Subtopic, see Section [980-10-15](#).

980-360-20 Glossary

General Note: The Master Glossary contains all terms identified as glossary terms throughout the Codification. Clicking on any term in the Master Glossary will display where the term is used. The Master Glossary may contain identical terms with different definitions, some of which may not be appropriate for a particular Subtopic. For any particular Subtopic, users should only use the glossary terms included in the particular Subtopic Glossary Section (Section 20).

Allowable Costs

All costs for which revenue is intended to provide recovery. Those costs can be actual or estimated. In that context, allowable costs include interest cost and amounts provided for earnings on shareholders' investments.

Allowance for Funds Used during Construction

The cost of financing construction as financed partially by borrowings and partially by equity, capitalized as part of the cost of plant and equipment pursuant to requirements of the regulator.

980-360-25 Recognition

General Note: The Recognition Section provides guidance on the required criteria, timing, and location (within the financial statements) for recording a particular item in the financial statements. Disclosure is not recognition.

General

- > **Allowance for Funds Used During Construction**

980-360-25-1 Paragraph [980-835-25-1](#) requires an **allowance for funds used during construction**, including a designated cost of equity funds, to be capitalized in specified circumstances as part of the acquisition cost of the related asset. That cost shall be capitalized under those circumstances only if its subsequent inclusion in **allowable costs** for rate-making purposes is probable.

980-360-25-2 [\[Paragraph not used\]](#)

980-360-35 Subsequent Measurement

General Note: The Subsequent Measurement Section provides guidance on an entity's subsequent measurement and subsequent recognition of an item. Situations that may result in subsequent changes to carrying amount include impairment, fair value adjustments, depreciation and amortization, and so forth.

General

- > **Abandonments**
- >> **Accounting for Abandonments**

980-360-35-1 When it becomes probable (likely to occur) that an operating asset or an asset under construction will be abandoned, the cost of that asset shall be removed from construction work-in-process or plant-in-service.

980-360-35-2 The entity shall determine whether recovery of any allowed cost is likely to be provided with either of the following:

- a. Full return on investment during the period from the time when abandonment becomes probable to the time when recovery is completed
- b. Partial or no return on investment during that period.

980-360-35-3 That determination shall focus on the facts and circumstances related to the specific abandonment and shall also consider the past practice and current policies of the applicable regulatory jurisdiction on abandonment situations. Based on that determination, the entity shall account for the cost of the abandoned plant as follows:

- a. Full return on investment is likely to be provided. Any disallowance of all or part of the cost of the abandoned plant that is both probable and reasonably estimable (as defined in Topic 450) shall be recognized as a loss, and the carrying basis of the recorded asset shall be correspondingly reduced. The remainder of the cost of the abandoned plant shall be reported as a separate new asset.
- b. Partial or no return on investment is likely to be provided. Any disallowance of all or part of the cost of the abandoned plant that is both probable and reasonably estimable shall be recognized as a loss. The present value of the future revenues expected to be provided to recover the allowable cost of that abandoned plant and return on investment, if any, shall be reported as a separate new asset. Any excess of the remainder of the cost of the abandoned plant over that present value also shall be recognized as a loss. The discount rate used to compute the present value shall be the entity's incremental borrowing rate, that is, the rate that the entity would have to pay to borrow an equivalent amount for a period equal to the expected recovery period. In determining the present value of expected future revenues, the entity shall consider such matters as the following:
 1. The probable time period before such recovery is expected to begin
 2. The probable time period over which recovery is expected to be provided.

If the estimate of either period is a range, the guidance in Section 450-20-55 shall be applied to determine the loss to be recognized. Accordingly, the most likely period within that range shall be used to compute the present value. If no period within that range is a better estimate

than any other, the present value shall be based on the minimum time period within that range.

980-360-35-4 The recorded amount of the new asset shall be adjusted from time to time as necessary if new information indicates that the estimates used to record the separate new asset have changed. The rate order is usually viewed as the confirming event, permitting an estimate of the loss to be refined at that time. However, a loss shall not be recognized unless it is probable that a loss has occurred and the amount can be reasonably estimated. If those criteria are not met at the time of an initial rate order, the loss shall not be recognized at that time.

980-360-35-5 The estimates used to record the separate new asset include both of the following:

- a. The determination of whether full return on investment will be provided and, if not, the probable time period before recovery is expected to begin and the probable time period over which recovery is expected to be provided
- b. The amount of any probable and reasonably estimable disallowance of recorded costs of the abandoned plant.

980-360-35-6 The amount of the adjustment shall be recognized in income as a loss or gain. The recorded carrying amount of the new asset shall not be adjusted for changes in the entity's incremental borrowing rate.

980-360-35-7 During the period between the date on which the new asset is recognized and the date on which recovery begins, the carrying amount shall be increased by accruing a carrying charge. The rate used to accrue that carrying charge shall be as follows:

- a. If full return on investment is likely to be provided, a rate equal to the allowed overall cost of capital in the jurisdiction in which recovery is expected to be provided shall be used.
- b. If partial or no return on investment is likely to be provided, the rate that was used to compute the present value shall be used.

980-360-35-8 During the recovery period, the new asset shall be amortized as follows:

- a. If full return on investment is likely to be provided, the asset shall be amortized in the same manner as that used for rate-making purposes.
- b. If partial or no return on investment is likely to be provided, the asset shall be amortized in a manner that will produce a constant return on the unamortized investment in the new asset equal to the rate at which the expected revenues were discounted.

- >> **Income Tax Effects**

980-360-35-9 Usually, the net loss on an abandonment shall be computed by discounting the after-tax future revenues expected to be allowed by the regulator at an after-tax incremental borrowing rate and comparing the result to the recorded net investment in the abandoned plant. If that discounted present value is less than the recorded net investment, a net loss shall be recognized. However, the present accounting model generally does not permit display of losses on a net-of-tax basis. As a result, the net loss on an abandonment is grossed up for display purposes.

980-360-35-10 The computation of a loss on an abandonment (see Example 1 [paragraph 980-360-55-2]) is intended to approximate the economic effects of the regulator's rate actions

in the preceding paragraph. The computation is based on both of the following general assumptions about the rate-making methods used for income taxes:

a. Deferred income taxes are allocated to the assets that resulted in those deferred income taxes. Under that assumption, if certain assets are included in the rate base (that is, a return is allowed on those assets), the deferred income taxes allocated to those assets are deducted from the rate base in computing the investment on which a return will be allowed. Similarly, if certain assets are excluded from the rate base (that is, a return is not allowed on those assets), the deferred income taxes allocated to those assets are not deducted from the rate base in computing the investment on which a return will be allowed.

b. Income taxes that result from recovery of the recorded cost of the abandoned plant will be treated as **allowable costs** when those income taxes become payable to the extent those income taxes do not represent repayment of an income tax benefit that has already accrued to the entity's shareholders.

980-360-35-11 If the rate-making methods used for an entity differ from the assumptions stated in the preceding paragraph, the computation used to compute the loss on the abandonment shall be different from that described in paragraph 980-360-35-9 and illustrated in Example 1 (see paragraph 980-360-55-2). The computation shall be changed to reflect the different economics of those different rate-making methods. For example, if the regulator deducts all existing deferred income taxes from the rate base in determining the investment on which a return will be provided (instead of allocating deferred income taxes between items included in the rate base and items excluded from the rate base), the procedure effectively disallows a return on the gross investment in the abandoned plant instead of disallowing a return on the net investment, and the recognized loss shall reflect a disallowance of a return on the gross investment in the abandoned plant.

- > **Cost Disallowances**
- >> **Recently Completed Plants**

980-360-35-12 When it becomes probable that part of the cost of a recently completed plant will be disallowed for rate-making purposes and a reasonable estimate of the amount of the disallowance can be made, the estimated amount of the probable disallowance shall be deducted from the reported cost of the plant and recognized as a loss. Section 450-20-55 provides guidance for making a reasonable estimate of the amount of a loss. If part of the cost is explicitly, but indirectly, disallowed (for example, by an explicit disallowance of return on investment on a portion of the plant), an equivalent amount of cost shall be deducted from the reported cost of the plant and recognized as a loss.

- >> **Excess Capacity**

980-360-35-13 Excess capacity disallowances relate to part of the cost of service of a recently completed plant and are based on a finding that an entity's reserve capacity exceeds an amount deemed to be reasonable. If an excess capacity disallowance is ordered by a regulator without a specific finding that the entity should not have constructed that capacity or should have delayed the construction of that capacity, the rate order raises questions about whether the entity meets the criteria of paragraph 980-10-15-2 for application of this Topic, in that it is not being regulated based on its own cost of service. However, because such a rate order itself is neither a direct disallowance nor an explicit, but indirect, disallowance of part of the cost of the plant, this Section does not specify the accounting for it. If an excess capacity disallowance is ordered by a regulator with a specific finding that the entity should not have constructed that capacity or should have delayed the construction of that capacity, the rate

order may be an explicit, but indirect, disallowance of part of the cost of the plant, and the entity shall account for the substance of that order as set forth in the preceding paragraph.

980-360-35-14 If a regulator has included a recently completed plant in rates based on the assumed cost of another plant rather than based on the cost of the plant that exists, then the entity is not being regulated based on its own cost, and the criteria of paragraph 980-10-15-2 for application of this Topic do not appear to be met. If the rate order is based on a finding that, based on factors that were known during the construction, the entity should not have constructed the plant that it did construct, the order may be an explicit, but indirect, disallowance, and it shall be accounted for as set forth in paragraph 980-360-35-12. Otherwise, unless the order is being appealed, the entity shall consider discontinuing application of this Topic.

980-360-35-15 Regulators have considerable discretion in selecting a rate that represents a fair return on equity investment, and that specific matters included in a settlement agreement might not be apparent. Explicit, but indirect, disallowances shall be reported as disallowances; however, an entity is not required to determine whether the terms of a settlement agreement or rate order contain a hidden, indirect disallowance.

- >> **Examples of Cost Disallowances**

980-360-35-16 The following Examples illustrate specific situations related to cost disallowances:

- Example 2 (see paragraph 980-360-55-14) illustrates a disallowance of plant cost.
- Example 3 (see paragraph 980-360-55-18) illustrates a disallowance of plant cost resulting from a cost cap.
- Example 4 (see paragraph 980-360-55-26) illustrates an explicit, but indirect, disallowance.

980-360-55 Implementation Guidance and Illustrations

General Note: The Implementation Guidance and Illustrations Section contains implementation guidance and illustrations that are an integral part of the Subtopic. The implementation guidance and illustrations do not address all possible variations. Users must consider carefully the actual facts and circumstances in relation to the requirements of the Subtopic.

General

- > **Illustrations**

980-360-55-1 Cases similar to those illustrated in this Section may involve income tax effects that could accrue to the utility in question. Under Subtopic 740-10, the tax effects of temporary differences are measured based on enacted tax laws and rates and are recognized based on specified criteria.

- >> **Example 1: Computation of the Loss on an Abandonment**

980-360-55-2 This Example illustrates how a loss on an abandonment should be computed under the guidance in Section 450-20-55 and paragraphs 980-360-35-9 through 35-11 by an entity that has applied Subtopic 740-10. The Example is based on specific rate actions related

to the abandonment and on the other assumptions stated. The computations may need to be changed to reflect the economic effects of different fact situations.

980-360-55-3 The principal assumptions on which the Example is based are as follows:

- a. Upon initial application of Subtopic 740-10, an entity that meets the criteria of paragraph 980-10-15-2 for application of this Topic will adjust its deferred income tax liabilities as required. This Example is presented as though the entity has already applied Subtopic 740-10 prior to the date of the abandonment. If an entity initially applies that Subtopic after a loss has been recognized on an abandonment and before the end of the recovery period for any recoverable costs, the amount of the previously recognized loss may change. The amount of that loss will change if the tax rate used in the initial net-of-tax discount rate under that Subtopic is different from that used by the entity previously. Once that Subtopic is initially applied, the accounting for the abandonment should follow the approach described in this Example.
- b. This Example assumes a tax rate of 34 percent.
- c. Utility A decides to abandon a plant that has been under construction for some time. Although the possibility of abandoning the plant has been under consideration, abandonment was not considered probable before the actual decision was made.
- d. Immediately before the abandonment, the recorded assets for the plant and related deferred income tax liabilities are as follows.

	Assets	Deferred Income Tax Liabilities
Recorded plant and related deferred income tax liabilities	\$ 750,500,000	\$ 85,170,000
Asset representing revenue that will be provided for payment of income taxes and related deferred income tax liabilities	76,015,152	25,845,152
○ Total	\$ 826,515,152	\$111,015,152

- e. For income tax purposes, the abandoned plant has a basis of \$500 million at the date of the abandonment.
- f. Utility A will deduct the remaining tax basis of the abandoned plant (\$500,000,000) as an abandonment loss on its income tax return in the year of the abandonment and will receive a tax benefit of 34 percent of the tax basis of the plant (\$170,000,000). Utility A operates in a state that has no state income taxes. The federal income tax rate is 34 percent.
- g. Accounting pretax income before the loss on the abandonment and taxable income before any deduction for the loss on the abandonment are both \$1,500,000,000. Utility A has no other temporary differences or tax credits.
- h. Utility A operates solely in a single-state jurisdiction.
- i. In the past, Utility A's regulator has permitted recovery of amounts prudently invested in abandoned plants over an extended period of time without a return on unrecovered investment during the recovery period.
- j. The normal practice of Utility A's regulator is to allocate deferred income taxes to assets on which return on investment is disallowed. Deferred taxes allocated to assets excluded from

the rate base are not deducted from the rate base for purposes of computing allowable return on investment.

k. Utility A's regulator normally treats income taxes that were not previously provided as **allowable costs** if they result from recovery of other allowable costs.

l. Utility A's incremental borrowing rate at the date of the decision to abandon the plant is 14 percent, interest payable monthly.

m. Utility A believes that it is probable that recovery of cost without return on investment during the recovery period will be granted over a period that will not be less than 5 years nor more than 10 years, but it has no basis for estimating the exact time period that the regulator will select.

n. At the date of the abandonment, Utility A believes that it will take approximately 18 months to obtain a rate order covering the abandoned plant.

o. No disallowance of recorded cost is expected.

p. A rate order covering the abandoned plant is received in the 18th month following the abandonment. There is no disallowance of recorded costs of the abandoned plant. Those recorded costs are to be recovered over 60 months commencing in the 19th month after abandonment.

980-360-55-4 Because the amount of deferred taxes related to the remaining investment is both a component of the net investment on which return would be based in the regulatory process and based on the amount of the accounting loss on the abandonment (which is based on the present value of the net investment), the present value of the net investment cannot be derived through a simple present value calculation using a pretax rate. That present value could be derived through a series of iterative calculations, starting with an assumed loss and the resulting deferred tax amounts, then computing the accrual of return on investment and amortization by applying the pretax rate to the resulting net investment, and then computing the income tax effects of the resulting pretax income. Using the remaining asset at the end of the recovery period, the estimate of the loss could be refined until the accrual of a return, amortization, recovery of recorded costs, and the related tax effects resulted in a zero net asset at the end of the recovery period. Alternatively, the net loss can be initially computed based on a present value calculation using an after-tax rate. While that approach is used in this Example, either approach will provide the same result. The following paragraphs illustrate how that approach can be used and the resulting computations of loss recognition, return to be accrued, and amortization.

980-360-55-5 When the abandonment becomes probable (in this case, at the date of the decision to abandon), Utility A should remove the recorded cost of the plant from the construction work-in-process accounts. Any disallowance of the recorded cost that is probable and can be reasonably estimated should also be recorded as a loss. There is none in this Example. Utility A should record a separate new asset, representing the future revenues expected to result from the regulator's treatment of the cost of the abandoned plant, at the present value of those expected future revenues.

980-360-55-6 The next step is to compute the deferred income tax liabilities that would be recorded if the tax consequences of the abandonment were recognized before any loss related to the disallowance of return on investment were recognized. When the tax basis of the abandoned plant is deducted as an abandonment loss on the current year's tax return, an additional \$500,000,000 of the recorded cost of the asset will be without tax basis. Recovery of that additional amount will result in \$500,000,000 of taxable income. The deferred income

tax liability on that amount should be computed in accordance with Subtopic 740-10. This Example assumes that the rate is the statutory rate of 34 percent and that Utility A should recognize additional deferred income tax liabilities of \$170,000,000.

980-360-55-7 The amount of tax benefit that resulted from the current deduction of the abandonment loss is also \$170,000,000, so no additional asset representing revenue that will be provided for the payment of income taxes should be recognized. Thus, the recorded balance sheet items related to the plant after the abandonment, but before any loss for disallowance of return on investment is recognized, and the resulting net investment should be as follows.

	<u>Assets</u>	<u>Deferred Income Tax Liabilities</u>
Recorded plant and related deferred income tax liabilities	\$ 750,500,000	\$ 255,170,000
Asset representing revenue that will be provided for payment of income taxes and related deferred income tax liabilities	<u>76,015,152</u>	<u>25,845,152</u>
Total assets	<u>\$ 826,515,152 (1)</u>	
Total deferred income tax liabilities		<u>\$ 281,015,152 (2)</u>
• Net investment (1) – (2)		<u>\$ 545,500,000</u>

980-360-55-8 If the computed additional deferred income tax liabilities did not equal the tax benefit that resulted from the abandonment loss, the difference should be recorded as an adjustment of the asset representing revenue that will be provided for the payment of income taxes.

980-360-55-9 The cash flows provided to recover the asset should be estimated to begin in 19 months. For purposes of computing the present value of the net investment, the probable future after-tax revenues would be estimated at \$9,091,667 per month for 5 years (based on an assumed straight-line recovery of the net investment over the 5-year minimum period within the range— \$545,500,000/60). The discount rate used should be 9.24 percent (14 percent net of tax at the rate computed in paragraph 980-360-55-6). The computation of the amount to be recorded for the new asset and of the loss resulting from the abandonment would be as follows.

Present value of \$9,091,667 per month at 9.24% for 60 months, starting at the end of the 19th month (amount of new asset net of related deferred income taxes) (components computed in the table in the following paragraph)	\$ 379,361,954
Less net investment in abandoned plant (computed in the table in the preceding paragraph)	<u>545,500,000</u>
• Loss (net of related income taxes) to be recognized at time of decision to abandon the plant	<u>\$ 166,138,046</u>

980-360-55-10 The net loss should be allocated between the new asset resulting from the abandonment and the existing deferred taxes based on the relationship between the investment (100 percent), deferred taxes (34 percent, computed as \$281,015,152/\$826,515,152), and the net investment (66 percent). The computation would be as follows.

Réponses à la demande de renseignements n° 2 de la Régie

	Gross Investment	Deferred Taxes	Net Investment
Balances before loss recognition	\$ 826,515,152	\$ 281,015,152	\$ 545,500,000
Loss to be recognized	(251,724,312) ^(a)	(85,586,266) ^(b)	(166,138,046)
Balances after loss recognition	<u>\$ 574,790,840</u>	<u>\$ 195,428,886</u>	<u>\$ 379,361,954</u>

(a) Computed as \$166,138,046 ÷ 0.66

(b) Computed as \$251,724,312 × 34%

980-360-55-11 Pending receipt of a rate order, Utility A should accrue carrying charges on the net recorded asset at a monthly rate of 1/12 of 14 percent. Taxes should be provided on those accrued carrying charges based on the rate required to adjust the accumulated deferred income tax liabilities to the amounts required by Subtopic 740-10. Usually, that rate will be the statutory rate. The following table illustrates those computations based on the statutory rate.

Schedule 3

	(1)	(2)	(3)	(4)	(5)	(6)
	Beginning of Month					
Mo.	Gross Investment	Deferred Charge	Related Deferred Taxes	Net Investment	Carrying Charges Accrued	Inc. Tax Acc.
Comp.	(a)		(b)	[(1) + (2) - (3)]	[14% ÷ 12 × (4)]	[34%
1	\$ 498,775,688	\$ 76,015,152	\$ 195,428,886	\$ 379,361,954	\$ 4,425,889	\$ 1
2	503,201,577	76,015,152	196,933,688	382,283,041	4,459,969	1
3	507,661,546	76,015,152	198,450,078	385,226,620	4,494,310	1
4	512,155,856	76,015,152	199,978,143	388,192,865	4,528,917	1
5	516,684,773	76,015,152	201,517,975	391,181,950	4,563,789	1
6	521,248,562	76,015,152	203,069,663	394,194,051	4,598,931	1
7	525,847,493	76,015,152	204,633,299	397,229,346	4,634,342	1
8	530,481,835	76,015,152	206,208,976	400,288,011	4,670,027	1
9	535,151,862	76,015,152	207,796,785	403,370,229	4,705,986	1
10	539,857,848	76,015,152	209,396,820	406,476,180	4,742,222	1
11	544,600,070	76,015,152	211,009,176	409,606,046	4,778,737	1
12	549,378,807	76,015,152	212,633,946	412,760,013	4,815,534	1
13	554,194,341	76,015,152	214,271,228	415,938,265	4,852,613	1
14	559,046,954	76,015,152	215,921,116	419,140,990	4,889,978	1
15	563,936,932	76,015,152	217,583,709	422,368,375	4,927,631	1
16	568,864,563	76,015,152	219,259,103	425,620,612	4,965,574	1
17	573,830,137	76,015,152	220,947,398	428,897,891	5,003,809	1
18	578,833,946	76,015,152	222,648,694	432,200,404	5,042,338	1
19	583,876,284	76,015,152	224,363,089	435,528,347		

Computations:

(a) Prior month (1) + prior month (5)

(b) Prior month (3) + prior month (6)

980-360-55-12 Based on the rate order (see paragraph 980-360-55-3(n)), revenues actually allowed would be \$13,775,253 per month (\$826,515,152/60). Earnings should continue to be recognized each month equal to 1/12 of 14 percent of the remaining net investment, and taxes should continue to be provided on those earnings at the rate required to adjust the recorded deferred income tax liabilities to the amount required by Subtopic 740-10. Usually that rate

would be the statutory rate. The following table illustrates those computations using the 34 percent statutory rate.

