

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

|                                      |   |                             |
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| In the matter of the Application of  | ) | <u>DOCKET NO. 03-035-13</u> |
| PacifiCorp for an Accounting Order   | ) |                             |
| Regarding Treatment of Certain Asset | ) |                             |
| Retirement Obligations               | ) | <u>ACCOUNTING ORDER</u>     |

ISSUED: August 13, 2003

By The Commission:

On May 27, 2003, PacifiCorp, dba Utah Power and Light Company (PacifiCorp), filed an Application seeking authorization to record, as a regulatory asset or regulatory liability, the cumulative financial statement impact resulting from PacifiCorp's implementation of Statement of Financial Accounting Standards (SFAS) 143 and to record on an ongoing basis, as a regulatory asset or a regulatory liability, an amount equal to the difference between the annual SFAS 143 accretion and depreciation expense and the annual depreciation expenses based on Utah Public Service Commission approved depreciation rates and coal mine reclamation accruals.

In June, 2001, the Financial Accounting Standards Board (FASB) issued SFAS 143, Accounting for Asset Retirement Obligations, effective for fiscal years beginning after June 15, 2002. SFAS 143 addresses the financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The FASB issued SFAS 143 to eliminate inconsistencies in accounting practices for asset retirement obligations. SFAS 143 is directed to obligations that meet the definition of a liability, but are not recognized as such on financial statements when the liability is incurred or, if a liability is recognized, it is not measured or presented in a consistent manner.

PacifiCorp will be implementing SFAS 143 in fiscal year 2004. PacifiCorp's current financial and ratemaking accounting method differs from SFAS 143's approach. After a review, PacifiCorp has determined that it will need to record asset retirement obligations under SFAS 143 for certain generation and mining assets. PacifiCorp has also identified asset retirement obligations for transmission and distribution assets; but the timing of those obligations is indeterminate and the liability cannot be measured and recorded at this time. SFAS 143 recognizes that differences may exist between its requirements and asset retirement obligations for regulatory purposes. Regulated entities subject to SFAS 71, Accounting for the Effects of Certain Types of Regulation, are able to recognize any differences between the two methods as a regulatory asset or liability, subject to SFAS 71 provisions. In order to reconcile the requirements of SFAS 143 and the regulatory accounting practices, PacifiCorp seeks authorization to record any difference between the annual SFAS 143 accretion and depreciation expenses and the annual Commission-approved depreciation rates and coal mine reclamation accruals as a regulatory asset or a regulatory liability.

On July 17, 2003, the Division of Public Utilities (DPU) filed its Memorandum describing its review of the Application and recommending that the Commission grant the application and authorize the accounting method sought by PacifiCorp. On July 25, 2003, the Committee of Consumer Services (CCS) submitted its Memorandum recommending approval as well. In addition to supporting the company's proposed accounting methodology, both the DPU and the CCS recommend that PacifiCorp be required, in its semi-annual results of operations reports and in general rate case filings, to provide information on all journal entries made under the requirements of SFAS 143 and information supporting the determination of the regulatory assets and liabilities. Counsel for PacifiCorp has informed the Commission that the company does not oppose this latter DPU/CCS recommended reporting requirement.

Based upon the foregoing, the Commission will issue an accounting order authorizing the accounting practice sought by PacifiCorp. PacifiCorp stated that it will implement SFAS 143 with its 10-Q for the quarter ending June 30, 2003. It seeks authorization at the earliest opportunity. Because there appears to be no opposition or objection to the

authorization, the Commission will proceed under Rule 110 and grant its order without hearing and waive the 20-day tentative period. The order will be final upon issuance.

### FINAL ORDER

Wherefore, the Commission issues this Final Order authorizing PacifiCorp to implement SFAS 143 and account for applicable asset retirement obligations as requested in its Application and as recommended by the DPU and CCS.

### Agency Review and Judicial Appeal

Pursuant to Utah Code 63-46b-12 and 54-7-15, agency review or rehearing of this order may be obtained by filing a request for review or rehearing with the Commission within 30 days after the issuance of the order. Responses to a request for agency review or rehearing must be filed within 15 days of the filing of the request for review or rehearing. If the Commission fails to grant a request for review or rehearing within 20 days after the filing of a request for review or rehearing, it is deemed denied. Judicial review of the Commission's final agency action may be obtained by filing a Petition for Review with the Utah Supreme Court within 30 days after final agency action. Any Petition for Review must comply with the requirements of Utah Code 63-46b-14, 63-46b-16 and the Utah Rules of Appellate Procedure.

DATED at Salt Lake City, Utah, this 13<sup>th</sup> day of August, 2003.

/s/ Ric Campbell, Chairman

/s/ Constance B. White, Commissioner

/s/ Ted Boyer, Commissioner

Attest:

/s/ Julie Orchard

Commission Secretary

GW #34754