Schedule 4

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Beginning of Month								
Mo.	Gross Investment	Deferred Charge	Income Tax Liability	Net Investment	Return on Net Investment	Amortization of Gross Investment	Amortization of Deferred Charge	Income Tax Expense
Comp.	(a)	(b)	(c)	[(1)+(2)-3]	[14%+12 x (3)]	(d)		[34% x (5)]
19	\$ 583,876,284	\$ 76,015,152	\$ 224,363,089	\$ 435,528,347	\$ 5,081,164	\$ 7,427,169	\$ 1,266,919	\$ 1,727,591
20	576,449,115	74,748,233	221,407,099	429,790,249	5,014,219	7,494,114	1,266,919	1,704,831
21	568,955,001	73,481,314	218,428,348	424,007,967	4,946,759	7,561,574	1,266,919	1,681,891
22	561,393,427	72,214,395	215,426,660	418,181,162	4,878,780	7,629,553	1,266,919	1,658,781
23	553,763,874	70,947,475	212,401,859	412,309,490	4,810,277	7,698,056	1,266,919	1,635,491
24	546,065,818	69,680,556	209,353,767	406,392,607	4,741,247	7,767,086	1,266,919	1,612,021
25	538,298,732	68,413,637	206,282,206	400,430,163	4,671,685	7,836,648	1,266,919	1,588,371
26	530,462,084	67,146,718	203,186,993	394,421,809	4,601,587	7,906,746	1,266,919	1,564,541
27	522,555,338	65,879,799	200,067,947	388,367,190	4,530,951	7,977,382	1,266,919	1,540,521
28	514,577,956	64,612,879	196,924,884	382,265,951	4,459,769	8,048,564	1,266,919	1,516,321
29	506,529,392	63,345,960	193,757,620	376,117,732	4,388,040	8,120,293	1,266,919	1,491,931
30	498,409,099	62,079,041	190,565,968	369,922,172	4,315,758	8,192,575	1,266,919	1,467,351
31	490,216,524	60,812,122	187,349,740	363,678,906	4,242,920	8,265,413	1,266,919	1,442,591
32	481,951,111	59,545,203	184,108,747	357,387,567	4,169,521	8,338,812	1,266,919	1,417,631
33	473,612,299	58,278,283	180,842,798	351,047,784	4,095,558	8,412,775	1,266,919	1,392,491
34	465,199,524	57,011,364	177,551,702	344,659,186	4,021,023	8,487,310	1,266,919	1,367,141
35	456,712,214	55,744,445	174,235,264	338,221,395	3,945,916	8,562,417	1,266,919	1,341,611
...
73	72,867,498	7,601,515	27,359,464	53,109,549	619,612	11,888,721	1,266,919	210,661
74	60,978,777	6,334,596	22,886,547	44,426,826	518,312	11,990,021	1,266,919	176,221
75	48,988,756	5,067,677	18,379,187	35,677,246	416,234	12,092,099	1,266,919	141,521
76	36,896,657	3,800,758	13,837,121	26,860,294	313,370	12,194,963	1,266,919	106,541
77	24,701,694	2,533,839	9,260,082	17,975,451	209,714	12,298,619	1,266,919	71,301
78	12,403,075	1,266,919	4,647,798	9,022,196	105,258	12,403,075	1,266,919	35,781

Computations:

- (a) Prior month (1) – prior month (6)
- (b) Prior month (2) – prior month (7)
- (c) Prior month (3) – prior month (9)
- (d) \$13,775,253 – (5) – (7)
- (e) \$4,683,685 – (8)

980-360-55-13 In the event of a change in tax rates, the accumulated deferred income tax liabilities should be adjusted to the computed liability at the new rates. If the change in tax rates causes a reduction of the recorded deferred income tax liability, that reduction would usually result in a reduction of the recorded asset representing revenue that will be provided for payment of income taxes. If the change in tax rates causes an increase of the recorded deferred income tax liability, that increase would usually result in an increase of the recorded asset representing revenue that will be provided for payment of income taxes. However, the regulator's expected rate actions could change that result.

• >> **Example 2: Disallowance of Plant Cost**

980-360-55-14 This Example illustrates the guidance in paragraphs 980-360-35-12 through 35-14.

980-360-55-15 This Example assumes a tax rate of 34 percent.

980-360-55-16 Assume that Utility B operates in two state jurisdictions. After an extensive prudence investigation, the regulator in one of those state jurisdictions disallows \$865 million of the \$3.6 billion total cost of Utility B's recently completed nuclear generating plant. That state jurisdiction represents approximately 50 percent of Utility B's operations, and approximately 50 percent of the output of the recently completed plant is expected to be used in that state. The tax basis of the plant is \$2.4 billion. The regulator indicates that the tax benefit from a ratable portion of depreciation will be given to the shareholders as a result of the disallowance. After consultation with counsel, Utility B decides that it should not appeal the regulator's disallowance. The regulator in Utility B's other state jurisdiction has not participated in the prudence investigation, and there is no indication that a similar disallowance is likely in that jurisdiction.

980-360-55-17 Utility B should recognize the effective disallowance as a loss. Because only 50 percent of the plant's cost will be recoverable from customers in the state, the effective disallowance is 50 percent of the amount disallowed, or \$432.5 million. The disallowance should be recognized when the disallowance is probable and the amount of the disallowance can be reasonably estimated, and those conditions are met in this case. The tax benefit of the loss will be realized as future depreciation is taken for income tax purposes. Since the tax benefit of the plant is based on \$2.4 billion and the cost of the plant prior to the disallowance is \$3.6 billion, only two-thirds of the loss is available for tax benefit. A deferred tax benefit, based on two-thirds of the loss, can be recognized when the loss is recognized providing that benefit meets the criteria of Subtopic 740-10 for recognition.

- >> **Example 3: Disallowance of Plant Cost Resulting from a Cost Cap**

980-360-55-18 This Example illustrates the guidance in paragraphs 980-360-35-12 through 35-14.

980-360-55-19 This Example assumes a tax rate of 34 percent.

980-360-55-20 Assume that Utility C, which operates solely in one state jurisdiction, is constructing a new electric generating plant. Completion is expected to take approximately one year. The cost of the plant, which was originally expected to be \$1.25 billion, is now estimated to be as follows.

Costs capitalized to date	\$ 2,700,000,000
Allowance for funds used during construction on above for 1 year at 11.25%	303,750,000
Remaining labor, materials, and so forth, to complete, expected to be spent ratably over the year	469,822,500
Allowance for funds used during construction on above for 1/2 year at 11.25%	26,427,500
Total estimated cost at completion	<u>\$ 3,500,000,000</u>

980-360-55-21 Various parties have charged that certain cost increases were a result of imprudent management of the construction.

980-360-55-22 To avoid the cost and time delay that would be involved in a full-scale prudence investigation of the construction of the plant, Utility C and its regulator agree that the total cost of the plant that will be allowable in determining depreciation and that will be allowed in Utility C's rate base will be \$3.4 billion. If the eventual cost of the plant exceeds that cap, a ratable portion of the tax benefit of depreciation will accrue to the benefit of the shareholders. For tax purposes, the plant is expected to have a net depreciable basis of \$2.0 billion.

980-360-55-23 The loss that results from the disallowance inherent in the cost cap would be computed as follows.

Total estimated cost at completion	\$ 3,500,000,000
Maximum allowable cost	<u>3,400,000,000</u>
Difference	<u>\$ 100,000,000</u>
Loss to be recognized (present value of difference at 11.25% allowance for funds used during construction rate, based on 1 year to complete)	\$ 89,887,600
Deferred tax benefit of loss (2.0 + 3.5 × \$100,000,000 × 34%)	<u>19,428,600</u>
Net loss to be recognized when cost cap is agreed to	<u>\$ 70,459,000</u>

980-360-55-24 After the loss is recognized, an **allowance for funds used during construction** would continue to be recorded based on the remaining recorded costs. Subsequently, if additional increases in the cost of the plant become probable and those costs are not allowable under the agreed cost cap, those increases would also be recognized as losses from disallowances when they become probable.

980-360-55-25 If the regulator ordered a cost cap that Utility C did not agree to, Utility C would have to assess whether the criteria of Topic 450 for loss recognition are met. If those criteria are met, the accounting would be as indicated above. Otherwise, no loss would be recognized until that loss was probable and could be reasonably estimated. Because of the possible disallowance inherent in the cost cap, it may no longer be probable that some amount of allowance for funds used during construction will be included in allowable costs in the future, and that amount may be reasonably estimable. In that case, that amount of allowance for funds used during construction would not be capitalized.

- >> **Example 4: Explicit, but Indirect, Disallowance**

980-360-55-26 This Example illustrates the guidance in paragraphs 980-360-35-12 through 35-14.

980-360-55-27 Assume that Utility D operates solely in a single-state jurisdiction. On January 1, 19X1, Utility D's new electric generating plant becomes operational. The cost of that plant is \$1 billion.

980-360-55-28 Utility D's regulator concludes that part of the cost of the recently completed plant was imprudently incurred. However, rather than disallow the specific costs that were imprudent, the regulator instead excludes 10 percent (\$100 million) of the plant from the rate base, thereby providing no return on investment on that portion of the plant. The regulator does not intend any part of the tax benefit of depreciation to accrue to the benefit of Utility D's shareholders. The regulator indicates that the exclusion of 10 percent of the plant's cost from the rate base is intended to be permanent. The utility concludes that it will not appeal the disallowance after considering the likely outcome of an appeal.

980-360-55-29 Utility D should record the indirect disallowance as a loss and should estimate the amount of that loss using the best available information. If the regulator specifies the amount of cost that was imprudent, that amount may be the best estimate of the loss. Otherwise, Utility D would have to estimate the future cash flows that have been disallowed as a result of the order and determine the effective disallowance by computing the present value of those disallowed future cash flows. Since both the disallowed future cash flows and the appropriate discount rate to compute the present value would be estimates, those estimates should be calculated on a consistent basis. Accordingly, if the future cash flows are estimated based on the current weighted-average overall cost of Utility D's capital, that weighted-

average overall cost of capital should also be used as the discount rate. The loss has no tax benefit to Utility D.

980-360-55-30 [\[Paragraph not used\]](#)

980-360-55-31 [\[Paragraph not used\]](#)

980-360-55-32 [\[Paragraph not used\]](#)

980-360-55-33 [\[Paragraph not used\]](#)

980-360-55-34 [\[Paragraph not used\]](#)

980-360-55-35 [\[Paragraph not used\]](#)

980-360-75 XBRL Elements

General Note: This section contains a list of XBRL elements that reference paragraphs in this Subtopic. For additional details regarding changes to the development version of the US GAAP Financial Reporting Taxonomy, refer to the [FASB taxonomy review and comment system](#) on the FASB web site.

- **Allowance for Funds Used During Construction, Capitalized Interest**

[Label and/or reference(s) most recently revised on 06/15/2011 after the last taxonomy release.]

Element Name: *PublicUtilitiesAllowanceForFundsUsedDuringConstructionCapitalizedInterest*

- **This XBRL element references the following paragraph(s)/term(s) in this Subtopic:**
 - [Allowance for Funds Used during Construction](#)
- **This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):**
 - [980 Regulated Operations > 835 Interest > 45 Other Presentation > General, 45-1](#)

- **Allowance for Funds Used During Construction, Investing Activities**

Element Name: *AllowanceForFundsUsedDuringConstructionInvestingActivities*

- **This XBRL element references the following paragraph(s)/term(s) in this Subtopic:**
 - [980 Regulated Operations > 360 Property, Plant, and Equipment > 25 Recognition > General, 25-1](#)
- **This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):**
 - [230 Statement of Cash Flows > 10 Overall > 45 Other Presentation > General, 45-12](#)

- **Allowance for Funds Used During Construction, Policy [Policy Text Block]**

[Label and/or reference(s) most recently revised on 11/22/2013 after the last taxonomy release.]

Element Name: *AllowanceForFundsUsedDuringConstructionPolicy*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 360 Property, Plant, and Equipment > 25 Recognition > General, 25-1](#)
- This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):
 - [235 Notes to Financial Statements > 10 Overall > 50 Disclosure > General, 50-3](#)
- **Capitalized Interest Costs, Including Allowance for Funds Used During Construction**

[Label and/or reference(s) most recently revised on 06/15/2011 after the last taxonomy release.]

Element Name: *InterestCostsIncurredCapitalized*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [Allowance for Funds Used during Construction](#)
- This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):
 - [980 Regulated Operations > 835 Interest > 45 Other Presentation > General, 45-1](#)
- **Description of Impairment to Carrying Amount of Regulatory Assets**

Element Name: *DescriptionOfImpairmentToCarryingAmountOfRegulatoryAssets*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 360 Property, Plant, and Equipment > 35 Subsequent Measurement > General, 35-12](#)
- This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 35 Subsequent Measurement > General, 35-1](#)
- **Disallowed Costs for Recently Completed Plant, Policy [Policy Text Block]**

Element Name: *DisallowedCostsForRecentlyCompletedPlantPolicy*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 360 Property, Plant, and Equipment > 35 Subsequent Measurement > General, 35-12](#)
- This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):

- [235 Notes to Financial Statements > 10 Overall > 50 Disclosure > General, 50-3](#)

- **Interest Costs Capitalized**

[Label and/or reference(s) most recently revised on 11/14/2011 after the last taxonomy release.]

Element Name: *InterestCostsCapitalized*

- **This XBRL element references the following paragraph(s)/term(s) in this Subtopic:**
 - [Allowance for Funds Used during Construction](#)
- **This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):**
 - [835 Interest > 20 Capitalization of Interest > 50 Disclosure > General, 50-1\(b\)](#)

- **Plant Retirement and Abandonment, Policy [Policy Text Block]**

Element Name: *PlantRetirementAndAbandonmentPolicy*

- **This XBRL element references the following paragraph(s)/term(s) in this Subtopic:**
 - [980 Regulated Operations > 360 Property, Plant, and Equipment > 35 Subsequent Measurement > General, 35-1](#)
 - [980 Regulated Operations > 360 Property, Plant, and Equipment > 35 Subsequent Measurement > General, 35-2](#)
 - [980 Regulated Operations > 360 Property, Plant, and Equipment > 35 Subsequent Measurement > General, 35-3](#)
- **This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):**
 - [235 Notes to Financial Statements > 10 Overall > 50 Disclosure > General, 50-3](#)

- **Public Utilities, Allowance for Funds Used During Construction, Additions**

Element Name: *PublicUtilitiesAllowanceForFundsUsedDuringConstructionAdditions*

- **This XBRL element references the following paragraph(s)/term(s) in this Subtopic:**
 - [980 Regulated Operations > 360 Property, Plant, and Equipment > 25 Recognition > General, 25-1](#)
- **This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):**
 - [230 Statement of Cash Flows > 10 Overall > 45 Other Presentation > General, 45-28\(b\)](#)
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 50 Disclosure > General, 50-3](#)

- **Public Utilities, Disclosure of Regulatory Matters Pending**

Element Name: *PublicUtilitiesDisclosureOfRegulatoryMattersPending*

- **This XBRL element references the following paragraph(s)/term(s) in this Subtopic:**
 - [980 Regulated Operations > 360 Property, Plant, and Equipment > 55 Implementation > General, 55-16](#)
 - [980 Regulated Operations > 360 Property, Plant, and Equipment > 55 Implementation > General, 55-17](#)
 - [980 Regulated Operations > 360 Property, Plant, and Equipment > 55 Implementation > General, 55-20](#)
 - [980 Regulated Operations > 360 Property, Plant, and Equipment > 55 Implementation > General, 55-21](#)
 - [980 Regulated Operations > 360 Property, Plant, and Equipment > 55 Implementation > General, 55-22](#)
 - [980 Regulated Operations > 360 Property, Plant, and Equipment > 55 Implementation > General, 55-23](#)
 - [980 Regulated Operations > 360 Property, Plant, and Equipment > 55 Implementation > General, 55-24](#)
 - [980 Regulated Operations > 360 Property, Plant, and Equipment > 55 Implementation > General, 55-25](#)
 - [980 Regulated Operations > 360 Property, Plant, and Equipment > 55 Implementation > General, 55-27](#)
 - [980 Regulated Operations > 360 Property, Plant, and Equipment > 55 Implementation > General, 55-28](#)
 - [980 Regulated Operations > 360 Property, Plant, and Equipment > 55 Implementation > General, 55-29](#)
 - **This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):**
 - [450 Contingencies > 20 Loss Contingencies > 50 Disclosure > General, 50-1](#)
 - [450 Contingencies > 20 Loss Contingencies > 50 Disclosure > General, 50-3](#)
 - [450 Contingencies > 20 Loss Contingencies > 50 Disclosure > General, 50-4](#)
 - [450 Contingencies > 20 Loss Contingencies > 50 Disclosure > General, 50-5](#)
 - [980 Regulated Operations > 20 Discontinuation of Rate-Regulated Accounting > 40 Derecognition > General, 40-6](#)
- **Public Utilities, Property, Plant and Equipment, Amortization of Present Value of Regulated Asset for Plant Abandonment**

[Label and/or reference(s) most recently revised on 07/06/2011 after the last taxonomy release.]

Element

Name: *PublicUtilitiesPropertyPlantAndEquipmentAmortizationOfPresentValueOfRegulatedAssetsForPlantAbandonment*

- **This XBRL element references the following paragraph(s)/term(s) in this Subtopic:**
 - [980 Regulated Operations > 360 Property, Plant, and Equipment > 35 Subsequent Measurement > General, 35-2](#)
 - [980 Regulated Operations > 360 Property, Plant, and Equipment > 35 Subsequent Measurement > General, 35-3\(b\)](#)
- **Public Utilities, Property, Plant and Equipment, Amount of Disallowed Costs for Recently Completed Plant**

Element

Name: *PublicUtilitiesPropertyPlantAndEquipmentAmountOfDisallowedCostsForRecentlyCompletedPlant*

- **This XBRL element references the following paragraph(s)/term(s) in this Subtopic:**
 - [980 Regulated Operations > 360 Property, Plant, and Equipment > 35 Subsequent Measurement > General, 35-12](#)
 - [980 Regulated Operations > 360 Property, Plant, and Equipment > S99 SEC Materials > General, S99-2\(SAB TOPIC 10.E\)](#)
- **Public Utilities, Property, Plant and Equipment, Amount of Indirect Disallowance of Costs of Recently Completed Plants**

Element

Name: *PublicUtilitiesPropertyPlantAndEquipmentAmountOfIndirectDisallowanceOfCostsOfRecentlyCompletedPlants*

- **This XBRL element references the following paragraph(s)/term(s) in this Subtopic:**
 - [980 Regulated Operations > 360 Property, Plant, and Equipment > 35 Subsequent Measurement > General, 35-12](#)
 - [980 Regulated Operations > 360 Property, Plant, and Equipment > 35 Subsequent Measurement > General, 35-13](#)
- **Public Utilities, Property, Plant and Equipment, Amount of Loss (Recovery) on Plant Abandonment**

Element

Name: *PublicUtilitiesPropertyPlantAndEquipmentAmountOfLossRecoveryOnPlantAbandonment*

- **This XBRL element references the following paragraph(s)/term(s) in this Subtopic:**
 - [980 Regulated Operations > 360 Property, Plant, and Equipment > 35 Subsequent Measurement > General, 35-9](#)

- **Public Utilities, Property, Plant and Equipment, Amount of Remainder of Costs of Disallowed Assets for Recently Completed Plant**

Element

Name: *PublicUtilitiesPropertyPlantAndEquipmentAmountOfRemainderOfCostsOfDisallowedAssetsForRecentlyCompletedPlant*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 360 Property, Plant, and Equipment > 35 Subsequent Measurement > General, 35-12](#)
- **Public Utilities, Property, Plant and Equipment, Calculation of Present Value of Regulated Asset for Plant Abandonment**

Element

Name: *PublicUtilitiesPropertyPlantAndEquipmentCalculationOfPresentValueOfRegulatedAssetForPlantAbandonment*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 360 Property, Plant, and Equipment > 35 Subsequent Measurement > General, 35-3\(b\)](#)
- **Public Utilities, Property, Plant and Equipment, Description of Plant Abandonment**

Element Name: *PublicUtilitiesPropertyPlantAndEquipmentDescriptionOfPlantAbandonment*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 360 Property, Plant, and Equipment > 35 Subsequent Measurement > General, 35-2](#)
- **Public Utilities, Property, Plant and Equipment, Discount Rate for Present Value of Regulated Asset for Plant Abandonment**

Element

Name: *PublicUtilitiesPropertyPlantAndEquipmentDiscountRateForPresentValueOfRegulatedAssetForPlantAbandonment*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 360 Property, Plant, and Equipment > 35 Subsequent Measurement > General, 35-3\(b\)](#)
- **Public Utilities, Property, Plant and Equipment, Present Value of Regulated Asset for Plant Abandonment**

Element

Name: *PublicUtilitiesPropertyPlantAndEquipmentPresentValueOfRegulatedAssetForPlantAbandonment*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:

- [980 Regulated Operations > 360 Property, Plant, and Equipment > 35 Subsequent Measurement > General, 35-3\(b\)](#)

980-360-S00 Status

General Note: The Status Section identifies changes to this Subtopic resulting from Accounting Standards Updates. The Section provides references to the affected Codification content and links to the related Accounting Standards Updates. Nonsubstantive changes for items such as editorial, link and similar corrections are included separately in Maintenance Updates.

General

980-360-S00-1 No updates have been made to this subtopic.

980-360-S45 Other Presentation Matters

General Note: The Other Presentation Matters Section provides guidance on other presentation matters not addressed in the Recognition, Initial Measurement, Subsequent Measurement, and Derecognition Sections. Other presentation matters may include items such as current or long-term balance sheet classification, cash flow presentation, earnings per share matters, and so forth. The FASB Codification also contains Presentation Topics, which provide guidance for general presentation and display items. See those Topics for general guidance.

General

- > **Classification of Charges for Abandonment and Disallowances**

980-360-S45-1 See paragraph [980-360-S99-2](#), SAB Topic 10.E, for SEC Staff views on the classification of charges for abandonment and disallowances.

980-360-S50 Disclosure

General Note: The Disclosure Section provides guidance regarding the disclosure in the notes to financial statements. In some cases, disclosure may relate to disclosure on the face of the financial statements.

General

- > **Tangible and Intangible Utility Plant**

980-360-S50-1 See paragraph [210-10-S99-1](#), Regulation S-X Rule 5-02.13(b), for disclosure requirements for tangible and intangible utility plants of a public utility company.

- > **Jointly Owned Electric Utility Plants**

980-360-S50-2 See paragraph [980-360-S99-1](#), SAB Topic 10.C, for SEC Staff views on disclosure concerning interests in jointly owned utility plants.

980-360-S75 XBRL Elements

General Note: This section contains a list of XBRL elements that reference paragraphs in this Subtopic. For additional details regarding changes to the development version of the US GAAP Financial Reporting Taxonomy, refer to the [FASB taxonomy review and comment system](#) on the FASB web site.

- **Jointly Owned Utility Plant Interests [Table]**

Element Name: *JointlyOwnedUtilityPlantInterestsTable*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:

- [980 Regulated Operations > 360 Property, Plant, and Equipment > S99 SEC Materials > General, S99-1\(SAB TOPIC 10.C\)](#)

- **Jointly Owned Utility Plant [Axis]**

Element Name: *JointlyOwnedUtilityPlantAxis*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:

- [980 Regulated Operations > 360 Property, Plant, and Equipment > S99 SEC Materials > General, S99-1\(SAB TOPIC 10.C\)](#)

- **Jointly Owned Utility Plant [Domain]**

Element Name: *JointlyOwnedUtilityPlantDomain*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:

- [980 Regulated Operations > 360 Property, Plant, and Equipment > S99 SEC Materials > General, S99-1\(SAB TOPIC 10.C\)](#)

- **Jointly Owned Utility Plant, Gross Ownership Amount of Plant in Service**

Element Name: *JointlyOwnedUtilityPlantGrossOwnershipAmountOfPlantInService*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:

- [980 Regulated Operations > 360 Property, Plant, and Equipment > S99 SEC Materials > General, S99-1\(SAB TOPIC 10.C\)](#)

- **Jointly Owned Utility Plant, Name**

Element Name: *JointlyOwnedUtilityPlantName*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:

- [980 Regulated Operations > 360 Property, Plant, and Equipment > S99 SEC Materials > General, S99-1\(SAB TOPIC 10.C\)](#)

- **Jointly Owned Utility Plant, Net Ownership Amount**

Element Name: *JointlyOwnedUtilityPlantNetOwnershipAmount*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 360 Property, Plant, and Equipment > S99 SEC Materials > General, S99-1\(SAB TOPIC 10.C\)](#)

- **Jointly Owned Utility Plant, Ownership Amount of Construction Work in Progress**

Element Name: *JointlyOwnedUtilityPlantOwnershipAmountOfConstructionWorkInProgress*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 360 Property, Plant, and Equipment > S99 SEC Materials > General, S99-1\(SAB TOPIC 10.C\)](#)

- **Jointly Owned Utility Plant, Ownership Amount of Other Assets**

Element Name: *JointlyOwnedUtilityPlantOwnershipAmountOfOtherAssets*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 360 Property, Plant, and Equipment > S99 SEC Materials > General, S99-1\(SAB TOPIC 10.C\)](#)

- **Jointly Owned Utility Plant, Ownership Amount of Plant Accumulated Depreciation**

Element Name: *JointlyOwnedUtilityPlantOwnershipAmountOfPlantAccumulatedDepreciation*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 360 Property, Plant, and Equipment > S99 SEC Materials > General, S99-1\(SAB TOPIC 10.C\)](#)

- **Jointly Owned Utility Plant, Proportionate Ownership Share**

Element Name: *JointlyOwnedUtilityPlantProportionateOwnershipShare*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 360 Property, Plant, and Equipment > S99 SEC Materials > General, S99-1\(SAB TOPIC 10.C\)](#)

- **Public Utilities, Property, Plant and Equipment, Amount of Disallowed Costs for Recently Completed Plant**

Element

Name: *PublicUtilitiesPropertyPlantAndEquipmentAmountOfDisallowedCostsForRecentlyCompletedPlant*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:

- [980 Regulated Operations > 360 Property, Plant, and Equipment > 35 Subsequent Measurement > General, 35-12](#)
- [980 Regulated Operations > 360 Property, Plant, and Equipment > S99 SEC Materials > General, S99-2\(SAB TOPIC 10.E\)](#)
- **Schedule of Jointly Owned Utility Plants [Table Text Block]**

Element Name: *ScheduleOfJointlyOwnedUtilityPlantsTextBlock*

- **This XBRL element references the following paragraph(s)/term(s) in this Subtopic:**
 - [980 Regulated Operations > 360 Property, Plant, and Equipment > S99 SEC Materials > General, S99-1\(SAB TOPIC 10.C\)](#)

980-360-S99 SEC Materials

General Note: As more fully described in [About the Codification](#), the Codification includes selected SEC and SEC Staff content for reference by public companies. The Codification does not replace or affect how the SEC or SEC Staff issues or updates SEC content. SEC Staff content does not constitute Commission-approved rules or interpretations of the SEC.

General

- > **SEC Staff Guidance**
- >> **Staff Accounting Bulletins**
- >>> **SAB Topic 10.C, Jointly Owned Electric Utility Plants**

980-360-S99-1 The following is the text of SAB Topic 10.C, Jointly Owned Electric Utility Plants.

- **Facts:** Groups of electric utility companies have been building and operating utility plants under joint ownership agreements or arrangements which do not create legal entities for which separate financial statements are presented. FN1 Under these arrangements, a participating utility has an undivided interest in a utility plant and is responsible for its proportionate share of the costs of construction and operation and is entitled to its proportionate share of the energy produced.
 - FN1 Before considering the guidance in this SAB Topic, registrants are reminded that the arrangement should be evaluated in accordance with the provisions of Interpretation 46 [Topic [810](#)].
- During the construction period a participating utility finances its own share of a utility plant using its own financial resources and not the combined resources of the group. Allowance for funds used during construction is provided in the same manner and at the same rates as for plants constructed to be used entirely by the participant utility.
- When a joint-owned plant becomes operational, one of the participant utilities acts as operator and bills the other participants for their proportionate share of the direct expenses incurred. Each individual participant incurs other expenses related to transmission, distribution, supervision and control which cannot be related to the

energy generated or received from any particular source. Many companies maintain depreciation records on a composite basis for each class of property so that neither the accumulated allowance for depreciation nor the periodic expense can be allocated to specific generating units whether jointly or wholly owned.

- Question: What disclosure should be made on the financial statements or in the notes concerning interests in jointly owned utility plants?
- Interpretive Response: A participating utility should include information concerning the extent of its interests in jointly owned plants in a note to its financial statements. The note should include a table showing separately for each interest in a jointly owned plant the amount of utility plant in service, the accumulated provision for depreciation (if available), the amount of plant under construction, and the proportionate share. The amounts presented for plant in service or plant under construction may be further subdivided to show amounts applicable to plant subcategories such as production, transmission, and distribution. The note should include statements that the dollar amounts represent the participating utility's share in each joint plant and that each participant must provide its own financing. Information concerning two or more generating plants on the same site may be combined if appropriate.
- The note should state that the participating utility's share of direct expenses of the joint plants is included in the corresponding operating expenses on its income statement (e. g., fuel, maintenance of plant, other operating expense). If the share of direct expenses is charged to purchased power then the note should disclose the amount so charged and the proportionate amounts charged to specific operating expenses on the records maintained for the joint plants.
- >>> **SAB Topic 10.E, Classification of Charges for Abandonments and Disallowances**

980-360-S99-2 The following is the text of SAB Topic 10.E, Classification of Charges for Abandonment and Disallowances.

- Facts: A public utility company abandons the construction of a plant and, under the provisions of Statement 90 [Topic 980], must charge a portion of the costs of the abandoned plant to expense. FN3 Also, the utility determines that it is probable that certain costs of a recently completed plant will be disallowed, and charges those costs to expense as required by Statement 90 [Topic 980].
 - FN3 Paragraph 3 of Statement 90 [paragraph 980-360-35-3] requires that costs of abandoned plants in excess of the present value of the future revenues expected to be provided to recover any allowable costs be charged to expense in the period that the abandonment becomes probable. Also, paragraph 7 of Statement 90 [paragraph 980-360-35-12] requires that disallowed costs for recently completed plants be charged to expense when the disallowance becomes probable and can be reasonably estimated.
- Question: May such charges for abandonments and disallowances be reported as extraordinary items in the statement of income?
- Interpretive Response: No. The staff does not believe that such charges meet the requirements of APB Opinion 30 [Topic 225] that an item be both unusual and infrequent to be classified as an extraordinary item. Accordingly, the public utility was advised by the staff that such charges should be reported as a component of income from continuing operations, separately presented, if material. FN4

- FN4 Additionally, the registrant was reminded that paragraph 26 of APB Opinion 30 [paragraph [225-20-45-16](#)] provides that items which are not reported as extraordinary should not be reported on the income statement net of income taxes or in any manner that implies that they are similar to extraordinary items.
- Paragraph 20 of APB Opinion 30 [paragraph [225-20-45-2](#)] indicates that to be unusual, an item must "possess a high degree of abnormality and be of a type clearly unrelated to, or only incidentally related to, the ordinary and typical activities of the entity, taking into account the environment in which the entity operates." Similarly, that paragraph indicates that, to be infrequent, an event should "not reasonably be expected to recur in the foreseeable future."
- Electric utilities operate under a franchise that requires them to furnish adequate supplies of electricity for their service area. That undertaking requires utilities to continually forecast the future demand for electricity, and the costs to be incurred in constructing the plants necessary to meet that demand. Abandonments and disallowances result from the failure of demand to reach projected levels and/or plant construction costs that exceed anticipated amounts. Neither event qualifies as being both unusual and infrequent in the environment in which electric utilities operate.
- Accordingly, the staff believes that charges for abandonments and disallowances under Statement 90 should not be presented as extraordinary items. FN5
 - FN5 The staff also notes that paragraphs 3 and 7 of Statement 90 [paragraphs [980-360-35-3](#) and [980-360-35-12](#)], in requiring that such costs be "recognized as a loss," do not specify extraordinary item treatment. The staff believes that it generally has been the FASB's practice to affirmatively require extraordinary item treatment when it believes that it is appropriate for charges or credits to income specifically required by a provision of a statement.

980 Regulated Operations
405 Liabilities

980-405-05 Overview and Background

General Note: The Overview and Background Section provides overview and background material for the guidance contained in the Subtopic. It does not provide the historical background or due process. It may contain certain material that users generally consider useful to understand the typical situations addressed by the standards. The Section does not summarize the accounting and reporting requirements.

General

980-405-05-1 This Subtopic provides guidance for liabilities for entities with regulated operations.

980-405-15 Scope and Scope Exceptions

General Note: The Scope and Scope Exceptions Section outlines the items (for example, the entities, transactions, instruments, or events) to which the guidance in the Subtopic does or does not apply. In some cases, the Section may contain definitional or other text to frame the scope.

General Note for Financial Instruments: Some of the items subject to the guidance in this Subtopic are [financial instruments](#). For guidance on matters related broadly to all financial instruments, (including the fair value option, accounting for registration payment arrangements, and broad financial instrument disclosure requirements), see Topic [825](#). See Section [825-10-15](#) for guidance on the scope of the Financial Instruments Topic.

General

- > **Overall Guidance**

980-405-15-1 This Subtopic follows the same Scope and Scope Exceptions as outlined in the Overall Subtopic, see Section [980-10-15](#).

980-405-20 Glossary

General Note: The Master Glossary contains all terms identified as glossary terms throughout the Codification. Clicking on any term in the Master Glossary will display where the term is used. The Master Glossary may contain identical terms with different definitions, some of which may not be appropriate for a particular Subtopic. For any particular Subtopic, users should only use the glossary terms included in the particular Subtopic Glossary Section (Section 20).

Allowable Costs

All costs for which revenue is intended to provide recovery. Those costs can be actual or estimated. In that context, allowable costs include interest cost and amounts provided for earnings on shareholders' investments.

980-405-25 Recognition

General Note: The Recognition Section provides guidance on the required criteria, timing, and location (within the financial statements) for recording a particular item in the financial statements. Disclosure is not recognition.

General Note for Fair Value Option: Some of the items subject to the guidance in this Subtopic may qualify for application of the Fair Value Option Subsections of Subtopic [825-10](#). Those Subsections (see paragraph [825-10-05-5](#)) address circumstances in which entities may choose, at specified election dates, to measure eligible items at fair value (the fair value option). See Section [825-10-15](#) for guidance on the scope of the Fair Value Option Subsections of the Financial Instruments Topic.

General

- > **Regulator-Imposed Liabilities**

980-405-25-1 Rate actions of a regulator can impose a liability on a regulated entity. Such liabilities are usually obligations to the entity's customers. The following are the usual ways in which liabilities can be imposed and the resulting accounting:

a. A regulator may require refunds to customers. Refunds can be paid to the customers who paid the amounts being refunded; however, they are usually provided to current customers by reducing current charges. Refunds that meet the criteria of accrual of loss contingencies (see paragraph 450-20-25-2) shall be recorded as liabilities and as reductions of revenue or as expenses of the regulated entity.

b. A regulator can provide current rates intended to recover costs that are expected to be incurred in the future with the understanding that if those costs are not incurred future rates will be reduced by corresponding amounts. If current rates are intended to recover such costs and the regulator requires the entity to remain accountable for any amounts charged pursuant to such rates and not yet expended for the intended purpose, the entity shall not recognize as revenues amounts charged pursuant to such rates. The usual mechanism used by regulators for this purpose is to require the regulated entity to record the anticipated cost as a liability in its regulatory accounting records. Those amounts shall be recognized as liabilities and taken to income only when the associated costs are incurred. (For related implementation guidance, see paragraph 980-405-55-1).

c. A regulator can require that a gain or other reduction of net **allowable costs** be given to customers over future periods. That would be accomplished, for rate-making purposes, by amortizing the gain or other reduction of net allowable costs over those future periods and reducing rates to reduce revenues in approximately the amount of the amortization. If a gain or other reduction of net allowable costs is to be amortized over future periods for rate-making purposes, the regulated entity shall not recognize that gain or other reduction of net allowable costs in income of the current period. Instead, it shall record it as a liability for future reductions of charges to customers that are expected to result.

980-405-40 Derecognition

General Note: The Derecognition Section provides guidance on determining whether and when an entity should remove an item from the financial statements. For example, the entity would derecognize an asset because it no longer has rights to the asset or it would derecognize a liability because it no longer has any obligation.

General

- > **Regulator-Imposed Liabilities**

980-405-40-1 Actions of a regulator can eliminate a liability only if the liability was imposed by actions of the regulator.

980-405-55 Implementation Guidance and Illustrations

General Note: The Implementation Guidance and Illustrations Section contains implementation guidance and illustrations that are an integral part of the Subtopic. The implementation guidance and illustrations do not address all possible variations. Users must consider carefully the actual facts and circumstances in relation to the requirements of the Subtopic.

General

- > **Implementation Guidance**
- >> **Accounting for Contingencies**

980-405-55-1 This paragraph provides guidance on implementing paragraph 980-405-25-1(b). A regulator may direct a regulated entity to include an amount for a contingency in allowable costs for rate-making purposes even though the amount does not meet the criteria in Subtopic 450-20 for recording. For example, a regulator may direct a regulated entity to include an amount for repairs of expected future uninsured storm damage. If a cost to repair storm damage is not subsequently incurred, the increased charges will have to be refunded to customers through future rate reductions. Accordingly, the regulated entity would recognize the amounts charged pursuant to such rates as liabilities rather than as revenues. If a cost to repair storm damage is subsequently incurred, the entity would charge that cost to expense and reduce the liabilities at that time by recognizing income in amounts equal to the cost.

980-405-75 XBRL Elements

General Note: This section contains a list of XBRL elements that reference paragraphs in this Subtopic. For additional details regarding changes to the development version of the US GAAP Financial Reporting Taxonomy, refer to the [FASB taxonomy review and comment system](#) on the FASB web site.

- **Amount of Embedded Regulatory Liability**

[Label and/or reference(s) most recently revised on 10/26/2012 after the last taxonomy release.]

Element Name: *AmountOfEmbeddedRegulatoryLiability*

- **This XBRL element references the following paragraph(s)/term(s) in this Subtopic:**
 - [980 Regulated Operations > 405 Liabilities > 25 Recognition > General, 25-1](#)
- **This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):**
 - [980 Regulated Operations > 20 Discontinuation of Rate-Regulated Accounting > 40 Derecognition > General, 40-3](#)
- **Deferred Gain (Loss) on Early Extinguishment of Debt [Member]**

[Label and/or reference(s) most recently revised on 10/26/2012 after the last taxonomy release.]

Element Name: *DeferredLossOnEarlyExtinguishmentOfDebtMember*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 405 Liabilities > 25 Recognition > General, 25-1](#)
- This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 25 Recognition > General, 25-1](#)
 - [980 Regulated Operations > 470 Debt > 40 Derecognition > General, 40-1](#)
- **Deferred Income Tax Charge [Member]**

[Label and/or reference(s) most recently revised on 10/26/2012 after the last taxonomy release.]

Element Name: *DeferredIncomeTaxChargesMember*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 405 Liabilities > 25 Recognition > General, 25-1](#)
- This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 25 Recognition > General, 25-1](#)
 - [980 Regulated Operations > 740 Income Taxes > 25 Recognition > General, 25-1](#)
 - [980 Regulated Operations > 740 Income Taxes > 25 Recognition > General, 25-2](#)
- **Description of Regulatory Assets and Liabilities**

Element Name: *DescriptionOfRegulatoryAssetsAndLiabilities*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 405 Liabilities > 25 Recognition > General, 25-1](#)
- This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 50 Disclosure > General, 50-1](#)
- **Public Utilities, Description of Specific Regulatory Liabilities**

Element Name: *PublicUtilitiesDescriptionOfSpecificRegulatoryLiabilities*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 405 Liabilities > 25 Recognition > General, 25-1](#)
- Refundable Gas Costs

Element Name: *RefundableGasCosts*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 405 Liabilities > 25 Recognition > General, 25-1\(b\)](#)
- This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):
 - [210 Balance Sheet > 10 Overall > S99 SEC Materials > General, S99-1\(SX 210.5-02.20\)](#)
- Regulatory Assets and Liabilities, Recognition Criteria

[Label and/or reference(s) most recently revised on 11/24/2013 after the last taxonomy release.]

Element Name: *RegulatoryAssetsAndLiabilitiesRecognitionCriteria*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 405 Liabilities > 25 Recognition > General, 25-1](#)
- This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):
 - [235 Notes to Financial Statements > 10 Overall > 50 Disclosure > General, 50-3](#)
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 25 Recognition > General, 25-1](#)
- Regulatory Liabilities

[Label and/or reference(s) most recently revised on 10/26/2012 after the last taxonomy release.]

Element Name: *RegulatoryLiabilities*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 405 Liabilities > 25 Recognition > General, 25-1](#)
- Regulatory Liability [Axis]

[Label and/or reference(s) most recently revised on 10/26/2012 after the last taxonomy release.]

Element Name: *RegulatoryLiabilityAxis*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 405 Liabilities > 25 Recognition > General, 25-1](#)

- **Regulatory Liability [Domain]**

[Label and/or reference(s) most recently revised on 10/26/2012 after the last taxonomy release.]

Element Name: *RegulatoryLiabilityDomain*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 405 Liabilities > 25 Recognition > General, 25-1](#)

- **Regulatory Liability, Current**

[Label and/or reference(s) most recently revised on 10/26/2012 after the last taxonomy release.]

Element Name: *RegulatoryLiabilityCurrent*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 405 Liabilities > 25 Recognition > General, 25-1](#)

- **Schedule of Regulatory Liabilities [Table Text Block]**

[Label and/or reference(s) most recently revised on 10/26/2012 after the last taxonomy release.]

Element Name: *ScheduleOfRegulatoryLiabilitiesTextBlock*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 405 Liabilities > 25 Recognition > General, 25-1](#)

- **Storm Costs [Member]**

Element Name: *StormCostsMember*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 405 Liabilities > 55 Implementation > General, 55-1](#)

980 Regulated Operations
410 Asset Retirement and Environmental Obligations
980-410-05 Overview and Background

General Note: The Overview and Background Section provides overview and background material for the guidance contained in the Subtopic. It does not provide the historical background or due process. It may contain certain material that users generally consider useful to understand the typical situations addressed by the standards. The Section does not summarize the accounting and reporting requirements.

General

980-410-05-1 This Subtopic provides guidance for asset retirement obligations for entities with regulated operations.

980-410-15 Scope and Scope Exceptions

General Note: The Scope and Scope Exceptions Section outlines the items (for example, the entities, transactions, instruments, or events) to which the guidance in the Subtopic does or does not apply. In some cases, the Section may contain definitional or other text to frame the scope.

General Note for Financial Instruments: Some of the items subject to the guidance in this Subtopic are [financial instruments](#). For guidance on matters related broadly to all financial instruments, (including the fair value option, accounting for registration payment arrangements, and broad financial instrument disclosure requirements), see Topic [825](#). See Section [825-10-15](#) for guidance on the scope of the Financial Instruments Topic.

General

- > **Overall Guidance**

980-410-15-1 This Subtopic follows the same Scope and Scope Exceptions as outlined in the Overall Subtopic, see Section [980-10-15](#).

980-410-25 Recognition

General Note: The Recognition Section provides guidance on the required criteria, timing, and location (within the financial statements) for recording a particular item in the financial statements. Disclosure is not recognition.

General Note for Fair Value Option: Some of the items subject to the guidance in this Subtopic may qualify for application of the Fair Value Option Subsections of Subtopic [825-10](#). Those Subsections (see paragraph [825-10-05-5](#)) address circumstances in which entities may

choose, at specified election dates, to measure eligible items at fair value (the fair value option). See Section [825-10-15](#) for guidance on the scope of the Fair Value Option Subsections of the Financial Instruments Topic.

General

- > **Decommissioning Costs**

980-410-25-1 Nuclear plant decommissioning costs are incurred costs in the current accounting framework. Those costs and the related liabilities are imposed by regulation or statute, similar to the liability to restore the land after strip mining. Accordingly, paragraph [980-405-25-1\(b\)](#) does not address those costs.

- > **Costs from Asset Retirement Obligations**

980-410-25-2 Many rate-regulated entities currently provide for the costs related to the retirement of certain long-lived assets in their financial statements and recover those amounts in rates charged to their customers. Some of those costs result from asset retirement obligations within the scope of Subtopic [410-20](#); others result from costs that are not within the scope of that Subtopic. The amounts charged to customers for the costs related to the retirement of long-lived assets may differ from the period costs recognized in accordance with that Subtopic and, therefore, may result in a difference in the timing of recognition of period costs for financial reporting and rate-making purposes. An additional recognition timing difference may exist when the costs related to the retirement of long-lived assets are included in amounts charged to customers but liabilities are not recognized in the financial statements. If the requirements of this Topic are met, a regulated entity also shall recognize a regulatory asset or liability for differences in the timing of recognition of the period costs associated with asset retirement obligations for financial reporting pursuant to that Subtopic and rate-making purposes.

980-410-35 Subsequent Measurement

General Note: The Subsequent Measurement Section provides guidance on an entity's subsequent measurement and subsequent recognition of an item. Situations that may result in subsequent changes to carrying amount include impairment, fair value adjustments, depreciation and amortization, and so forth.

General

980-410-35-1 The capitalized amount of an asset retirement cost shall be included in the assessment of impairment of long-lived assets of a rate-regulated entity just as that cost is included in the assessment of impairment of long-lived assets of any other entity. Subtopic [980-360](#) applies to the asset retirement cost related to a long-lived asset of a rate-regulated entity that has been closed or abandoned.

980-410-75 XBRL Elements

General Note: This section contains a list of XBRL elements that reference paragraphs in this Subtopic. For additional details regarding changes to the development version of the US GAAP Financial Reporting Taxonomy, refer to the [FASB taxonomy review and comment system](#) on the FASB web site.

- **Asset Retirement Obligation Costs [Member]**

[Label and/or reference(s) most recently revised on 10/26/2012 after the last taxonomy release.]

Element Name: *AssetRetirementObligationCostsMember*

- **This XBRL element references the following paragraph(s)/term(s) in this Subtopic:**
 - [980 Regulated Operations > 410 Asset Retirement and Environmental Obligations > 25 Recognition > General, 25-2](#)
- **This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):**
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 25 Recognition > General, 25-1](#)

980-410-S00 Status

General Note: The Status Section identifies changes to this Subtopic resulting from Accounting Standards Updates. The Section provides references to the affected Codification content and links to the related Accounting Standards Updates. Nonsubstantive changes for items such as editorial, link and similar corrections are included separately in Maintenance Updates.

General

980-410-S00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
980-410-S99-1	Amended	Accounting Standards Update No. 2009-03	08/24/2009

980-410-S25 Recognition

General Note: The Recognition Section provides guidance on the required criteria, timing, and location (within the financial statements) for recording a particular item in the financial statements. Disclosure is not recognition.

General

- > **Environmental Remediation Liabilities**

980-410-S25-1 See paragraph [980-410-S99-1](#), SAB Topic 10.F, Question 2, for SEC Staff views on the recognition of environmental remediation liabilities.

980-410-S45 Other Presentation Matters

General Note: The Other Presentation Matters Section provides guidance on other presentation matters not addressed in the Recognition, Initial Measurement, Subsequent Measurement, and Derecognition Sections. Other presentation matters may include items such as current or long-term balance sheet classification, cash flow presentation, earnings per share matters, and so forth. The FASB Codification also contains Presentation Topics, which provide guidance for general presentation and display items. See those Topics for general guidance.

General

- > **Presentation of Liabilities for Environmental Costs**

980-410-S45-1 See paragraph [980-410-S99-1](#), SAB Topic 10.F, Question 1, for SEC Staff views on the presentation of environmental remediation liabilities.

980-410-S75 XBRL Elements

General Note: This section contains a list of XBRL elements that reference paragraphs in this Subtopic. For additional details regarding changes to the development version of the US GAAP Financial Reporting Taxonomy, refer to the [FASB taxonomy review and comment system](#) on the FASB web site.

- **Environmental Restoration Costs [Member]**

Element Name: *EnvironmentalRestorationCostsMember*

- **This XBRL element references the following paragraph(s)/term(s) in this Subtopic:**
 - [980 Regulated Operations > 410 Asset Retirement and Environmental Obligations > S99 SEC Materials > General, S99-1\(SAB TOPIC 10.F\)](#)

- **Regulatory Environmental Costs, Policy [Policy Text Block]**

Element Name: *RegulatoryEnvironmentalCostsPolicy*

- **This XBRL element references the following paragraph(s)/term(s) in this Subtopic:**
 - [980 Regulated Operations > 410 Asset Retirement and Environmental Obligations > S99 SEC Materials > General, S99-1\(SAB TOPIC 10.F\)](#)

- This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):
 - [235 Notes to Financial Statements > 10 Overall > 50 Disclosure > General, 50-3](#)

980-410-S99 SEC Materials

General Note: As more fully described in [About the Codification](#), the Codification includes selected SEC and SEC Staff content for reference by public companies. The Codification does not replace or affect how the SEC or SEC Staff issues or updates SEC content. SEC Staff content does not constitute Commission-approved rules or interpretations of the SEC.

General

- > **SEC Staff Guidance**
- >> **Staff Accounting Bulletins**
- >>> **SAB Topic 10.F, Presentation of Liabilities for Environmental Costs**

980-410-S99-1 The following is the text of SAB Topic 10.F, Presentation of Liabilities for Environmental Costs.

- Facts: A public utility company determines that it is obligated to pay material amounts as a result of an environmental liability. These amounts may relate to, for example, damages attributed to clean-up of hazardous wastes, reclamation costs, fines, and litigation costs.
- Question 1: May a rate-regulated enterprise present on its balance sheet the amount of its estimated liability for environmental costs net of probable future revenue resulting from the inclusion of such costs in allowable costs for rate-making purposes?
- Interpretive Response: No. Statement 71 [paragraph [980-340-25-1](#)] specifies the conditions under which rate actions of a regulator can provide reasonable assurance of the existence of an asset. The staff believes that environmental costs meeting the criteria of paragraph 9 FN6 of Statement 71 [paragraph [980-340-25-1](#)] should be presented on the balance sheet as an asset and should not be offset against the liability. Contingent recoveries through rates that do not meet the criteria of paragraph 9 [paragraph [980-340-25-1](#)] should not be recognized either as an asset or as a reduction of the probable liability.
 - FN6 Paragraph 9 of Statement 71 [paragraph [980-340-25-1](#)] requires a rate-regulated enterprise to capitalize all or part of an incurred cost that would otherwise be charged to expense if it is probable that future revenue will be provided to recover the previously incurred cost from inclusion of the costs in allowable costs for rate-making purposes.
- Question 2: May a rate-regulated enterprise delay recognition of a probable and estimable liability for environmental costs which it has incurred at the date of the latest balance sheet until the regulator's deliberations have proceeded to a point enabling

management to determine whether this cost is likely to be included in allowable costs for rate-making purposes?

- Interpretive Response: No. Statement 5 [paragraph [450-20-25-2](#)] states that an estimated loss from a loss contingency shall be accrued by a charge to income if it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. FN7 The staff believes that actions of a regulator can affect whether an incurred cost is capitalized or expensed pursuant to Statement 71 [paragraph [980-340-25-1](#)], but the regulator's actions cannot affect the timing of the recognition of the liability.
 - FN7 Registrants also should apply the guidance of SOP 96-1 [Section [410-30-25](#)] in determining the appropriate recognition of environmental remediation costs.

980 Regulated Operations
450 Contingencies

980-450-05 Overview and Background

General Note: The Overview and Background Section provides overview and background material for the guidance contained in the Subtopic. It does not provide the historical background or due process. It may contain certain material that users generally consider useful to understand the typical situations addressed by the standards. The Section does not summarize the accounting and reporting requirements.

General

980-450-05-1 This Subtopic provides guidance for contingencies for entities with regulated operations.

980-450-15 Scope and Scope Exceptions

General Note: The Scope and Scope Exceptions Section outlines the items (for example, the entities, transactions, instruments, or events) to which the guidance in the Subtopic does or does not apply. In some cases, the Section may contain definitional or other text to frame the scope.

General

- > **Overall Guidance**

980-450-15-1 This Subtopic follows the same Scope and Scope Exceptions as outlined in the Overall Subtopic, see Section [980-10-15](#).

980-450-20 Glossary

General Note: The Master Glossary contains all terms identified as glossary terms throughout the Codification. Clicking on any term in the Master Glossary will display where the term is used. The Master Glossary may contain identical terms with different definitions, some of which may not be appropriate for a particular Subtopic. For any particular Subtopic, users should only use the glossary terms included in the particular Subtopic Glossary Section (Section 20).

Allowable Costs

All costs for which revenue is intended to provide recovery. Those costs can be actual or estimated. In that context, allowable costs include interest cost and amounts provided for earnings on shareholders' investments.

980-450-25 Recognition

General Note: The Recognition Section provides guidance on the required criteria, timing, and location (within the financial statements) for recording a particular item in the financial statements. Disclosure is not recognition.

General

980-450-25-1 Paragraph [450-20-25-2](#) specifies criteria for recording estimated losses from loss contingencies. A regulator may direct a regulated entity to include an amount for a contingency in **allowable costs** for rate-making purposes even though the amount does not meet those criteria for recording. If the regulator requires the entity to remain accountable for any amounts charged pursuant to such rates and not yet expended for the intended purpose, the resulting increased charges to customers create a liability (see paragraph [980-405-25-1\(b\)](#)).

980 Regulated Operations
470 Debt

980-470-05 Overview and Background

General Note: The Overview and Background Section provides overview and background material for the guidance contained in the Subtopic. It does not provide the historical background or due process. It may contain certain material that users generally consider useful to understand the typical situations addressed by the standards. The Section does not summarize the accounting and reporting requirements.

General

980-470-05-1 This Subtopic provides guidance for debt for entities with regulated operations.

980-470-15 Scope and Scope Exceptions

General Note: The Scope and Scope Exceptions Section outlines the items (for example, the entities, transactions, instruments, or events) to which the guidance in the Subtopic does or does not apply. In some cases, the Section may contain definitional or other text to frame the scope.

General Note for Financial Instruments: Some of the items subject to the guidance in this Subtopic are [financial instruments](#). For guidance on matters related broadly to all financial instruments, (including the fair value option, accounting for registration payment arrangements, and broad financial instrument disclosure requirements), see Topic [825](#). See Section [825-10-15](#) for guidance on the scope of the Financial Instruments Topic.

General

- > **Overall Guidance**

980-470-15-1 This Subtopic follows the same Scope and Scope Exceptions as outlined in the Overall Subtopic, see Section [980-10-15](#).

980-470-20 Glossary

General Note: The Master Glossary contains all terms identified as glossary terms throughout the Codification. Clicking on any term in the Master Glossary will display where the term is used. The Master Glossary may contain identical terms with different definitions, some of which may not be appropriate for a particular Subtopic. For any particular Subtopic, users should only use the glossary terms included in the particular Subtopic Glossary Section (Section 20).

Capitalize

Capitalize is used to indicate that the cost would be recorded as the cost of an asset. That procedure is often referred to as deferring a cost, and the resulting asset is sometimes described as a deferred cost.

980-470-40 Derecognition

General Note: The Derecognition Section provides guidance on determining whether and when an entity should remove an item from the financial statements. For example, the entity would derecognize an asset because it no longer has rights to the asset or it would derecognize a liability because it no longer has any obligation.

General

- > **Early Extinguishment of Debt**

980-470-40-1 Subtopic 470-50 requires recognition in income of a gain or loss on an early extinguishment of debt in the period in which the debt is extinguished. For rate-making purposes, the difference between the entity's net carrying amount of the extinguished debt and the reacquisition price may be amortized as an adjustment of interest expense over some future period.

980-470-40-2 If the debt is reacquired for an amount in excess of the entity's net carrying amount, the regulator's decision to increase future rates by amortizing the difference for rate-making purposes provides reasonable assurance of the existence of an asset (see paragraph 980-340-25-1). Accordingly, the regulated entity shall **capitalize** the excess cost and amortize it over the period during which it will be allowed for rate-making purposes.

980-470-40-3 If the debt is reacquired for an amount that is less than the entity's net carrying amount, the regulator's decision to reduce future rates by amortizing the difference for rate-making purposes imposes a liability on the regulated entity (see paragraph 980-405-25-1(c)). Accordingly, the entity would record the difference as a liability and amortize it over the period during which permitted rates will be reduced.

980-470-75 XBRL Elements

General Note: This section contains a list of XBRL elements that reference paragraphs in this Subtopic. For additional details regarding changes to the development version of the US GAAP Financial Reporting Taxonomy, refer to the [FASB taxonomy review and comment system](#) on the FASB web site.

- **Deferred Gain (Loss) on Early Extinguishment of Debt [Member]**

[Label and/or reference(s) most recently revised on 10/26/2012 after the last taxonomy release.]

Element Name: *DeferredLossOnEarlyExtinguishmentOfDebtMember*

- **This XBRL element references the following paragraph(s)/term(s) in this Subtopic:**
 - [980 Regulated Operations > 470 Debt > 40 Derecognition > General, 40-1](#)
- **This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):**
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 25 Recognition > General, 25-1](#)
 - [980 Regulated Operations > 405 Liabilities > 25 Recognition > General, 25-1](#)

- **Loss on Reacquired Debt [Member]**

[Label and/or reference(s) most recently revised on 10/26/2012 after the last taxonomy release.]

Element Name: *LossOnReacquiredDebtMember*

- **This XBRL element references the following paragraph(s)/term(s) in this Subtopic:**

- [980 Regulated Operations > 470 Debt > 40 Derecognition > General, 40-2](#)
- **This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):**
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 25 Recognition > General, 25-1](#)

980 Regulated Operations
605 Revenue Recognition
980-605-00 Status

General Note: The Status Section identifies changes to this Subtopic resulting from Accounting Standards Updates. The Section provides references to the affected Codification content and links to the related Accounting Standards Updates. Nonsubstantive changes for items such as editorial, link and similar corrections are included separately in Maintenance Updates.

General Note on Regulated Operations—Revenue Recognition: Upon the effective date of Accounting Standards Update 2014-09, the title of this Subtopic will change to Regulated Operations—Revenue Recognition—Alternative Revenue Programs.

General

980-605-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
Contract	Added	<u>Accounting Standards Update No. 2014-09</u>	05/28/2014
Customer	Added	<u>Accounting Standards Update No. 2014-09</u>	05/28/2014
Revenue	Added	<u>Accounting Standards Update No. 2014-09</u>	05/28/2014
<u>980-605-05-1</u>	Amended	<u>Accounting Standards Update No. 2014-09</u>	05/28/2014

<u>980-605-15-3</u>	Amended	<u>Accounting Standards Update No. 2014-09</u>	05/28/2014
<u>980-605-25-5 through 25-18</u>	Superseded	<u>Accounting Standards Update No. 2014-09</u>	05/28/2014
<u>980-605-30-2</u>	Amended	<u>Accounting Standards Update No. 2014-09</u>	05/28/2014
<u>980-605-35-1</u>	Amended	<u>Accounting Standards Update No. 2014-09</u>	05/28/2014
<u>980-605-45-1</u>	Added	<u>Accounting Standards Update No. 2014-09</u>	05/28/2014
<u>980-605-50-1</u>	Amended	<u>Accounting Standards Update No. 2015-01</u>	01/09/2015

980-605-05 Overview and Background

General Note: The Overview and Background Section provides overview and background material for the guidance contained in the Subtopic. It does not provide the historical background or due process. It may contain certain material that users generally consider useful to understand the typical situations addressed by the standards. The Section does not summarize the accounting and reporting requirements.

General Note on Regulated Operations—Revenue Recognition: Upon the effective date of Accounting Standards Update 2014-09, the title of this Subtopic will change to Regulated Operations—Revenue Recognition—Alternative Revenue Programs.

General

980-605-05-1 This Subtopic provides guidance for revenue recognition for entities with regulated operations, including alternative revenue programs and long-term power sales contracts.

- **Pending Content:**

Transition Date: (P) December 16, 2016; (N) December 16, 2017

Guidance: 606-10-65-1

This Subtopic provides guidance for revenue recognition in alternative revenue programs.

980-605-15 Scope and Scope Exceptions

General Note: The Scope and Scope Exceptions Section outlines the items (for example, the

entities, transactions, instruments, or events) to which the guidance in the Subtopic does or does not apply. In some cases, the Section may contain definitional or other text to frame the scope.

General Note on Regulated Operations—Revenue Recognition: Upon the effective date of Accounting Standards Update 2014-09, the title of this Subtopic will change to Regulated Operations—Revenue Recognition—Alternative Revenue Programs.

General Note for Financial Instruments: Some of the items subject to the guidance in this Subtopic are [financial instruments](#). For guidance on matters related broadly to all financial instruments, (including the fair value option, accounting for registration payment arrangements, and broad financial instrument disclosure requirements), see Topic [825](#). See Section [825-10-15](#) for guidance on the scope of the Financial Instruments Topic.

General

- > **Overall Guidance**

980-605-15-1 This Subtopic follows the same Scope and Scope Exceptions as outlined in the Overall Subtopic, see Section [980-10-15](#), with specific qualifications and exceptions noted below.

- > **Entities**

980-605-15-2 The guidance in this Subtopic also applies to **nonutility generators** as they provide many of the services of entities with regulated operations.

- > **Transactions**

980-605-15-3 As described in paragraph [980-605-25-9](#), the scope of this Subtopic excludes long-term power supply contracts that would qualify for lease accounting pursuant to Topic [840](#).

- **Pending Content:**

Transition Date: (P) December 16, 2016; (N) December 16, 2017 **Transition**

Guidance: [606-10-65-1](#)

The scope of this Subtopic excludes long-term power supply contracts that would qualify for lease accounting pursuant to Topic [840](#). For a discussion of the considerations required to determine whether a long-term power sales contract arrangement contains a lease, see Subtopic [840-10](#).

980-605-20 Glossary

General Note: The Master Glossary contains all terms identified as glossary terms throughout the Codification. Clicking on any term in the Master Glossary will display where the term is used. The Master Glossary may contain identical terms with different definitions, some of which may not be appropriate for a particular Subtopic. For any particular Subtopic, users should only use the glossary terms included in the particular Subtopic Glossary Section

(Section 20).

General Note on Regulated Operations—Revenue Recognition: Upon the effective date of Accounting Standards Update 2014-09, the title of this Subtopic will change to Regulated Operations—Revenue Recognition—Alternative Revenue Programs.

All-in-One Hedge

In an all-in-one hedge, a derivative instrument that will involve gross settlement is designated as the hedging instrument in a cash flow hedge of the variability of the consideration to be paid or received in the forecasted transaction that will occur upon gross settlement of the derivative instrument itself.

Allowable Costs

All costs for which revenue is intended to provide recovery. Those costs can be actual or estimated. In that context, allowable costs include interest cost and amounts provided for earnings on shareholders' investments.

Contract

Note: The following definition is Pending Content; see Transition Guidance in [606-10-65-1](#).
An agreement between two or more parties that creates enforceable rights and obligations.

Customer

A user or reseller.

Note: The following definition is Pending Content; see Transition Guidance in [606-10-65-1](#).

A party that has contracted with an entity to obtain goods or services that are an output of the entity's ordinary activities in exchange for consideration.

Nonutility Generators

Entities owning electric generating plants built either for their own energy needs or to sell power, usually to rate-regulated entities, under long-term power sales contracts.

Revenue

Revenue earned by an entity from its direct distribution, exploitation, or licensing of a film, before deduction for any of the entity's direct costs of distribution. For markets and territories in which an entity's fully or jointly-owned films are distributed by third parties, revenue is the net amounts payable to the entity by third party distributors. Revenue is reduced by appropriate allowances, estimated returns, price concessions, or similar adjustments, as applicable.

Note: The following definition is Pending Content; see Transition Guidance in [606-10-65-1](#).

Inflows or other enhancements of assets of an entity or settlements of its liabilities (or a combination of both) from delivering or producing goods, rendering services, or other activities that constitute the entity's ongoing major or central operations.

980-605-25 Recognition

General Note: The Recognition Section provides guidance on the required criteria, timing, and location (within the financial statements) for recording a particular item in the financial

statements. Disclosure is not recognition.

General Note on Regulated Operations—Revenue Recognition: Upon the effective date of Accounting Standards Update 2014-09, the title of this Subtopic will change to Regulated Operations—Revenue Recognition—Alternative Revenue Programs.

General Note for Fair Value Option: Some of the items subject to the guidance in this Subtopic may qualify for application of the Fair Value Option Subsections of Subtopic [825-10](#). Those Subsections (see paragraph [825-10-05-5](#)) address circumstances in which entities may choose, at specified election dates, to measure eligible items at fair value (the fair value option). See Section [825-10-15](#) for guidance on the scope of the Fair Value Option Subsections of the Financial Instruments Topic.

General

- > **Alternative Revenue Programs**

980-605-25-1 Traditionally, regulated utilities whose rates are determined based on cost of service invoice their customers by applying approved base rates (designed to recover the utility's **allowable costs** including a return on shareholders' investment) to usage. Some regulators of utilities have also authorized the use of additional, alternative revenue programs. The major alternative revenue programs currently used can generally be segregated into two categories, Type A and Type B.

980-605-25-2 Type A programs adjust billings for the effects of weather abnormalities or broad external factors or to compensate the utility for demand-side management initiatives (for example, no-growth plans and similar conservation efforts). Type B programs provide for additional billings (incentive awards) if the utility achieves certain objectives, such as reducing costs, reaching specified milestones, or demonstratively improving customer service.

980-605-25-3 Both types of programs enable the utility to adjust rates in the future (usually as a surcharge applied to future billings) in response to past activities or completed events.

980-605-25-4 Once the specific events permitting billing of the additional revenues under Type A and Type B programs have been completed, the regulated utility shall recognize the additional revenues if all of the following conditions are met:

- a. The program is established by an order from the utility's regulatory commission that allows for automatic adjustment of future rates. Verification of the adjustment to future rates by the regulator would not preclude the adjustment from being considered automatic.
- b. The amount of additional revenues for the period is objectively determinable and is probable of recovery.
- c. The additional revenues will be collected within 24 months following the end of the annual period in which they are recognized.

- > **Long-Term Power Sales Contracts**

980-605-25-5 In general, **nonutility generators** are not regulated and do not meet the criteria of an entity with regulated operations as provided in paragraph [980-10-15-2](#). However,

since nonutility generators provide many of the same services as entities with regulated operations, the guidance for nonutility generators is included in paragraphs 980-605-25-5 through 25-18. That portion of this Subsection assumes the seller of power under the long-term contract does not meet the criteria for application of this Topic.

- **Pending Content:**

Transition Date: (P) December 16, 2016; (N) December 16, 2017**Transition**

Guidance: 606-10-65-1

Editor's Note: Paragraph 980-605-25-5 will be superseded upon transition, together with its heading:

> **Long-Term Power Sales Contracts**

[Paragraph superseded by Accounting Standards Update No. 2014-09]

980-605-25-6 Nonutility generators provide a significant percentage of new electric generating capacity in the United States. Some of these generating plants are built by users primarily for their own energy needs while others are built specifically to sell power, usually to rate-regulated utilities, under long-term power sales contracts. Those contracts price the power sold under a wide variety of terms and arrangements.

- **Pending Content:**

Transition Date: (P) December 16, 2016; (N) December 16, 2017**Transition**

Guidance: 606-10-65-1

[Paragraph superseded by Accounting Standards Update No. 2014-09]

980-605-25-7 The long-term power sales contracts may provide for any of the following:

- a. Stated prices per kilowatt hour that increase, decrease, or remain level over the term of the contract
- b. Formula-based prices per kilowatt hour
- c. Billings that are a combination of stated prices and formula-based prices per kilowatt hour.

- **Pending Content:**

Transition Date: (P) December 16, 2016; (N) December 16, 2017**Transition**

Guidance: 606-10-65-1

[Paragraph superseded by Accounting Standards Update No. 2014-09]

980-605-25-8 One example of a combination is a contract that provides for billings pursuant to a stated price schedule but also provides for a payment to be made or received by the nonutility generator at the end of the contract so that total revenue recognized and payments made over the contract term equal the amount computed pursuant to the formula-based pricing arrangement. The differences between payments made and the amount computed under the formula-based pricing arrangement are recorded in an interest-bearing tracker account. In other cases, the cumulative balance in the tracker account at a defined point in the contract life may be amortized to zero through adjustments to subsequent billings. Another

example of such a combination is a contract that provides for billings pursuant to a stated price schedule but that provides for a payment to be made by the nonutility generator, if necessary, at the end of the contract so that the total revenue recognized and total amounts received by the nonutility generator over the contract term are limited to the lesser of the amount computed pursuant to the stated price schedule or the formula-based pricing arrangement.

- **Pending Content:**

Transition Date: (P) December 16, 2016; (N) December 16, 2017

Guidance: 606-10-65-1

[Paragraph superseded by Accounting Standards Update No. 2014-09]

980-605-25-9 Long-term power supply contracts that would qualify for lease accounting pursuant to Topic 840 are outside the scope of this Subtopic.

- **Pending Content:**

Transition Date: (P) December 16, 2016; (N) December 16, 2017

Guidance: 606-10-65-1

[Paragraph superseded by Accounting Standards Update No. 2014-09]

980-605-25-10 For a discussion of the considerations required to determine whether a long-term power sales contract arrangement contains a lease, see Subtopic 840-10.

- **Pending Content:**

Transition Date: (P) December 16, 2016; (N) December 16, 2017

Guidance: 606-10-65-1

[Paragraph superseded by Accounting Standards Update No. 2014-09]

- >> **Contracts Containing Scheduled Price Changes**

980-605-25-11 For a power sales contract that contains scheduled price changes a nonutility generator shall recognize as revenue the lesser of the following:

- a. The amount billable under the contract
- b. An amount determined by the kilowatt hours made available during the period multiplied by the estimated average revenue per kilowatt hour over the term of the contract.

- **Pending Content:**

Transition Date: (P) December 16, 2016; (N) December 16, 2017

Guidance: 606-10-65-1

Editor's Note: Paragraph 980-605-25-11 will be superseded upon transition, together with its heading:

>> **Contracts Containing Scheduled Price Changes**

[Paragraph superseded by Accounting Standards Update No. 2014-09]

980-605-25-12 The determination of the lesser amount shall be made annually based on the cumulative amounts that would have been recognized had each method been consistently applied from the beginning of the contract term.

- **Pending Content:**

Transition Date: (P) December 16, 2016; (N) December 16, 2017**Transition**

Guidance: [606-10-65-1](#)

[Paragraph superseded by Accounting Standards Update No. 2014-09]

- >> **Contracts Providing for Revenue Determination or Limitation Under Formula-Based Pricing Arrangements**

980-605-25-13 A nonutility generator shall recognize revenue in each period determined under the separate, formula-based pricing arrangement if it determines or limits total revenues billed under the contract (see the preceding two paragraphs). The separate, formula-based pricing arrangement shall not be used to recognize revenue if its only purpose is to establish liquidating damages. The nonutility generator shall recognize a receivable only if the contract requires a payment to the nonutility generator at the end of the contract term and such payment is probable of recovery. A receivable arises when amounts billed are less than the amount computed pursuant to the formula-based pricing arrangement.

- **Pending Content:**

Transition Date: (P) December 16, 2016; (N) December 16, 2017**Transition**

Guidance: [606-10-65-1](#)

Editor's Note: Paragraph 980-605-25-13 will be superseded upon transition, together with its heading:

>> **Contracts Providing for Revenue Determination or Limitation Under Formula-Based Pricing Arrangements**

[Paragraph superseded by Accounting Standards Update No. 2014-09]

- >> **Contracts Meeting Definition of Derivative**

980-605-25-14 If a long-term power sales contract meets the definition of a derivative under Topic 815, then it would be marked to fair value through earnings, unless designated as a hedging instrument in certain types of hedging relationships. Otherwise, the guidance in this Section would apply. Some long-term power sales contracts that meet the definition of a derivative may qualify for the normal purchases and normal sales scope exception contained in paragraph [815-10-15-13\(b\)](#), in which case the long-term power sales contract would be accounted for under this Section.

- **Pending Content:**

Transition Date: (P) December 16, 2016; (N) December 16, 2017**Transition**

Guidance: [606-10-65-1](#)

Editor's Note: Paragraph 980-605-25-14 will be superseded upon transition, together with its heading:

> > **Contracts Meeting Definition of Derivative**

[Paragraph superseded by Accounting Standards Update No. 2014-09]

980-605-25-15 Long-term power sales contracts that are accounted for as derivatives may possibly qualify as hedging instruments in **all-in-one hedges**. The guidance in Section 815-10-55 may be relevant.

- **Pending Content:**

Transition Date: (P) December 16, 2016; (N) December 16, 2017**Transition**

Guidance: 606-10-65-1

[Paragraph superseded by Accounting Standards Update No. 2014-09]

980-605-25-16 For a discussion of issues involved in accounting for derivative contracts held for trading purposes and contracts involved in energy trading and risk management activities, see paragraph 815-10-45-9.

- **Pending Content:**

Transition Date: (P) December 16, 2016; (N) December 16, 2017**Transition**

Guidance: 606-10-65-1

[Paragraph superseded by Accounting Standards Update No. 2014-09]

- > > **Contracts Containing Both Fixed and Variable Pricing Terms**

980-605-25-17 The following addresses a power sales contract that has both fixed and variable-based pricing (based on market prices, actual avoided costs, or formula-based pricing arrangements) terms, where the variable-based pricing does not determine or limit the total billings under the contract. It is limited to variable price arrangements in which the rate is at least equal to expected costs. The guidance only addresses the revenue recognition associated with the energy component of these long-term power sales contracts.

- **Pending Content:**

Transition Date: (P) December 16, 2016; (N) December 16, 2017**Transition**

Guidance: 606-10-65-1

Editor's Note: Paragraph 980-605-25-17 will be superseded upon transition, together with its heading:

> > **Contracts Containing Both Fixed and Variable Pricing Terms**

[Paragraph superseded by Accounting Standards Update No. 2014-09]

980-605-25-18 Long-term power sales contracts that have both fixed and variable pricing terms shall be bifurcated and accounted for as follows:

a. The revenue associated with the fixed or scheduled price period of the contract shall be recognized in accordance with paragraphs 980-605-25-11 through 25-12 (that is, the lesser of the amount billable under the contract or an amount determined by the kilowatt hours made available during the period multiplied by the estimated average revenue per kilowatt hour over the term of the contract).

b. The revenue associated with the variable price period of the contract shall be recognized as billed, in accordance with the provisions of the contract for that period.

If the contractual terms during the separate fixed and variable portions of the contract are not representative of the expected market rates at the inception of the contract, the revenue associated with the entire contract shall be recognized in accordance with paragraphs 980-605-25-11 through 25-12.

- **Pending Content:**

Transition Date: (P) December 16, 2016; (N) December 16, 2017

Guidance: 606-10-65-1

[Paragraph superseded by Accounting Standards Update No. 2014-09]

980-605-30 Initial Measurement

General Note: The Initial Measurement Section provides guidance on the criteria and amounts used to measure a particular item at the date of initial recognition.

General Note on Regulated Operations—Revenue Recognition: Upon the effective date of Accounting Standards Update 2014-09, the title of this Subtopic will change to Regulated Operations—Revenue Recognition—Alternative Revenue Programs.

General

- > **Revenue Collected Subject to Refund**

980-605-30-1 In some cases, a regulated entity is permitted to bill requested rate increases before the regulator has ruled on the request.

- **Pending Content:**

Transition Date: (P) December 16, 2016; (N) December 16, 2017

Guidance: 606-10-65-1

Editor's Note: The heading that precedes paragraph 980-605-30-1 will be amended upon transition, while the content of the paragraph will remain unchanged.

> **Alternative Revenue Programs—Revenue Collected Subject to Refund**

In some cases, a regulated entity is permitted to bill requested rate increases before the regulator has ruled on the request.

980-605-30-2 When the revenue is originally recorded, the criteria in paragraph 450-20-25-2 shall determine whether a provision for estimated refunds shall be accrued as a loss contingency. Revenue collected subject to refund is similar to sales with warranty obligations. Paragraph 460-10-25-6 states that inability to make a reasonable estimate of the amount of a warranty obligation at the time of sale because of significant uncertainty about possible claims precludes accrual and, if the range of possible loss is wide, may raise a question about whether a sale should be recorded. Similarly, if the range of possible refund is wide and the amount of the refund cannot be reasonably estimated, there may be a question about whether it would be misleading to recognize the provisional revenue increase as income.

- **Pending Content:**

Transition Date: (P) December 16, 2016; (N) December 16, 2017

Guidance: 606-10-65-1

When the revenue is originally recorded, the criteria in paragraph 450-20-25-2 shall determine whether a provision for estimated refunds shall be accrued as a loss contingency. The inability to make a reasonable estimate of the amount of the obligation at the time of sale because of significant uncertainty about possible claims precludes accrual and, if the range of possible loss is wide, may raise a question about whether revenue should be recognized. Similarly, if the range of possible refund is wide and the amount of the refund cannot be reasonably estimated, there may be a question about whether it would be misleading to recognize the provisional revenue increase as income.

980-605-35 Subsequent Measurement

General Note: The Subsequent Measurement Section provides guidance on an entity's subsequent measurement and subsequent recognition of an item. Situations that may result in subsequent changes to carrying amount include impairment, fair value adjustments, depreciation and amortization, and so forth.

General Note on Regulated Operations—Revenue Recognition: Upon the effective date of Accounting Standards Update 2014-09, the title of this Subtopic will change to Regulated Operations—Revenue Recognition—Alternative Revenue Programs.

General

- > **Revenue Collected Subject to Refund**

980-605-35-1 If a provision for estimated refunds is required by the criteria in paragraph 450-20-25-2, it shall be adjusted subsequently if the estimate of the refund changes (see paragraph 980-405-25-1(a)).

- **Pending Content:**

Transition Date: (P) December 16, 2016; (N) December 16, 2017
Guidance: [606-10-65-1](#)

Editor's Note: The heading that precedes paragraph 980-605-35-1 will be amended upon transition, while the content of the paragraph will remain unchanged.

> **Alternative Revenue Programs—Revenue Collected Subject to Refund**

If a provision for estimated refunds is required by the criteria in paragraph [450-20-25-2](#), it shall be adjusted subsequently if the estimate of the refund changes (see paragraph [980-405-25-1\(a\)](#)).

980-605-45 Other Presentation Matters

General Note: The Other Presentation Matters Section provides guidance on other presentation matters not addressed in the Recognition, Initial Measurement, Subsequent Measurement, and Derecognition Sections. Other presentation matters may include items such as current or long-term balance sheet classification, cash flow presentation, earnings per share matters, and so forth. The FASB Codification also contains Presentation Topics, which provide guidance for general presentation and display items. See those Topics for general guidance.

General Note on Regulated Operations—Revenue Recognition: Upon the effective date of Accounting Standards Update 2014-09, the title of this Subtopic will change to Regulated Operations—Revenue Recognition—Alternative Revenue Programs.

General

- > **Alternative Revenue Program Presentation**

980-605-45-1

- **Pending Content:**

Transition Date: (P) December 16, 2016; (N) December 16, 2017
Guidance: [606-10-65-1](#)

Revenue arising from alternative revenue programs shall be presented separately from revenue arising from **contracts** with **customers** within the scope of Topic [606](#) in the statement of comprehensive income.

980-605-50 Disclosure

General Note: The Disclosure Section provides guidance regarding the disclosure in the notes to financial statements. In some cases, disclosure may relate to disclosure on the face of the financial statements.

General Note on Regulated Operations—Revenue Recognition: Upon the effective date of Accounting Standards Update 2014-09, the title of this Subtopic will change to Regulated Operations—Revenue Recognition—Alternative Revenue Programs.

General

- > **Refunds for Previously Recognized Revenue**

980-605-50-1 For refunds that are recognized in a period other than the period in which the related revenue was recognized and that have a material effect on net income, the entity shall disclose the effect on net income and indicate the years in which the related revenue was recognized. Such effect may be disclosed by including it, net of related income taxes, as a line item in the income statement. However, that item shall not be presented as an extraordinary item.

- **Pending Content:**

Transition Date: (P) December 16, 2015; (N) December 16, 2015

Guidance: [225-20-65-1](#)

For refunds that are recognized in a period other than the period in which the related revenue was recognized and that have a material effect on net income, the entity shall disclose the effect on net income and indicate the years in which the related revenue was recognized. Such effect may be disclosed by including it, net of related income taxes, as a line item in the income statement.

980-605-75 XBRL Elements

General Note on Regulated Operations—Revenue Recognition: Upon the effective date of Accounting Standards Update 2014-09, the title of this Subtopic will change to Regulated Operations—Revenue Recognition—Alternative Revenue Programs.

General Note: This section contains a list of XBRL elements that reference paragraphs in this Subtopic. For additional details regarding changes to the development version of the US GAAP Financial Reporting Taxonomy, refer to the [FASB taxonomy review and comment system](#) on the FASB web site.

- **Liability Above Market for Nonutility Generator Contracts, Noncurrent**

Element Name: *LiabilityAboveMarketForNonutilityGeneratorContractsNoncurrent*

- **This XBRL element references the following paragraph(s)/term(s) in this Subtopic:**
 - [Nonutility Generators](#)
- **This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):**
 - [210 Balance Sheet > 10 Overall > S99 SEC Materials > General, S99-1\(SX 210.5-02.24\)](#)

- Refund Received Related to Revenue from Different Year, Year Revenue Recognized

Element

Name: *RefundReceivedRelatedToRevenueFromDifferentYearYearRevenueRecognized*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 605 Revenue Recognition > 50 Disclosure > General, 50-1](#)
- Revenue Recognition for Alternative Revenue Programs, Policy [Policy Text Block]

Element Name: *RevenueRecognitionForAlternativeRevenueProgramsPolicy*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 605 Revenue Recognition > 25 Recognition > General, 25-1](#)
 - [980 Regulated Operations > 605 Revenue Recognition > 25 Recognition > General, 25-2](#)
 - [980 Regulated Operations > 605 Revenue Recognition > 25 Recognition > General, 25-3](#)
 - [980 Regulated Operations > 605 Revenue Recognition > 25 Recognition > General, 25-4](#)
- This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):
 - [235 Notes to Financial Statements > 10 Overall > 50 Disclosure > General, 50-3](#)
- Revenue Recognition from Long-term Power Sales Contracts, Policy [Policy Text Block]

Element Name: *RevenueRecognitionFromLongTermPowerSalesContractsPolicy*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 605 Revenue Recognition > 25 Recognition > General, 25-5](#)
 - [980 Regulated Operations > 605 Revenue Recognition > 25 Recognition > General, 25-6](#)
 - [980 Regulated Operations > 605 Revenue Recognition > 25 Recognition > General, 25-7](#)
 - [980 Regulated Operations > 605 Revenue Recognition > 25 Recognition > General, 25-8](#)
 - [980 Regulated Operations > 605 Revenue Recognition > 25 Recognition > General, 25-9](#)

- [980 Regulated Operations > 605 Revenue Recognition > 25 Recognition > General, 25-11](#)
- [980 Regulated Operations > 605 Revenue Recognition > 25 Recognition > General, 25-12](#)
- [980 Regulated Operations > 605 Revenue Recognition > 25 Recognition > General, 25-13](#)
- [980 Regulated Operations > 605 Revenue Recognition > 25 Recognition > General, 25-14](#)
- [980 Regulated Operations > 605 Revenue Recognition > 25 Recognition > General, 25-15](#)
- **This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):**
 - [235 Notes to Financial Statements > 10 Overall > 50 Disclosure > General, 50-3](#)
- **Revenue Subject to Refund [Member]**

Element Name: *RevenueSubjectToRefundMember*

- **This XBRL element references the following paragraph(s)/term(s) in this Subtopic:**
 - [980 Regulated Operations > 605 Revenue Recognition > 50 Disclosure > General, 50-1](#)

980 Regulated Operations
710 Compensation—General

980-710-05 Overview and Background

General Note: The Overview and Background Section provides overview and background material for the guidance contained in the Subtopic. It does not provide the historical background or due process. It may contain certain material that users generally consider useful to understand the typical situations addressed by the standards. The Section does not summarize the accounting and reporting requirements.

General

980-710-05-1 This Subtopic provides guidance for compensation-related costs for entities with regulated operations.

980-710-15 Scope and Scope Exceptions

General Note: The Scope and Scope Exceptions Section outlines the items (for example, the entities, transactions, instruments, or events) to which the guidance in the Subtopic does or does not apply. In some cases, the Section may contain definitional or other text to frame the

scope.

General

- > **Overall Guidance**

980-710-15-1 This Subtopic follows the same Scope and Scope Exceptions as outlined in the Overall Subtopic, see Section 980-10-15.

980-710-20 Glossary

General Note: The Master Glossary contains all terms identified as glossary terms throughout the Codification. Clicking on any term in the Master Glossary will display where the term is used. The Master Glossary may contain identical terms with different definitions, some of which may not be appropriate for a particular Subtopic. For any particular Subtopic, users should only use the glossary terms included in the particular Subtopic Glossary Section (Section 20).

Allowable Costs

All costs for which revenue is intended to provide recovery. Those costs can be actual or estimated. In that context, allowable costs include interest cost and amounts provided for earnings on shareholders' investments.

980-710-25 Recognition

General Note: The Recognition Section provides guidance on the required criteria, timing, and location (within the financial statements) for recording a particular item in the financial statements. Disclosure is not recognition.

General

- > **Compensated Absences**

980-710-25-1 Topic 710 specifies criteria for accrual of a liability for employees' compensation for future absences. For rate-making purposes, compensation for employees' absences may be included in **allowable costs** when the compensation is paid.

980-710-25-2 The liability, if any, shall be accrued in accordance with Topic 710 because rate actions of the regulator cannot eliminate obligations that were not imposed by the regulator (see paragraph 980-405-40-1). By including the accrued compensation in future allowable costs on an as-paid basis, the regulator provides reasonable assurance of the existence of an asset. The asset is the probable future benefit (increased revenue) that will result from the regulatory treatment of the subsequent payment of the liability (see paragraph 980-340-25-1). Accordingly, the entity also shall record the asset that results from the regulator's actions.

980 Regulated Operations
 715 Compensation—Retirement Benefits

980-715-00 Status

General Note: The Status Section identifies changes to this Subtopic resulting from Accounting Standards Updates. The Section provides references to the affected Codification content and links to the related Accounting Standards Updates. Nonsubstantive changes for items such as editorial, link and similar corrections are included separately in Maintenance Updates.

General

980-715-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
Defined Benefit Plan	Added	<u>Accounting Standards Update No. 2014-06</u>	03/14/2014
<u>980-715-55-7</u>	Amended	<u>Accounting Standards Update No. 2014-06</u>	03/14/2014

980-715-05 Overview and Background

General Note: The Overview and Background Section provides overview and background material for the guidance contained in the Subtopic. It does not provide the historical background or due process. It may contain certain material that users generally consider useful to understand the typical situations addressed by the standards. The Section does not summarize the accounting and reporting requirements.

General

980-715-05-1 This Subtopic provides guidance for compensation related to pension costs and other postretirement benefit costs for entities with regulated operations.

- > **Postretirement Pension Cost**

980-715-05-2 This Subtopic provides guidance for the difference between net periodic pension cost as defined in Subtopic [715-30](#) and amounts of pension cost considered for rate-making purposes as an asset or a liability created by the actions of the regulator.

- > **Other Postretirement Benefit Cost**

980-715-05-3 This Subtopic provides guidance for the difference between net periodic postretirement benefit cost as defined in Subtopic [715-60](#) and amounts of postretirement benefit cost considered for rate-making purposes as an asset or a liability created by the actions of the regulator.

980-715-15 Scope and Scope Exceptions

General Note: The Scope and Scope Exceptions Section outlines the items (for example, the entities, transactions, instruments, or events) to which the guidance in the Subtopic does or does not apply. In some cases, the Section may contain definitional or other text to frame the scope.

General

- > **Overall Guidance**

980-715-15-1 This Subtopic follows the same Scope and Scope Exceptions as outlined in the Overall Subtopic, see Section [980-10-15](#). Accordingly, the guidance related to the accounting for regulatory assets related to other postretirement benefit costs (see Subtopic [715-60](#)) is for rate-regulated entities that meet the criteria for applying this Topic.

980-715-20 Glossary

General Note: The Master Glossary contains all terms identified as glossary terms throughout the Codification. Clicking on any term in the Master Glossary will display where the term is used. The Master Glossary may contain identical terms with different definitions, some of which may not be appropriate for a particular Subtopic. For any particular Subtopic, users should only use the glossary terms included in the particular Subtopic Glossary Section (Section 20).

Defined Benefit Plan

A defined benefit plan provides participants with a determinable benefit based on a formula provided for in the plan.

a. Defined benefit health and welfare plans—Defined benefit health and welfare plans specify a determinable benefit, which may be in the form of a reimbursement to the covered plan participant or a direct payment to providers or third-party insurers for the cost of specified services. Such plans may also include benefits that are payable as a lump sum, such as death benefits. The level of benefits may be defined or limited based on factors such as age, years of service, and salary. Contributions may be determined by the plan's actuary or be based on premiums, actual claims paid, hours worked, or other factors determined by the plan sponsor. Even when a plan is funded pursuant to agreements that specify a fixed rate of employer contributions (for example, a collectively bargained multiemployer plan), such a plan may

nevertheless be a defined benefit health and welfare plan if its substance is to provide a defined benefit.

b. Defined benefit pension plan—A pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service, or compensation. Any pension plan that is not a defined contribution pension plan is, for purposes of Subtopic 715-30, a defined benefit pension plan.

c. Defined benefit postretirement plan—A plan that defines postretirement benefits in terms of monetary amounts (for example, \$100,000 of life insurance) or benefit coverage to be provided (for example, up to \$200 per day for hospitalization, or 80 percent of the cost of specified surgical procedures). Any postretirement benefit plan that is not a defined contribution postretirement plan is, for purposes of Subtopic 715-60, a defined benefit postretirement plan. (Specified monetary amounts and benefit coverage are collectively referred to as benefits.)

Defined Contribution Plan

A plan that provides an individual account for each participant and provides benefits that are based on all of the following: amounts contributed to the participant's account by the employer or employee; investment experience; and any forfeitures allocated to the account, less any administrative expenses charged to the plan.

a. Defined contribution health and welfare plans—Defined contribution health and welfare plans maintain an individual account for each plan participant. They have terms that specify the means of determining the contributions to participants' accounts, rather than the amount of benefits the participants are to receive. The benefits a plan participant will receive are limited to the amount contributed to the participant's account, investment experience, expenses, and any forfeitures allocated to the participant's account. These plans also include flexible spending arrangements.

b. Defined contribution postretirement plan—A plan that provides postretirement benefits in return for services rendered, provides an individual account for each plan participant, and specifies how contributions to the individual's account are to be determined rather than specifies the amount of benefits the individual is to receive. Under a defined contribution postretirement plan, the benefits a plan participant will receive depend solely on the amount contributed to the plan participant's account, the returns earned on investments of those contributions, and the forfeitures of other plan participants' benefits that may be allocated to that plan participant's account.

Incurred Cost

A cost arising from cash paid out or obligation to pay for an acquired asset or service, a loss from any cause that has been sustained and has been or must be paid for.

980-715-25 Recognition

General Note: The Recognition Section provides guidance on the required criteria, timing, and location (within the financial statements) for recording a particular item in the financial statements. Disclosure is not recognition.

General

- > **Postretirement Pension Cost**

980-715-25-1 This Subtopic requires that the difference between net periodic pension cost as defined in Subtopic 715-30 and amounts of pension cost considered for rate-making purposes be recognized as an asset or a liability created by the actions of the regulator. Those actions of the regulator change the timing of recognition of net pension cost as an expense; they do not otherwise affect the requirements of that Subtopic.

980-715-25-2 Example 1 (see paragraph 980-715-55-9) illustrates accounting for pensions by an employer with regulated operations.

- > **Other Postretirement Benefit Cost**

- >> **Criteria for Recognizing Regulatory Assets for Postretirement Benefit Differences**

980-715-25-3 For purposes of this Subtopic, other postretirement benefits refer to all forms of benefits, other than pensions, provided by an employer to retirees.

980-715-25-4 For continuing postretirement benefit plans, a regulatory asset related to Subtopic 715-60 costs shall not be recorded if the regulator continues to include other postretirement benefit costs in rates on a pay-as-you-go basis. The application of this Topic requires that a rate-regulated entity's rates be designed to recover the specific entity's costs of providing the regulated service or product. Accordingly, an entity's cost of providing a regulated service or product includes the costs provided for in Subtopic 715-60.

980-715-25-5 For a continuing postretirement benefit plan a rate-regulated entity shall recognize a regulatory asset for the difference between Subtopic 715-60 costs and other postretirement benefit costs included in the entity's rates if the entity does both of the following:

- a. Determines that it is probable that future revenue in an amount at least equal to the deferred cost (regulatory asset) will be recovered in rates
- b. Meets all of the following criteria:
 1. The rate-regulated entity's regulator has issued a rate order or issued a policy statement or a generic order applicable to entities within the regulator's jurisdiction that allows both for the deferral of Subtopic 715-60 costs and for the subsequent inclusion of those deferred costs in the entity's rates.
 2. The annual Subtopic 715-60 costs (including amortization of the transition obligation) will be included in rates within approximately five years from the date of adoption of that Subtopic. The change to full accrual accounting may take place in steps, but the period for deferring additional amounts shall not exceed approximately five years.
 3. The combined deferral-recovery period authorized by the regulator for the regulatory asset shall not exceed approximately 20 years from the date of adoption of Subtopic 715-60. To the extent that the regulator imposes a deferral-recovery period for those costs provided for in Subtopic 715-60 greater than approximately 20 years, any proportionate amount of such costs not recoverable within approximately 20 years shall not be recognized as a regulatory asset.
 4. The percentage increase in rates scheduled under the regulatory recovery plan for each future year shall be no greater than the percentage increase in rates scheduled under the plan for each immediately preceding year. This criterion is similar to that required for phase-in

plans in paragraph 980-340-25-3(d). Recovery of the regulatory asset in rates on a straight-line basis would meet this criterion.

980-715-25-6 This guidance applies to rate-regulated entities that elect to immediately recognize their postretirement benefit transition obligation under Subtopic 715-60 as well as those entities that elect to delay the recognition of and amortize their postretirement benefit transition obligation in accordance with that Subtopic.

980-715-25-7 For discontinued plans, a regulatory asset related to Subtopic 715-60 costs shall be recorded if it is probable that future revenue in an amount at least equal to any deferred that Subtopic costs will be recovered in rates within approximately 20 years following the adoption of that Subtopic. Rate recovery during that period may continue on a pay-as-you-go basis. For purposes of this guidance, a discontinued plan is one that results in employees not earning additional benefits for future service (that is, one that has no current service costs).

- >> **Accounting for Regulatory Assets when Criteria Are Met in a Subsequent Period**

980-715-25-8 If an entity does not initially meet the criteria established in Section 980-715-25 but meets those criteria in a subsequent period, then a regulatory asset related to Subtopic 715-60 costs shall be recognized in the period those criteria are met.

980-715-50 Disclosure

General Note: The Disclosure Section provides guidance regarding the disclosure in the notes to financial statements. In some cases, disclosure may relate to disclosure on the face of the financial statements.

General

- > **Regulatory Treatment of Postretirement Benefit Costs**

980-715-50-1 A rate-regulated entity shall disclose in its financial statements a description of the regulatory treatment of postretirement benefit costs, the status of any pending regulatory action, the amount of any Subtopic 715-60 costs deferred as a regulatory asset at the balance sheet date, and the period over which the deferred amounts are expected to be recovered in rates.

980-715-55 Implementation Guidance and Illustrations

General Note: The Implementation Guidance and Illustrations Section contains implementation guidance and illustrations that are an integral part of the Subtopic. The implementation guidance and illustrations do not address all possible variations. Users must consider carefully the actual facts and circumstances in relation to the requirements of the Subtopic.

General

980-715-55-1 All implementation guidance and illustrations assume that the entity meets the criteria of paragraph 980-10-15-2 for the application of this Topic by the entity; thus recovery of any cost is probable if that cost is designated for future recovery by the regulator.

- > **Implementation Guidance**
- >> **Effects of Applying Accounting for Pensions Guidance if Another Method Is Used for Rate-Making Purposes**

980-715-55-2 An employer with regulated operations shall account for the effects of applying Subtopic 715-30 for financial reporting purposes even if another method of accounting for pensions is used for determining allowable pension cost for rate-making purposes.

980-715-55-3 As indicated in paragraph 980-715-25-1, Subtopic 715-30 applies to employers with regulated operations.

980-715-55-4 If this Subtopic applies to the employer, and the amount of net periodic pension cost determined under the method used for rate-making purposes differs from that determined under Subtopic 715-30, the difference would be either of the following:

- a. An asset if the criteria in paragraph 980-340-25-1 are met
- b. A liability if the situation is as described in paragraph 980-405-25-1(b).

980-715-55-5 Usually, continued use of different methods for rate-making purposes and general-purpose external financial reporting purposes would result in either the criteria in paragraph 980-340-25-1 being met or the situation described in paragraph 980-405-25-1(b). However, if pension cost determined in accordance with Subtopic 715-30 exceeds pension cost determined in accordance with the method used in setting current rates, the criteria in paragraph 980-340-25-1 would not be met if both of the following conditions exist:

- a. It is probable that the regulator soon will accept a change for rate-making purposes so that pension cost is determined in accordance with Subtopic 715-30.
- b. It is not probable that the regulator will provide revenue to recover the excess cost that results from the use of Subtopic 715-30 for financial reporting purposes during the period between the date that the employer adopts that Subtopic and the rate case implementing the change.

980-715-55-6 Similarly, if pension cost determined in accordance with the method used in setting current rates exceeds pension cost determined in accordance with Subtopic 715-30, the situation would not be as described in paragraph 980-405-25-1(b) if it is probable that all of the following conditions exist:

- a. The regulator soon will accept a change for rate-making purposes so that pension cost is determined in accordance with Subtopic 715-30.
- b. The regulator will not hold the employer responsible for the costs that were intended to be recovered by the current rates and that have been deferred by the change in method.
- c. The regulator will provide revenue to recover those same costs when they are eventually recognized under the method required by Subtopic 715-30.

980-715-55-7 Because a regulator cannot eliminate a liability that was not imposed by its actions, the need to recognize the underfunded status of a **defined benefit plan** as a liability under paragraphs 715-30-25-1 through 25-2 is unaffected by regulation.

980-715-55-8 See Example 1 (paragraphs 980-715-55-9) for the employer's accounting when paragraphs 980-340-25-1 and 980-405-25-1(b) apply.

- > Illustrations
- >> **Example 1: Accounting for Pensions by an Employer with Regulated Operations**

980-715-55-9 This Example illustrates the guidance for recognition of postretirement pension cost in paragraph 980-715-25-1.

980-715-55-10 An employer with regulated operations sponsors a defined benefit pension plan that is accounted for pursuant to Subtopic 715-30. To simplify the Example, it is assumed that there are no remaining differences between amounts previously recognized as net periodic pension cost and amounts allowable for rate-making purposes. The employer's determination of net periodic pension cost under that Subtopic, however, differs from that allowable for rate-making purposes. The following schedule shows the amounts under both bases for the years 20X0-20X3.

Year	Net periodic pension cost under Subtopic 715-30	Allowable for Rate-Making	Difference for the Period	Cumulative Difference
20X0	\$ 120	\$ 200	\$ (80)	\$ (80)
20X1	200	100	100	20
20X2	170	140	30	50
20X3	120	200	(80)	(30)

980-715-55-11 In 20X0, the amount allowable for rate-making purposes exceeds net periodic pension cost determined under Subtopic 715-30. In that case, paragraph 980-405-25-1(b) requires the amount determined under Subtopic 715-30 (\$120) to be recognized as net periodic pension cost in the employer's financial statements.

980-715-55-12 The difference (\$80) between net periodic pension cost determined under Subtopic 715-30 (\$120) and that allowable for rate-making purposes (\$200) is recognized as a liability (unearned revenue) and represents an amount collected or collectible for recovery of future pension cost. When that pension cost is incurred for financial reporting purposes, the liability (unearned revenue) shall be eliminated and revenue shall be recognized.

980-715-55-13 The journal entries to account for the accrual of net periodic pension cost and the contribution made to the pension plan during the year are as follows.

Journal Entry 1

Net periodic pension cost	\$ 120	
Revenue	80	
Pension liability		\$ 120
Unearned revenue		80

- To record net periodic pension cost for the period and the liability created by actions of the regulator

Journal Entry 2

Pension liability	\$ 200	
Cash		\$ 200

- To record contribution to pension plan

980-715-55-14 No modifications of the disclosure required by paragraph 715-20-50-1(h) are required in this case because the accounting required by this Topic does not change the amount of net periodic pension cost recognized under Subtopic 715-30. (See the table in paragraph 980-715-55-10.)

980-715-55-15 In 20X1, the amount allowable for rate-making purposes is less than net periodic pension cost determined under Subtopic 715-30 by \$100. Of that amount, \$80 was allowable for rate-making purposes in 20X0. Therefore, the 20X0 unearned revenue of \$80 is recognized as revenue for 20X1. Paragraph 980-340-25-1 requires the remaining portion of the \$100 difference (\$20) to be capitalized as an **incurred cost** for which future recovery is assured by actions of the regulator.

980-715-55-16 The journal entries to account for the accrual of net periodic pension cost and the contribution made to the pension plan during the year are as follows.

Journal Entry 1

Net periodic pension cost	\$ 180	
Capitalized cost for future recovery	20	
Unearned revenue	80	
Pension liability		\$ 200
Revenue		80

- To record net periodic pension cost for the period and the asset created by actions of the regulator

Journal Entry 2

Pension liability	\$ 100	
Cash		\$ 100

- To record contribution to pension plan

980-715-55-17 In this case, the accounting required by this Topic changes the amount of net periodic pension cost that otherwise would have been recognized under Subtopic 715-30 requiring modification of the disclosure required by paragraph 715-20-50-1(h). (See the table in paragraph 980-715-55-10.)

980-715-55-18 In 20X2, the amount allowable for rate-making purposes is less than net periodic pension cost determined under Subtopic 715-30 by \$30. None of that amount was allowable for rate-making purposes in prior years. Paragraph 980-340-25-1 requires the \$30 to be capitalized as an incurred cost for which future recovery is assured by actions of the regulator.

980-715-55-19 The journal entries to account for the accrual of net periodic pension cost and the contribution made to the pension plan during the year are as follows.

Journal Entry 1

Net periodic pension cost	\$ 140	
Capitalized cost for future recovery	30	
Pension liability		\$ 170

- - To record net periodic pension cost for the period and the asset created by actions of the regulator

Journal Entry 2

Pension liability	\$ 140	
Cash		\$ 140

- - To record contribution to pension plan

980-715-55-20 The situation in 20X2 is similar to that in 20X1, necessitating additional disclosure. (See the table in paragraph [980-715-55-10](#).)

980-715-55-21 In 20X3, the amount allowable for rate-making purposes exceeds net periodic pension cost determined under Subtopic [715-30](#) by \$80. In prior years (20X1 and 20X2), \$50 of that amount was recognized as a capitalized cost.

980-715-55-22 Accordingly, that capitalized cost (\$50) is expensed in 20X3. Additionally, paragraph [980-405-25-1](#) requires recognition of a liability (unearned revenue) equal to the remaining portion (\$30) of the amount allowable for rate-making purposes in excess of net periodic pension cost determined under Subtopic [715-30](#) [(\$200 - \$120) - \$50 = \$30]. When that pension cost is incurred for financial reporting purposes, the \$30 liability (unearned revenue) shall be eliminated and revenue shall be recognized.

980-715-55-23 The journal entries to account for the accrual of net periodic pension cost and the contribution made to the pension plan during the year are as follows.

Journal Entry 1

Net periodic pension cost	\$ 170	
Revenue	30	
Capitalized cost for future recovery		\$ 50
Pension liability		120
Unearned revenue		30

- - To record net periodic pension cost for the period and the liability created by actions of the regulator

Journal Entry 2

Pension liability	\$ 200	
Cash		\$ 200

- - To record contribution to pension plan

980-715-55-24 The situation in 20X3 is similar to that in 20X1 and 20X2, necessitating additional disclosure. (See the table in paragraph [980-715-55-10](#).)

980-715-55-25 The following illustrates the disclosure of the components of net periodic pension cost for 20X0-20X3. It is assumed that there is no transition asset or obligation remaining in accumulated other comprehensive income and there are no gains or losses for the four-year period.

	<u>20X0</u>	<u>20X1</u>	<u>20X2</u>	<u>20X3</u>
Service cost ^(a)	\$ XXX	\$ XXX	\$ XXX	\$ XXX
Interest cost ^(a)	XXX	XXX	XXX	XXX
Expected return on plan assets ^(a)	(XXX)	(XXX)	(XXX)	(XXX)
Net amortization and deferral	-	-	-	-
Net periodic pension cost determined under Subtopic 715-20	120	200	170	120
Amount (capitalized) expensed due to actions of the regulator		(20)	(30)	50
Net periodic pension cost recognized	<u>\$ 120</u>	<u>\$ 180</u>	<u>\$ 140</u>	<u>\$ 170</u>

- (a) Amounts are excluded for illustrative purposes only.

980-715-75 XBRL Elements

General Note: This section contains a list of XBRL elements that reference paragraphs in this Subtopic. For additional details regarding changes to the development version of the US GAAP Financial Reporting Taxonomy, refer to the [FASB taxonomy review and comment system](#) on the FASB web site.

- **Competitive Transition Charge, Noncurrent**

Element Name: *CompetitiveTransitionChargeNoncurrent*

- **This XBRL element references the following paragraph(s)/term(s) in this Subtopic:**
 - [Incurred Cost](#)
- **This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):**
 - [980 Regulated Operations > 20 Discontinuation of Rate-Regulated Accounting > 35 Subsequent Measurement > General, 35-1](#)
 - [980 Regulated Operations > 20 Discontinuation of Rate-Regulated Accounting > 35 Subsequent Measurement > General, 35-6](#)
 - [980 Regulated Operations > 20 Discontinuation of Rate-Regulated Accounting > 45 Other Presentation > General, 45-1](#)

- **Defined Benefit Plans, General Information**

[Label and/or reference(s) most recently revised on 08/15/2014 after the last taxonomy release.]

Element Name: *DefinedBenefitPlansGeneralInformation*

- **This XBRL element references the following paragraph(s)/term(s) in this Subtopic:**

- [Defined Benefit Plan](#)
- This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):
 - [715 Compensation—Retirement Benefits > 20 Defined Benefit Plans—General > 50 Disclosure > General, 50-1](#)
- **Domestic Pension Plan of Foreign Entity [Member]**

[Label and/or reference(s) most recently revised on 08/15/2014 after the last taxonomy release.]

Element Name: *DomesticPensionPlansOfForeignEntityDefinedBenefitMember*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [Defined Benefit Plan](#)
- This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):
 - [715 Compensation—Retirement Benefits > 20 Defined Benefit Plans—General > 50 Disclosure > General, 50-4](#)
 - [715 Compensation—Retirement Benefits > 70 Defined Contribution Plans > 50 Disclosure > General, 50-1](#)
- **Domestic Postretirement Benefit Plan of Foreign Entity [Member]**

[Label and/or reference(s) most recently revised on 08/15/2014 after the last taxonomy release.]

Element Name: *DomesticPostretirementBenefitPlansOfForeignEntityDefinedBenefitMember*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [Defined Benefit Plan](#)
- This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):
 - [715 Compensation—Retirement Benefits > 20 Defined Benefit Plans—General > 50 Disclosure > General, 50-4](#)
 - [715 Compensation—Retirement Benefits > 70 Defined Contribution Plans > 50 Disclosure > General, 50-1](#)
- **Foreign Pension Plan [Member]**

[Label and/or reference(s) most recently revised on 08/15/2014 after the last taxonomy release.]

Element Name: *ForeignPensionPlansDefinedBenefitMember*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [Defined Benefit Plan](#)

- This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):

- [715 Compensation—Retirement Benefits > 20 Defined Benefit Plans—General > 50 Disclosure > General, 50-4](#)
- [715 Compensation—Retirement Benefits > 70 Defined Contribution Plans > 50 Disclosure > General, 50-1](#)

- **Foreign Postretirement Benefit Plan [Member]**

[Label and/or reference(s) most recently revised on 08/15/2014 after the last taxonomy release.]

Element Name: *ForeignPostretirementBenefitPlansDefinedBenefitMember*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [Defined Benefit Plan](#)
- This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):
 - [715 Compensation—Retirement Benefits > 20 Defined Benefit Plans—General > 50 Disclosure > General, 50-4](#)
 - [715 Compensation—Retirement Benefits > 70 Defined Contribution Plans > 50 Disclosure > General, 50-1](#)

- **Other Postretirement Benefit Plan [Member]**

[Label and/or reference(s) most recently revised on 08/15/2014 after the last taxonomy release.]

Element Name: *OtherPostretirementBenefitPlansDefinedBenefitMember*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [Defined Benefit Plan](#)
- This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):
 - [715 Compensation—Retirement Benefits > 20 Defined Benefit Plans—General > 50 Disclosure > General, 50-4](#)
 - [715 Compensation—Retirement Benefits > 70 Defined Contribution Plans > 50 Disclosure > General, 50-1](#)

- **Pension Costs [Member]**

Element Name: *PensionCostsMember*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 715 Compensation—Retirement Benefits > 50 Disclosure > General, 50-1](#)

- **Pension Plan [Member]**

[Label and/or reference(s) most recently revised on 08/15/2014 after the last taxonomy release.]

Element Name: *PensionPlansDefinedBenefitMember*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [Defined Benefit Plan](#)
- This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):
 - [715 Compensation—Retirement Benefits > 20 Defined Benefit Plans—General > 50 Disclosure > General, 50-4](#)
 - [715 Compensation—Retirement Benefits > 70 Defined Contribution Plans > 50 Disclosure > General, 50-1](#)

- **Postretirement Benefit Costs [Member]**

Element Name: *PostretirementBenefitCostsMember*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 715 Compensation—Retirement Benefits > 50 Disclosure > General, 50-1](#)

- **Postretirement Life Insurance [Member]**

[Label and/or reference(s) most recently revised on 08/15/2014 after the last taxonomy release.]

Element Name: *DefinedBenefitPostretirementLifeInsuranceMember*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [Defined Benefit Plan](#)

- **Regulatory Asset [Axis]**

Element Name: *RegulatoryAssetAxis*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 715 Compensation—Retirement Benefits > 50 Disclosure > General, 50-1](#)
- This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 50 Disclosure > General, 50-1](#)
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 50 Disclosure > General, 50-2](#)

- **Schedule of Regulatory Assets [Table Text Block]**

Element Name: *ScheduleOfRegulatoryAssetsTextBlock*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 715 Compensation—Retirement Benefits > 50 Disclosure > General, 50-1](#)
- This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 50 Disclosure > General, 50-1](#)
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 50 Disclosure > General, 50-2](#)
- **Schedule of Regulatory Assets [Table]**

Element Name: *ScheduleOfRegulatoryAssetsTable*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 715 Compensation—Retirement Benefits > 50 Disclosure > General, 50-1](#)
- This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 50 Disclosure > General, 50-1](#)
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 50 Disclosure > General, 50-2](#)

- **United States Pension Plan of US Entity [Member]**

[Label and/or reference(s) most recently revised on 08/15/2014 after the last taxonomy release.]

Element Name: *UnitedStatesPensionPlansOfUSEntityDefinedBenefitMember*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [Defined Benefit Plan](#)
- This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):
 - [715 Compensation—Retirement Benefits > 20 Defined Benefit Plans—General > 50 Disclosure > General, 50-4](#)
 - [715 Compensation—Retirement Benefits > 70 Defined Contribution Plans > 50 Disclosure > General, 50-1](#)

- **United States Postretirement Benefit Plan of US Entity [Member]**

[Label and/or reference(s) most recently revised on 08/15/2014 after the last taxonomy release.]

Element Name: *UnitedStatesPostretirementBenefitPlansOfUSEntityDefinedBenefitMember*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [Defined Benefit Plan](#)
- This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):
 - [715 Compensation—Retirement Benefits > 20 Defined Benefit Plans—General > 50 Disclosure > General, 50-4](#)
 - [715 Compensation—Retirement Benefits > 70 Defined Contribution Plans > 50 Disclosure > General, 50-1](#)

980 Regulated Operations
740 Income Taxes

980-740-05 Overview and Background

General Note: The Overview and Background Section provides overview and background material for the guidance contained in the Subtopic. It does not provide the historical background or due process. It may contain certain material that users generally consider useful to understand the typical situations addressed by the standards. The Section does not summarize the accounting and reporting requirements.

General

980-740-05-1 This Subtopic provides guidance on accounting for income taxes for entities with regulated operations.

980-740-15 Scope and Scope Exceptions

General Note: The Scope and Scope Exceptions Section outlines the items (for example, the entities, transactions, instruments, or events) to which the guidance in the Subtopic does or does not apply. In some cases, the Section may contain definitional or other text to frame the scope.

General

- > **Overall Guidance**

980-740-15-1 This Subtopic follows the same Scope and Scope Exceptions as outlined in the Overall Subtopic, see Section [980-10-15](#).

980-740-20 Glossary

General Note: The Master Glossary contains all terms identified as glossary terms throughout

the Codification. Clicking on any term in the Master Glossary will display where the term is used. The Master Glossary may contain identical terms with different definitions, some of which may not be appropriate for a particular Subtopic. For any particular Subtopic, users should only use the glossary terms included in the particular Subtopic Glossary Section (Section 20).

Allowable Costs

All costs for which revenue is intended to provide recovery. Those costs can be actual or estimated. In that context, allowable costs include interest cost and amounts provided for earnings on shareholders' investments.

Allowance for Funds Used during Construction

The cost of financing construction as financed partially by borrowings and partially by equity, capitalized as part of the cost of plant and equipment pursuant to requirements of the regulator.

Capitalize

Capitalize is used to indicate that the cost would be recorded as the cost of an asset. That procedure is often referred to as deferring a cost, and the resulting asset is sometimes described as a deferred cost.

Incurred Cost

A cost arising from cash paid out or obligation to pay for an acquired asset or service, a loss from any cause that has been sustained and has been or must be paid for.

980-740-25 Recognition

General Note: The Recognition Section provides guidance on the required criteria, timing, and location (within the financial statements) for recording a particular item in the financial statements. Disclosure is not recognition.

General

- > **Income Taxes Applicable to Regulated Entities**

980-740-25-1 For regulated entities that meet the criteria for application of paragraph 980-10-15-2, this Subtopic specifically:

- a. Prohibits net-of-tax accounting and reporting
- b. Requires recognition of a deferred tax liability for tax benefits that are flowed through to customers when temporary differences originate and for the equity component of the **allowance for funds used during construction**
- c. Requires adjustment of a deferred tax liability or asset for an enacted change in tax laws or rates.

980-740-25-2 If, as a result of an action by a regulator, it is probable that the future increase or decrease in taxes payable for (b) and (c) in the preceding paragraph will be recovered from or returned to customers through future rates, an asset or liability shall be recognized for that

probable future revenue or reduction in future revenue pursuant to paragraphs 980-340-25-1 and 980-405-25-1. That asset or liability also shall be a temporary difference for which a deferred tax liability or asset shall be recognized.

980-740-25-3 Example 1 (see paragraph 980-740-55-8) illustrates recognition of an asset for the probable revenue to recover future income taxes.

980-740-25-4 Example 2 (see paragraph 980-740-55-13) illustrates adjustment of a deferred tax liability when the liability represents amounts already collected from customers.

980-740-55 Implementation Guidance and Illustrations

General Note: The Implementation Guidance and Illustrations Section contains implementation guidance and illustrations that are an integral part of the Subtopic. The implementation guidance and illustrations do not address all possible variations. Users must consider carefully the actual facts and circumstances in relation to the requirements of the Subtopic.

General

- > **Implementation Guidance**
- >> **Asset Resulting from Recognition of Deferred Tax Liability**

980-740-55-1 Paragraph 980-340-25-1 requires a regulated entity that applies this Topic to **capitalize** an **incurred cost** that would otherwise be charged to expense if the following criteria are met:

- a. It is probable that future revenue in an amount at least equal to the capitalized cost will result from inclusion of that cost in **allowable costs** for rate-making purposes.
- b. Based on available evidence, the future revenue will be provided to permit recovery of the previously incurred cost rather than to provide for expected levels of similar future costs.

If the income taxes that result from recording a deferred tax liability in accordance with Subtopic 740-10 meet those criteria, an asset is recognized for those income taxes when the deferred tax liability is recognized. That asset and the deferred tax liability are not offset for general-purpose financial reporting; rather, each is displayed separately.

- >> **Income Taxes for Abandoned Plants**

980-740-55-2 When a loss on abandonment is recognized, the amount of deferred income taxes related to the remaining asset shall be determined as indicated in the following guidance.

980-740-55-3 While under construction, a utility's plant has a recorded cost that consists of the following three separate elements for income tax purposes:

- a. Costs that will be deductible in the future, either as depreciation or (in the event that the plant is abandoned) as an abandonment loss
- b. Costs that have been deducted in the past
- c. Costs that are never deductible (the **allowance for equity funds used during construction**).

980-740-55-4 An abandonment loss generally is deductible for federal income tax purposes when the abandonment occurs. That tax deduction is allowed without regard to the rate-making treatment applied to the recorded cost of the abandoned plant.

980-740-55-5 When a regulator is expected to provide recovery of the cost of an abandoned plant without return on investment, Subtopic 980-360 requires a portion of the cost of the abandoned plant to be recognized as a loss, equivalent to the present value of the effective disallowance of return on investment.

980-740-55-6 Deferred income tax liabilities, related to the remaining asset and the recovery of a separate asset recognized to reflect the future revenue that is expected to be provided in rates by the regulator when the income taxes become payable, shall be recorded under the requirements of Subtopic 740-10.

- > **Illustrations**

980-740-55-7 All the Examples assume that the entity meets the criteria in paragraph 980-10-15-2 for the application of this Topic by the entity.

- >> **Example 1: Recognition of an Asset for the Probable Revenue to Recover Future Income Taxes**

980-740-55-8 This Example illustrates the guidance in paragraphs 980-740-25-1 through 25-2. The following Cases illustrate the recognition of an asset related to a deferred tax liability:

- a. Recognition of an asset for the probable future revenue to recover future income taxes related to the deferred tax liability for the equity component of the allowance for funds used during construction (Case A)
- b. A subsequent adjustment of deferred tax liability for an enacted change in tax rates (Case B).

980-740-55-9 Cases A and B share all of the following assumptions:

- a. During Year 1, the first year of operations, total construction costs for financial reporting and tax purposes are \$400,000 (exclusive of the allowance for funds used during construction).
- b. The enacted tax rate is 34 percent for all future years.
- c. Allowance for funds used during construction (consisting entirely of the equity component) is \$26,000. The asset for probable future revenue to recover the related income taxes is calculated as follows:
 - 34 percent of $(\$26,000 + A) = A$ (where A equals the asset for probable future revenue)
- d. $A = \$13,394$.

- >>> **Case A: Asset Recognition Related to the Equity Component of the Allowance for Funds Used During Construction**

980-740-55-10 At the end of Year 1, the related accounts are as follows.

Construction in progress	\$426,000
Probable future revenue	\$ 13,394
Deferred tax liability [34 percent of $(\$26,000 + \$13,394)$]	\$ 13,394

980-740-55-11 In this Case, if the allowance for funds used during construction had consisted entirely of a net-of-tax debt component in the amount of \$26,000, the related accounts and their balances at the end of Year 1 would be construction in progress in the amount of \$439,394 and a deferred tax liability in the amount of \$13,394.

- >>> **Case B: Enacted Change in Tax Rates**

980-740-55-12 This Case illustrates adjustment of a deferred tax liability for an enacted change in tax rates. In this Case, a change in the tax rate from 34 percent to 30 percent is enacted on the first day of Year 2. As of the first day of Year 2, the related accounts are adjusted so that the balances are as follows.

Construction in progress	\$426,000
Probable future revenue	\$ 11,143
Deferred tax liability [30 percent of (\$26,000 + \$11,143)]	\$ 11,143

- >> **Example 2: Enacted Change in Tax Rates when Deferred Tax Liability Represents Amounts Collected for Future Payment of Income Taxes**

980-740-55-13 This Example illustrates adjustment of a deferred tax liability for an enacted change in tax rates when that deferred tax liability represents amounts already collected from customers for the future payment of income taxes discussed in paragraphs [980-740-25-1 through 25-2](#). In that case, there would be no asset for probable future revenue. This Example has the following assumptions:

a. Amounts at the end of Year 1, the current year, are as follows.

Construction in progress for financial reporting	\$ 400,000
Tax basis of construction in progress	\$ 300,000
Deferred tax liability (34 percent of \$100,000)	\$ 34,000

b. A change in the tax rate from 34 percent to 30 percent is enacted on the first day of Year 2. As a result of the reduction in tax rates, it is probable that \$4,000 of the \$34,000 (previously collected from customers for the future payment of income taxes) will be refunded to customers, together with the tax benefit of that refund, through a future rate reduction. The liability for the future rate reduction to refund a portion of the deferred taxes previously collected from customers is calculated as follows:

- $\$4,000 + (30 \text{ percent of } R) = R$ (where R equals the probable future reduction in revenue)

c. $R = \$5,714$.

980-740-55-14 As of the first day of Year 2, the related accounts are adjusted so that the balances are as follows.

Construction in progress	<u>\$400,000</u>
Probable reduction in future revenue	<u>\$ 5,714</u>
Deferred tax liability [30 percent of (\$100,000 — \$5,714)]	<u>\$ 28,286</u>

980-740-75 XBRL Elements

General Note: This section contains a list of XBRL elements that reference paragraphs in this Subtopic. For additional details regarding changes to the development version of the US GAAP Financial Reporting Taxonomy, refer to the [FASB taxonomy review and comment system](#) on the FASB web site.

- **Allowance for Funds Used During Construction, Capitalized Interest**

[Label and/or reference(s) most recently revised on 06/15/2011 after the last taxonomy release.]

Element Name: *PublicUtilitiesAllowanceForFundsUsedDuringConstructionCapitalizedInterest*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [Allowance for Funds Used during Construction](#)
- This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):
 - [980 Regulated Operations > 835 Interest > 45 Other Presentation > General, 45-1](#)

- **Capitalized Interest Costs, Including Allowance for Funds Used During Construction**

[Label and/or reference(s) most recently revised on 06/15/2011 after the last taxonomy release.]

Element Name: *InterestCostsIncurredCapitalized*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [Allowance for Funds Used during Construction](#)
- This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):
 - [980 Regulated Operations > 835 Interest > 45 Other Presentation > General, 45-1](#)

- **Competitive Transition Charge, Noncurrent**

Element Name: *CompetitiveTransitionChargeNoncurrent*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:

- [Incurred Cost](#)
- This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):
 - [980 Regulated Operations > 20 Discontinuation of Rate-Regulated Accounting > 35 Subsequent Measurement > General, 35-1](#)
 - [980 Regulated Operations > 20 Discontinuation of Rate-Regulated Accounting > 35 Subsequent Measurement > General, 35-6](#)
 - [980 Regulated Operations > 20 Discontinuation of Rate-Regulated Accounting > 45 Other Presentation > General, 45-1](#)

- **Deferred Income Tax Charge [Member]**

[Label and/or reference(s) most recently revised on 10/26/2012 after the last taxonomy release.]

Element Name: *DeferredIncomeTaxChargesMember*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 740 Income Taxes > 25 Recognition > General, 25-1](#)
 - [980 Regulated Operations > 740 Income Taxes > 25 Recognition > General, 25-2](#)
- This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 25 Recognition > General, 25-1](#)
 - [980 Regulated Operations > 405 Liabilities > 25 Recognition > General, 25-1](#)

- **Interest Costs Capitalized**

[Label and/or reference(s) most recently revised on 11/14/2011 after the last taxonomy release.]

Element Name: *InterestCostsCapitalized*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [Allowance for Funds Used during Construction](#)
- This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):
 - [835 Interest > 20 Capitalization of Interest > 50 Disclosure > General, 50-1\(b\)](#)

- **Regulatory Income Taxes, Policy [Policy Text Block]**

[Label and/or reference(s) most recently revised on 11/24/2013 after the last taxonomy release.]

Element Name: *RegulatoryIncomeTaxesPolicy*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 740 Income Taxes > 25 Recognition > General, 25-1](#)
 - [980 Regulated Operations > 740 Income Taxes > 25 Recognition > General, 25-2](#)
- This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):
 - [235 Notes to Financial Statements > 10 Overall > 50 Disclosure > General, 50-3](#)

980 Regulated Operations
810 Consolidation

980-810-05 Overview and Background

General Note: The Overview and Background Section provides overview and background material for the guidance contained in the Subtopic. It does not provide the historical background or due process. It may contain certain material that users generally consider useful to understand the typical situations addressed by the standards. The Section does not summarize the accounting and reporting requirements.

General

980-810-05-1 This Subtopic provides guidance on consolidation for entities with regulated operations.

980-810-15 Scope and Scope Exceptions

General Note: The Scope and Scope Exceptions Section outlines the items (for example, the entities, transactions, instruments, or events) to which the guidance in the Subtopic does or does not apply. In some cases, the Section may contain definitional or other text to frame the scope.

General

- > **Overall Guidance**

980-810-15-1 This Subtopic follows the same Scope and Scope Exceptions as outlined in the Overall Subtopic, see Section [980-10-15](#).

980-810-45 Other Presentation Matters

General Note: The Other Presentation Matters Section provides guidance on other presentation matters not addressed in the Recognition, Initial Measurement, Subsequent Measurement, and Derecognition Sections. Other presentation matters may include items such as current or long-term balance sheet classification, cash flow presentation, earnings per share matters, and so forth. The FASB Codification also contains Presentation Topics, which provide guidance for general presentation and display items. See those Topics for general guidance.

General

- > **Affiliated Sales**

980-810-45-1 Profit on sales to regulated affiliates shall not be eliminated in general-purpose financial statements if both of the following criteria are met:

- a. The sales price is reasonable.
- b. It is probable that, through the rate-making process, future revenue approximately equal to the sales price will result from the regulated affiliate's use of the products.

980-810-45-2 The sales price usually shall be considered reasonable if the price is accepted or not challenged by the regulator that governs the regulated affiliate. Otherwise, reasonableness shall be considered in light of the circumstances. For example, reasonableness might be judged by the return on investment earned by the manufacturing or construction operations or by a comparison of the transfer prices with prices available from other sources.

980-810-75 XBRL Elements

General Note: This section contains a list of XBRL elements that reference paragraphs in this Subtopic. For additional details regarding changes to the development version of the US GAAP Financial Reporting Taxonomy, refer to the [FASB taxonomy review and comment system](#) on the FASB web site.

- **Intercompany Profit to Regulated Affiliates, Policy [Policy Text Block]**

Element Name: *IntercompanyProfitToRegulatedAffiliatesPolicy*

- **This XBRL element references the following paragraph(s)/term(s) in this Subtopic:**
 - [980 Regulated Operations > 810 Consolidation > 45 Other Presentation > General, 45-1](#)
 - [980 Regulated Operations > 810 Consolidation > 45 Other Presentation > General, 45-2](#)
- **This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):**
 - [235 Notes to Financial Statements > 10 Overall > 50 Disclosure > General, 50-3](#)

980-810-S45 Other Presentation Matters

General Note: The Other Presentation Matters Section provides guidance on other presentation matters not addressed in the Recognition, Initial Measurement, Subsequent Measurement, and Derecognition Sections. Other presentation matters may include items such as current or long-term balance sheet classification, cash flow presentation, earnings per share matters, and so forth. The FASB Codification also contains Presentation Topics, which provide guidance for general presentation and display items. See those Topics for general guidance.

General

- > **Balance Sheet**

980-810-S45-1 See paragraph [980-810-S99-1](#), Regulation S-X Rule 3A-05, for requirements for the consolidated balance sheet of a public utility holding company.

- > **Financing Through Construction Intermediaries**

980-810-S45-2 See paragraph [980-810-S99-2](#), SAB Topic 10.A, for SEC Staff views on the presentation of construction work in progress and related liabilities and interest expense being financed through a construction intermediary.

980-810-S50 Disclosure

General Note: The Disclosure Section provides guidance regarding the disclosure in the notes to financial statements. In some cases, disclosure may relate to disclosure on the face of the financial statements.

General

- > **Financing Through Construction Intermediaries**

980-810-S50-1 See paragraph [980-810-S99-2](#), SAB Topic 10.A, for SEC Staff views on disclosures when construction is financed through an intermediary.

980-810-S75 XBRL Elements

General Note: This section contains a list of XBRL elements that reference paragraphs in this Subtopic. For additional details regarding changes to the development version of the US GAAP Financial Reporting Taxonomy, refer to the [FASB taxonomy review and comment system](#) on the FASB web site.

- **Interest Cost for Plant Construction Using Intermediary, Policy [Policy Text Block]**

Element Name: *InterestCostForPlantConstructionUsingIntermediaryPolicy*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 810 Consolidation > S99 SEC Materials > General, S99-2\(SAB TOPIC 10.A\)](#)
- This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):
 - [235 Notes to Financial Statements > 10 Overall > 50 Disclosure > General, 50-3](#)
- **Plant Construction Using Intermediary, Policy [Policy Text Block]**

Element Name: *PlantConstructionUsingIntermediaryPolicy*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 810 Consolidation > S99 SEC Materials > General, S99-2\(SAB TOPIC 10.A\)](#)
- This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):
 - [235 Notes to Financial Statements > 10 Overall > 50 Disclosure > General, 50-3](#)

- **Public Utilities, Property, Plant and Equipment, Amount of Interest Incurred on Intermediary Debt for Electric Utility Plant Construction**

Element

Name: *PublicUtilitiesPropertyPlantAndEquipmentAmountOfInterestIncurredOnIntermediaryDebtForElectricUtilityPlantConstruction*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 810 Consolidation > S99 SEC Materials > General, S99-2\(SAB TOPIC 10.A\)](#)

- **Public Utilities, Property, Plant and Equipment, Description of Electric Utility Use of Intermediary for Plant Construction**

Element

Name: *PublicUtilitiesPropertyPlantAndEquipmentDescriptionOfElectricUtilityUseOfIntermediaryForPlantConstruction*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 810 Consolidation > S99 SEC Materials > General, S99-2\(SAB TOPIC 10.A\)](#)

- **Public Utilities, Property, Plant and Equipment, Interest Rate on Intermediary Debt for Electric Utility Plant Construction**

Element

Name: *PublicUtilitiesPropertyPlantAndEquipmentInterestRateOnIntermediaryDebtForElectricUtilityPlantConstruction*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:

- [980 Regulated Operations > 810 Consolidation > S99 SEC Materials > General, S99-2\(SAB TOPIC 10.A\)](#)

980-810-S99 SEC Materials

General Note: As more fully described in [About the Codification](#), the Codification includes selected SEC and SEC Staff content for reference by public companies. The Codification does not replace or affect how the SEC or SEC Staff issues or updates SEC content. SEC Staff content does not constitute Commission-approved rules or interpretations of the SEC.

General

- > **SEC Rules, Regulations, and Interpretations**
- >> **Regulation S-X**
- >>> **Regulation S-X Rule 3A-05, Special Requirements as to Public Utility Holding Companies**

980-810-S99-1 The following is the text of Regulation S-X Rule 3A-05, Special Requirements as to Public Utility Holding Companies.

- There shall be shown in the consolidated balance sheet of a public utility holding company the difference between the amount at which the parent's investment is carried and the underlying book equity of subsidiaries as at the respective dates of acquisition.
- [37 FR 14597, July 21, 1972. Redesignated at 45 FR 63687, Sept. 25, 1980, and 46 FR 56179, Nov. 16, 1981]
- > **SEC Staff Guidance**
- >> **Staff Accounting Bulletins**
- >>> **SAB Topic 10.A, Financing by Electric Utility Companies Through Use of Construction Intermediaries**

980-810-S99-2 The following is the text of SAB Topic 10.A, Financing by Electric Utility Companies Through Use of Construction Intermediaries.

- Facts: Some electric utility companies finance construction of a generating plant or their share of a jointly owned plant through the use of a "construction intermediary" which may be organized as a trust or a corporation. Typically the utility assigns its interest in property and other contract rights to the construction intermediary with the latter authorized to obtain funds to finance construction with term loans, bank loans, commercial paper and other sources of funds and that may be available. The intermediary's borrowings are guaranteed in part of the work in progress but more significantly, although indirectly, by the obligation of the utility to purchase the project upon completion and assume or otherwise settle the borrowings. The utility may be committed to provide any deficiency of funds which the intermediary cannot obtain and excess funds may be loaned to the utility by the intermediary. (In one case involving

construction of an entire generating plant, the intermediary appointed the utility as its agent to complete construction.) On the occurrence of an event such as commencement of the testing period for the plant or placing the plant in commercial service (but not later than a specified date) the interest in the plant reverts to the utility and concurrently the utility must either assume the obligations issued by the intermediary or purchase them from the holders. The intermediary also may be authorized to borrow amounts for accrued interest when due and those amounts are added to the balance of the outstanding indebtedness. Interest is thus capitalized during the construction period at rates being charged by the lenders; however, it is deductible by the utility for tax purposes in the year of accrual.

- Question: How should construction work in progress and related liabilities and interest expense being financed through a construction intermediary be reflected in an electric utility's financial statements?
- Interpretive Response: The balance sheet of an electric utility company using a construction intermediary to finance construction should include the intermediary's work in progress in the appropriate caption under utility plant. The related debt should be included in long-term liabilities and disclosed either on the balance sheet or in a note.
- The amount of interest cost incurred and the respective amounts expensed or capitalized shall be disclosed for each period for which an income statement is presented. Consequently, capitalized interest included as part of an intermediary's construction work in progress on the balance sheet should be recognized on the current income statement as interest expense with a corresponding offset to allowance for borrowed funds used during construction. Income statements for prior periods should also be restated. The amounts may be shown separately on the statement or included with interest expense and allowance for borrowed funds used during construction.
- A note to the financial statements should describe briefly the organization and purpose of the intermediary and the nature of its authorization to incur debt to finance construction. The note should disclose the rate at which interest on this debt has been capitalized and the dollar amount for each period for which an income statement is presented.

980 Regulated Operations

815 Derivatives and Hedging

980-815-00 Status

General Note: The Status Section identifies changes to this Subtopic resulting from Accounting Standards Updates. The Section provides references to the affected Codification content and links to the related Accounting Standards Updates. Nonsubstantive changes for items such as editorial, link and similar corrections are included separately in Maintenance Updates.

General

980-815-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
All-in-One Hedge	Added	<u>Accounting Standards Update No. 2014-09</u>	05/28/2014
Contract	Added	<u>Accounting Standards Update No. 2014-09</u>	05/28/2014
Nonutility Generators	Added	<u>Accounting Standards Update No. 2014-09</u>	05/28/2014
<u>980-815-05-1</u>	Added	<u>Accounting Standards Update No. 2014-09</u>	05/28/2014
<u>980-815-15-1 through 15-3</u>	Added	<u>Accounting Standards Update No. 2014-09</u>	05/28/2014
<u>980-815-25-1 through 25-6</u>	Added	<u>Accounting Standards Update No. 2014-09</u>	05/28/2014

980-815-05 Overview and Background

General Note: The Overview and Background Section provides overview and background material for the guidance contained in the Subtopic. It does not provide the historical background or due process. It may contain certain material that users generally consider useful to understand the typical situations addressed by the standards. The Section does not summarize the accounting and reporting requirements.

General

980-815-05-1

- **Pending Content:**

Transition Date: (P) December 16, 2016; (N) December 16, 2017

Guidance: 606-10-65-1

This Subtopic provides guidance for long-term power sales contracts.

980-815-15 Scope and Scope Exceptions

General Note: The Scope and Scope Exceptions Section outlines the items (for example, the entities, transactions, instruments, or events) to which the guidance in the Subtopic does or does not apply. In some cases, the Section may contain definitional or other text to frame the

scope.

General

- > **Overall Guidance**

980-815-15-1

- **Pending Content:**

Transition Date: (P) December 16, 2016; (N) December 16, 2017**Transition**

Guidance: [606-10-65-1](#)

This Subtopic follows the same Scope and Scope Exceptions as outlined in the Overall Subtopic; see Section [980-10-15](#), with specific qualifications and exceptions noted below.

- > **Entities**

980-815-15-2

- **Pending Content:**

Transition Date: (P) December 16, 2016; (N) December 16, 2017**Transition**

Guidance: [606-10-65-1](#)

The guidance in this Subtopic applies to **nonutility generators** as they provide many of the services of entities with regulated operations.

- > **Transactions**

980-815-15-3

- **Pending Content:**

Transition Date: (P) December 16, 2016; (N) December 16, 2017**Transition**

Guidance: [606-10-65-1](#)

The scope of this Subtopic excludes long-term power supply contracts that would qualify for lease accounting pursuant to Topic [840](#). For a discussion of the considerations required to determine whether a long-term power sales contract arrangement contains a lease, see Subtopic [840-10](#).

980-815-20 Glossary

General Note: The Master Glossary contains all terms identified as glossary terms throughout the Codification. Clicking on any term in the Master Glossary will display where the term is used. The Master Glossary may contain identical terms with different definitions, some of which may not be appropriate for a particular Subtopic. For any particular Subtopic, users should only use the glossary terms included in the particular Subtopic Glossary Section (Section 20).

All-in-One Hedge

In an all-in-one hedge, a derivative instrument that will involve gross settlement is designated as the hedging instrument in a cash flow hedge of the variability of the consideration to be

paid or received in the forecasted transaction that will occur upon gross settlement of the derivative instrument itself.

Contract

Note: The following definition is Pending Content; see Transition Guidance in [606-10-65-1](#)

An agreement between two or more parties that creates enforceable rights and obligations.

Nonutility Generators

Entities owning electric generating plants built either for their own energy needs or to sell power, usually to rate-regulated entities, under long-term power sales contracts.

980-815-25 Recognition

General

- > **Long-Term Power Sales Contracts**

980-815-25-1

- **Pending Content:**

Transition Date: (P) December 16, 2016; (N) December 16, 2017**Transition**

Guidance: [606-10-65-1](#)

In general, **nonutility generators** are not regulated and do not meet the criteria of an entity with regulated operations as provided in paragraph [980-10-15-2](#). However, since nonutility generators provide many of the same services as entities with regulated operations, the guidance for nonutility generators on accounting for **contracts** that meet the definition of a derivative is included in paragraphs [980-815-25-4](#) through [25-6](#). That portion of this Subsection assumes the seller of power under the long-term contract does not meet the criteria for application of this Topic.

980-815-25-2

- **Pending Content:**

Transition Date: (P) December 16, 2016; (N) December 16, 2017**Transition**

Guidance: [606-10-65-1](#)

Nonutility generators provide a significant percentage of new electric generating capacity in the United States. Some of these generating plants are built by users primarily for their own energy needs while others are built specifically to sell power, usually to rate-regulated utilities, under long-term power sales contracts. Those contracts price the power sold under a wide variety of terms and arrangements.

980-815-25-3

- **Pending Content:**

Transition Date: (P) December 16, 2016; (N) December 16, 2017**Transition**

Guidance: [606-10-65-1](#)

The long-term power sales contracts may provide for any of the following:

- a. Stated prices per kilowatt hour that increase, decrease, or remain level over the term of the contract
- b. Formula-based prices per kilowatt hour
- c. Billings that are a combination of stated prices and formula-based prices per kilowatt hour.

- >> **Contracts Meeting Definition of Derivative**

980-815-25-4

- **Pending Content:**

Transition Date: (P) December 16, 2016; (N) December 16, 2017 **Transition**

Guidance: [606-10-65-1](#)

If a long-term power sales contract meets the definition of a derivative under Topic [815](#), then it would be marked to fair value through earnings, unless designated as a hedging instrument in certain types of hedging relationships. Otherwise, the guidance in Topic [606](#) on revenue from contracts with customers would apply. Some long-term power sales contracts that meet the definition of a derivative may qualify for the normal purchases and normal sales scope exception contained in paragraph [815-10-15-13\(b\)](#), in which case the long-term power sales contract would be accounted for under this Section.

980-815-25-5

- **Pending Content:**

Transition Date: (P) December 16, 2016; (N) December 16, 2017 **Transition**

Guidance: [606-10-65-1](#)

Long-term power sales contracts that are accounted for as derivatives may possibly qualify as hedging instruments in **all-in-one hedges**. The guidance in Section [815-10-55](#) may be relevant.

980-815-25-6

- **Pending Content:**

Transition Date: (P) December 16, 2016; (N) December 16, 2017 **Transition**

Guidance: [606-10-65-1](#)

For a discussion of issues involved in accounting for derivative contracts held for trading purposes and contracts involved in energy trading and risk management activities, see paragraph [815-10-45-9](#).

980-815-75 XBRL Elements

General Note: This section contains a list of XBRL elements that reference paragraphs in this Subtopic. For additional details regarding changes to the development version of the US GAAP Financial Reporting Taxonomy, refer to the [FASB taxonomy review and comment system](#) on the FASB web site.

- **Liability Above Market for Nonutility Generator Contracts, Noncurrent**

Element Name: *LiabilityAboveMarketForNonutilityGeneratorContractsNoncurrent*

- **This XBRL element references the following paragraph(s)/term(s) in this Subtopic:**

- [Nonutility Generators](#)
- This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):
 - [210 Balance Sheet > 10 Overall > S99 SEC Materials > General, S99-1\(SX 210.5-02.24\)](#)

980 Regulated Operations
835 Interest

980-835-05 Overview and Background

General Note: The Overview and Background Section provides overview and background material for the guidance contained in the Subtopic. It does not provide the historical background or due process. It may contain certain material that users generally consider useful to understand the typical situations addressed by the standards. The Section does not summarize the accounting and reporting requirements.

General

980-835-05-1 This Subtopic provides guidance on accounting for interest for entities with regulated operations.

980-835-15 Scope and Scope Exceptions

General Note: The Scope and Scope Exceptions Section outlines the items (for example, the entities, transactions, instruments, or events) to which the guidance in the Subtopic does or does not apply. In some cases, the Section may contain definitional or other text to frame the scope.

General

- > **Overall Guidance**

980-835-15-1 This Subtopic follows the same Scope and Scope Exceptions as outlined in the Overall Subtopic, see Section [980-10-15](#).

980-835-20 Glossary

General Note: The Master Glossary contains all terms identified as glossary terms throughout the Codification. Clicking on any term in the Master Glossary will display where the term is used. The Master Glossary may contain identical terms with different definitions, some of which may not be appropriate for a particular Subtopic. For any particular Subtopic, users should only use the glossary terms included in the particular Subtopic Glossary Section

(Section 20).

Allowable Costs

All costs for which revenue is intended to provide recovery. Those costs can be actual or estimated. In that context, allowable costs include interest cost and amounts provided for earnings on shareholders' investments.

Allowance for Funds Used during Construction

The cost of financing construction as financed partially by borrowings and partially by equity, capitalized as part of the cost of plant and equipment pursuant to requirements of the regulator.

Capitalize

Capitalize is used to indicate that the cost would be recorded as the cost of an asset. That procedure is often referred to as deferring a cost, and the resulting asset is sometimes described as a deferred cost.

980-835-25 Recognition

General Note: The Recognition Section provides guidance on the required criteria, timing, and location (within the financial statements) for recording a particular item in the financial statements. Disclosure is not recognition.

General

- > **Construction Financing Cost Capitalization**

980-835-25-1 In some cases, a regulator requires an entity subject to its authority to **capitalize**, as part of the cost of plant and equipment, the cost of financing construction as financed partially by borrowings and partially by equity. This cost of financing construction is referred to as an **allowance for funds used during construction**.

980-835-25-2 If the specific criteria in paragraph 980-835-35-1 are met but an allowance for funds used during construction is not capitalized because its inclusion in the cost that will become the basis for future rates is not probable, the regulated entity may not alternatively capitalize interest cost in accordance with Subtopic 835-20.

980-835-25-3 If completion of a plant under construction is reasonably possible but no longer probable, and the regulator in the governing jurisdiction routinely disallows accumulated allowance for funds used during construction on abandoned plants, the criteria required to write off such previously recognized amounts are not met since disallowance is not probable; thus, such previously capitalized amounts shall not be written off. However, because inclusion of allowance for funds used during construction in the cost allowed for future rates is no longer probable, further capitalization of such amounts is not warranted.

980-835-25-4 Assume that a prudence investigation is in process or has taken place, and a disallowance of cost (including subsequent allowance for funds used during construction on those costs) is reasonably possible, and that the range of such disallowance is from zero to some maximum amount, with no point within the range being more likely than any other. In

that situation, because a disallowance of the maximum amount in the range is reasonably possible and thus inclusion of that amount in rates is no longer probable, subsequent capitalization of allowance for funds used during construction shall be discontinued for an amount of costs equal to the maximum amount that is within the range.

980-835-30 Initial Measurement

General Note: The Initial Measurement Section provides guidance on the criteria and amounts used to measure a particular item at the date of initial recognition.

General

980-835-30-1 If a regulator requires an entity to capitalize certain costs as discussed in paragraph 980-835-25-1, a computed interest cost and a designated cost of equity funds are capitalized, and net income for the current period is increased by a corresponding amount. In such cases, the amounts capitalized for rate-making purposes as part of the cost of acquiring the assets shall be capitalized for financial reporting purposes instead of the amount of interest that would be capitalized in accordance with Subtopic 835-20. Those amounts shall be capitalized only if their subsequent inclusion in **allowable costs** for rate-making purposes is probable.

980-835-35 Subsequent Measurement

General Note: The Subsequent Measurement Section provides guidance on an entity's subsequent measurement and subsequent recognition of an item. Situations that may result in subsequent changes to carrying amount include impairment, fair value adjustments, depreciation and amortization, and so forth.

General

980-835-35-1 After construction is completed, the resulting capitalized cost, including the **allowance for funds used during construction**, is the basis for depreciation and unrecovered investment for rate-making purposes.

980-835-45 Other Presentation Matters

General Note: The Other Presentation Matters Section provides guidance on other presentation matters not addressed in the Recognition, Initial Measurement, Subsequent Measurement, and Derecognition Sections. Other presentation matters may include items such as current or long-term balance sheet classification, cash flow presentation, earnings per share matters, and so forth. The FASB Codification also contains Presentation Topics, which provide guidance for general presentation and display items. See those Topics for general guidance.

General

980-835-45-1 The income statement shall include an item of other income, a reduction of interest expense, or both, in a manner that indicates the basis for the amount of construction financing cost capitalized as required by paragraph 980-835-25-1.

980-835-75 XBRL Elements

General Note: This section contains a list of XBRL elements that reference paragraphs in this Subtopic. For additional details regarding changes to the development version of the US GAAP Financial Reporting Taxonomy, refer to the [FASB taxonomy review and comment system](#) on the FASB web site.

- **Allowance for Funds Used During Construction, Capitalized Interest**

[Label and/or reference(s) most recently revised on 06/15/2011 after the last taxonomy release.]

Element Name: *PublicUtilitiesAllowanceForFundsUsedDuringConstructionCapitalizedInterest*

- **This XBRL element references the following paragraph(s)/term(s) in this Subtopic:**
 - [Allowance for Funds Used during Construction](#)
 - [980 Regulated Operations > 835 Interest > 45 Other Presentation > General, 45-1](#)

- **Capitalized Interest Costs, Including Allowance for Funds Used During Construction**

[Label and/or reference(s) most recently revised on 06/15/2011 after the last taxonomy release.]

Element Name: *InterestCostsIncurredCapitalized*

- **This XBRL element references the following paragraph(s)/term(s) in this Subtopic:**
 - [Allowance for Funds Used during Construction](#)
 - [980 Regulated Operations > 835 Interest > 45 Other Presentation > General, 45-1](#)

- **Interest Costs Capitalized**

[Label and/or reference(s) most recently revised on 11/14/2011 after the last taxonomy release.]

Element Name: *InterestCostsCapitalized*

- **This XBRL element references the following paragraph(s)/term(s) in this Subtopic:**
 - [Allowance for Funds Used during Construction](#)
- **This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):**

- [835 Interest > 20 Capitalization of Interest > 50 Disclosure > General, 50-1\(b\)](#)
- **Public Utilities, Allowance for Funds Used During Construction, Capitalized Cost of Equity**

Element

Name: *PublicUtilitiesAllowanceForFundsUsedDuringConstructionCapitalizedCostOfEquity*

- **This XBRL element references the following paragraph(s)/term(s) in this Subtopic:**
 - [980 Regulated Operations > 835 Interest > 25 Recognition > General, 25-1](#)
 - [980 Regulated Operations > 835 Interest > 45 Other Presentation > General, 45-1](#)
- **Public Utilities, Allowance for Funds Used During Construction, Description**

Element Name: *PublicUtilitiesAllowanceForFundsUsedDuringConstructionDescription*

- **This XBRL element references the following paragraph(s)/term(s) in this Subtopic:**
 - [980 Regulated Operations > 835 Interest > 25 Recognition > General, 25-1](#)
 - [980 Regulated Operations > 835 Interest > 45 Other Presentation > General, 45-1](#)
- **Public Utilities, Allowance for Funds Used During Construction, Rate**

Element Name: *PublicUtilitiesAllowanceForFundsUsedDuringConstructionRate*

- **This XBRL element references the following paragraph(s)/term(s) in this Subtopic:**
 - [980 Regulated Operations > 835 Interest > 25 Recognition > General, 25-1](#)
 - [980 Regulated Operations > 835 Interest > 45 Other Presentation > General, 45-1](#)
- **Public Utilities, Amount of Allowance for Funds Used During Construction, Equity Costs Capitalized Only for Rate-making Purposes**

[Label and/or reference(s) most recently revised on 07/06/2011 after the last taxonomy release.]

Element

Name: *PublicUtilitiesAmountOfAllowanceForFundsUsedDuringConstructionEquityCostsCapitalizedOnlyForRateMakingPurposes*

- **This XBRL element references the following paragraph(s)/term(s) in this Subtopic:**
 - [980 Regulated Operations > 835 Interest > 25 Recognition > General, 25-1](#)

- [980 Regulated Operations > 835 Interest > 45 Other Presentation > General, 45-1](#)
- This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 50 Disclosure > General, 50-3](#)
- **Public Utilities, Description of Allowance for Funds Used During Construction, Equity Costs Capitalized Only for Rate-making Purposes**

[Label and/or reference(s) most recently revised on 07/06/2011 after the last taxonomy release.]

Element

Name: *PublicUtilitiesAllowanceForFundsUsedDuringConstructionEquityCostsCapitalizedOnlyForRateMakingPurposes*

- This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 835 Interest > 25 Recognition > General, 25-1](#)
 - [980 Regulated Operations > 835 Interest > 45 Other Presentation > General, 45-1](#)
- This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 50 Disclosure > General, 50-3](#)

980 Regulated Operations
840 Leases

980-840-05 Overview and Background

General Note: The Overview and Background Section provides overview and background material for the guidance contained in the Subtopic. It does not provide the historical background or due process. It may contain certain material that users generally consider useful to understand the typical situations addressed by the standards. The Section does not summarize the accounting and reporting requirements.

General

980-840-05-1 This Subtopic provides guidance on accounting for leases for entities with regulated operations.

980-840-15 Scope and Scope Exceptions

General Note: The Scope and Scope Exceptions Section outlines the items (for example, the entities, transactions, instruments, or events) to which the guidance in the Subtopic does or does not apply. In some cases, the Section may contain definitional or other text to frame the scope.

General

- > **Overall Guidance**

980-840-15-1 This Subtopic follows the same Scope and Scope Exceptions as outlined in the Overall Subtopic, see Section [980-10-15](#).

980-840-20 Glossary

General Note: The Master Glossary contains all terms identified as glossary terms throughout the Codification. Clicking on any term in the Master Glossary will display where the term is used. The Master Glossary may contain identical terms with different definitions, some of which may not be appropriate for a particular Subtopic. For any particular Subtopic, users should only use the glossary terms included in the particular Subtopic Glossary Section (Section 20).

Allowable Costs

All costs for which revenue is intended to provide recovery. Those costs can be actual or estimated. In that context, allowable costs include interest cost and amounts provided for earnings on shareholders' investments.

Phase-In Plan

Any method of recognition of allowable costs in rates that meets all of the following criteria:

- a. The method was adopted by the regulator in connection with a major, newly completed plant of the regulated entity or of one of its suppliers or a major plant scheduled for completion in the near future.
- b. The method defers the rates intended to recover allowable costs beyond the period in which those allowable costs would be charged to expense under generally accepted accounting principles (GAAP) applicable to entities in general.
- c. The method defers the rates intended to recover allowable costs beyond the period in which those rates would have been ordered under the rate-making methods routinely used prior to 1982 by that regulator for similar allowable costs of that regulated entity.

980-840-25 Recognition

General Note: The Recognition Section provides guidance on the required criteria, timing, and location (within the financial statements) for recording a particular item in the financial statements. Disclosure is not recognition.

General

- > **Sale-Leaseback Transactions**

980-840-25-1 Accounting for sale-leaseback transactions in accordance with the guidance in Subtopic 840-40 may result in a difference between the timing of income and expense recognition required by that Subtopic and the timing of income and expense recognition for rate-making purposes.

980-840-25-2 That difference shall be accounted for as follows:

- a. If the difference in timing of income and expense recognition constitutes all or a part of a **phase-in plan**, it shall be accounted for in accordance with Subtopic 980-340.
- b. Otherwise, the timing of income and expense recognition related to the sale-leaseback transaction shall be modified as necessary to conform to the Regulated Operations Topic. That modification required for a transaction that is accounted for by the deposit method or as a financing is further described in the following paragraph and paragraphs 980-840-35-1 through 35-2.

980-840-25-3 The difference between the amount of income or expense recognized for a transaction that is not part of a phase-in plan and that is accounted for by the deposit method or as a financing under Subtopic 840-40 and the amount of income or expense included in allowable cost for rate-making purposes shall be capitalized or accrued as a separate regulatory-created asset or liability, as appropriate, if that difference meets the criteria of the Regulated Operations Topic.

980-840-35 Subsequent Measurement

General Note: The Subsequent Measurement Section provides guidance on an entity's subsequent measurement and subsequent recognition of an item. Situations that may result in subsequent changes to carrying amount include impairment, fair value adjustments, depreciation and amortization, and so forth.

General

- > **Sale-Leaseback Transactions**

980-840-35-1 If a sale-leaseback transaction that is not part of a **phase-in plan** is accounted for by the deposit method but the sale is recognized for rate-making purposes, the amortization of the asset shall be modified to equal the total of the rental expense and the gain or loss allowable for rate-making purposes.

980-840-35-2 Similarly, if the sale-leaseback transaction is accounted for as a financing and the sale is recognized for rate-making purposes, the total of interest imputed under the interest method for the financing and the amortization of the asset shall be modified to equal the total rental expense and the gain or loss allowable for rate-making purposes.

980-840-45 Other Presentation Matters

General Note: The Other Presentation Matters Section provides guidance on other presentation matters not addressed in the Recognition, Initial Measurement, Subsequent Measurement, and Derecognition Sections. Other presentation matters may include items such as current or long-term balance sheet classification, cash flow presentation, earnings per share matters, and so forth. The FASB Codification also contains Presentation Topics, which provide guidance for general presentation and display items. See those Topics for general guidance.

General

- > **Treatment of Leases for Rate-Making Purposes**

980-840-45-1 Topic 840 specifies criteria for classification of leases and the method of accounting for each type of lease. For rate-making purposes, a lease may be treated as an operating lease even though the lease would be classified as a capital lease under those criteria. In effect, the amount of the lease payment is included in **allowable costs** as rental expense in the period it covers.

980-840-45-2 For financial reporting purposes, the classification of the lease is not affected by the regulator's actions. The regulator cannot eliminate an obligation that was not imposed by the regulator (see paragraph 980-405-40-1). Also, by including the lease payments as allowable costs, the regulator sets rates that will provide revenue approximately equal to the combined amount of the capitalized leased asset and interest on the lease obligation over the term of the lease and, thus, provides reasonable assurance of the existence of an asset (see paragraph 980-340-25-1). Accordingly, regulated entities shall classify leases in accordance with Topic 840.

980-840-45-3 The nature of the expense elements related to a capitalized lease (amortization of the leased asset and interest on the lease obligation) is not changed by the regulator's action; however, the timing of expense recognition related to the lease would be modified to conform to the rate treatment. Thus, amortization of the leased asset shall be modified so that the total of interest on the lease obligation and amortization of the leased asset shall equal the rental expense that was allowed for rate-making purposes. For newly completed plants such regulatory treatment could result in a **phase-in plan** as defined in Subtopic 980-340.

980-840-45-4 Paragraph 840-30-45-3 states that an entity is not required to classify interest expense or amortization of leased assets to be classified as separate items in an income statement. For example, the amounts of amortization of capitalized leased nuclear fuel and interest on the related lease obligation could be combined with other costs and displayed as fuel cost. However, the disclosure of total interest cost incurred, required by Subtopic 835-20, shall include the interest on that lease obligation; and the disclosure of the total amortization charge, required by Topic 840, shall include amortization of that leased asset.

980-840-55 Implementation Guidance and Illustrations

General Note: The Implementation Guidance and Illustrations Section contains implementation guidance and illustrations that are an integral part of the Subtopic. The implementation guidance and illustrations do not address all possible variations. Users must

consider carefully the actual facts and circumstances in relation to the requirements of the Subtopic.

General

- > **Implementation Guidance**
- >> **Income Statement Classification**

980-840-55-1 Paragraph [840-30-45-3](#) states that an entity is not required to classify interest expense or amortization of leased assets as separate items in an income statement. However, that paragraph also states that unless the charge to income resulting from amortization of assets recorded under capital leases is included by the lessee with depreciation expense and the fact that it is so included is disclosed, the amortization charge shall be separately disclosed by the lessee in the financial statements or footnotes thereto. For example, the amounts of amortization of capitalized leased nuclear fuel and interest on the related lease obligation could be combined with other costs and displayed as fuel cost. However, in that circumstance, the disclosure of total interest cost incurred, required by Subtopic [835-20](#), would include the interest on that lease obligation; and the disclosure of the total amortization charge, required by paragraph [840-30-45-3](#), would include amortization of that leased asset.

980-840-75 XBRL Elements

General Note: This section contains a list of XBRL elements that reference paragraphs in this Subtopic. For additional details regarding changes to the development version of the US GAAP Financial Reporting Taxonomy, refer to the [FASB taxonomy review and comment system](#) on the FASB web site.

- **Amortization of Nuclear Fuel Lease**

Element Name: *AmortizationOfNuclearFuelLease*

- **This XBRL element references the following paragraph(s)/term(s) in this Subtopic:**
 - [980 Regulated Operations > 840 Leases > 45 Other Presentation > General, 45-4](#)
- **This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):**
 - [230 Statement of Cash Flows > 10 Overall > 45 Other Presentation > General, 45-28\(b\)](#)
 - [840 Leases > 30 Capital Leases > 45 Other Presentation > Lessees, 45-3](#)

- **Capital Leases, Income Statement, Amortization Expense**

Element Name: *CapitalLeasesIncomeStatementAmortizationExpense*

- **This XBRL element references the following paragraph(s)/term(s) in this Subtopic:**

- [980 Regulated Operations > 840 Leases > 55 Implementation > General, 55-1](#)
- This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):
 - [840 Leases > 30 Capital Leases > 45 Other Presentation > Lessees, 45-3](#)
- **Public Utilities, Description of Impact on Leases Due to Regulatory Rate Making**
Element Name: *PublicUtilitiesDescriptionOfImpactOnLeasesDueToRegulatoryRateMaking*
 - This XBRL element references the following paragraph(s)/term(s) in this Subtopic:
 - [980 Regulated Operations > 840 Leases > 45 Other Presentation > General, 45-1](#)
 - [980 Regulated Operations > 840 Leases > 45 Other Presentation > General, 45-2](#)
 - [980 Regulated Operations > 840 Leases > 45 Other Presentation > General, 45-3](#)
 - [980 Regulated Operations > 840 Leases > 45 Other Presentation > General, 45-4](#)
 - [980 Regulated Operations > 840 Leases > 55 Implementation > General, 55-1](#)
 - This XBRL element references the following paragraph(s)/term(s) in other Subtopic(s):
 - [840 Leases > 30 Capital Leases > 45 Other Presentation > Lessees, 45-3](#)
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 55 Implementation > General, 55-10](#)
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 55 Implementation > General, 55-11](#)
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 55 Implementation > General, 55-13](#)
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 55 Implementation > General, 55-14](#)
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 55 Implementation > General, 55-16](#)
 - [980 Regulated Operations > 340 Other Assets and Deferred Costs > 55 Implementation > General, 55-17](#)