FASB ASC 980

980 Regulated Operations

10 Overall

20 Discontinuation of Rate-Regulated Accounting

250 Accounting Changes and Error Corrections

340 Other Assets and Deferred Costs

350 Intangibles—Goodwill and Other

360 Property, Plant, and Equipment

405 Liabilities

410 Asset Retirement and Environmental Obligations

450 Contingencies

470 Debt

605 Revenue Recognition

710 Compensation—General

715 Compensation—Retirement Benefits

740 Income Taxes

810 Consolidation

815 Derivatives and Hedging

835 Interest

840 Leases

842 Leases

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-10

Overall

00 Status

05 Overview and Background

15 Scope and Scope Exceptions

20 Glossary

75 XBRL Elements

S00 Status

S45 Other Presentation Matters

S50 Disclosure

S75 XBRL Elements

S99 SEC Materials

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-10-00

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

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

Paragraph	Action	Accounting Standards Update	Date
980-10-05-1	Amended	Maintenance Update 2016-05	04/12/2016
980-10-05-1	Amended	Accounting Standards Update No. 2014-09	05/28/2014
980-10-15-6	Superseded	Accounting Standards Update No. 2014-10	06/10/2014

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-10-05

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

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

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

p Interest

q Leases.

Pending Content

Transition Date:*(P) December 16, 2017; (N) December 16, 2018* ¦ **Transition 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

oo Derivatives and Hedging

p Interest

q Leases.

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

Effect of Regulatory Accounting

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

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.

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.

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).

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.

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.

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.

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-10-15

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

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

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

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

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.

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.

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.

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.

15-6 Paragraph superseded by Accounting Standards Update No. 2014-10

Transactions

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

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

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(e) 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.

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-10-20

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).

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.

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-10-75

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.

XBRL Links to Codification

Earnings Per Share Policy, Basic (0)

Element Name: EarningsPerSharePolicyBasic

Paragraphs Referenced by the above XBRL element

- 235 Notes to Financial Statements>10 Overall>50 Disclosure>General, 50-3
- 980 Regulated Operations>10 Overall>05 Background>General, 05-1

Outage Costs, Policy [Policy Text Block] (4)

Element Name: OutageCostsPolicy

Paragraphs Referenced by the above XBRL element

- 235 Notes to Financial Statements>10 Overall>50 Disclosure>General, 50-3
- 980 Regulated Operations>10 Overall>05 Background>General, 05-1

Public Utilities, Description of Regulatory Scope (0)

Element Name: PublicUtilitiesDescriptionOfRegulatoryScope

Paragraphs Referenced by the above XBRL element

- 980 Regulated Operations>10 Overall>15 Scope>General, 15-2(a)

Public Utilities, Policy [Policy Text Block] (81)

Element Name: PublicUtilitiesPolicyTextBlock

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

Paragraphs Referenced by the above XBRL element

- 235 Notes to Financial Statements>10 Overall>50 Disclosure>General, 50-3
- 980 Regulated Operations>10 Overall>05 Background>General, 05-1

Utility, Revenue and Expense Recognition, Policy [Policy Text Block] (37)

Element Name: UtilityRevenueAndExpenseRecognitionPolicy

Paragraphs Referenced by the above XBRL element

- 235 Notes to Financial Statements>10 Overall>50 Disclosure>General, 50-3
- 980 Regulated Operations>10 Overall>05 Background>General, 05-3

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-10-S00

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

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

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-10-S45

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

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

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.

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-10-S50

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

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.

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-10-S75

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.

XBRL Links to Codification

Long-term Contract for Purchase of Electric Power [Axis] (27)

Element Name: LongTermContractForPurchaseOfElectricPowerAxis

Paragraphs Referenced by the above XBRL element

- 980 Regulated Operations>10 Overall>S99 SEC Materials>General, S99-1(SAB Topic 10.D)

Long-term Contract for Purchase of Electric Power [Domain] (3)

Element Name: LongTermContractForPurchaseOfElectricPowerDomain

Paragraphs Referenced by the above XBRL element

- 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 (6)

Element Name: LongTermContractForPurchaseOfElectricPowerAmountOfLongTermDebtOrLeaseObligationOutstanding

Paragraphs Referenced by the above XBRL element

- 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 (4)

Element Name: LongTermContractForPurchaseOfElectricPowerAnnualMinimumDebtServicePaymentRequired

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

Paragraphs Referenced by the above XBRL element

- 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 (3)

Element Name: LongTermContractForPurchaseOfElectricPowerDateOfContractExpiration

Paragraphs Referenced by the above XBRL element

- 980 Regulated Operations>10 Overall>S99 SEC Materials>General, S99-1(SAB Topic 10.D)

Long-term Contract for Purchase of Electric Power, Description (2)

Element Name: LongTermContractForPurchaseOfElectricPowerDescription

Paragraphs Referenced by the above XBRL element

- 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 (4)

Element Name: LongTermContractForPurchaseOfElectricPowerEstimatedAnnualCost

Paragraphs Referenced by the above XBRL element

- 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 (2)

Element Name: LongTermContractForPurchaseOfElectricPowerInterestIncludedInContractCharges

Paragraphs Referenced by the above XBRL element

- 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 (6)

Element Name: LongTermContractForPurchaseOfElectricPowerShareOfPlantOutputBeingPurchased

Paragraphs Referenced by the above XBRL element

- 980 Regulated Operations>10 Overall>S99 SEC Materials>General, S99-1(SAB Topic 10.D)

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

Long-term Contracts for Purchase of Electric Power [Table]

Element Name: LongTermContractsForPurchaseOfElectricPowerTable

Paragraphs Referenced by the above XBRL element

- 440 Commitments>10 Overall>25 Recognition>Unconditional Purchase Obligations, 25-3
- 980 Regulated Operations>10 Overall>S99 SEC Materials>General, S99-1(SAB Topic 10.D)

Schedule of Long-term Contracts for Purchase of Electric Power [Table Text Block] (15)

Element Name: ScheduleOfLongTermContractsForPurchaseOfElectricPowerTextBlock

Paragraphs Referenced by the above XBRL element

- 440 Commitments>10 Overall>25 Recognition>Unconditional Purchase Obligations, 25-3
- 980 Regulated Operations>10 Overall>S99 SEC Materials>General, S99-1(SAB Topic 10.D)

Utilities Operating Expense, Purchased Power under Long-term Contracts (12)

Element Name: UtilitiesOperatingExpensePurchasedPowerUnderLongTermContracts

Paragraphs Referenced by the above XBRL element

- 225 Income Statement>10 Overall>S99 SEC Materials>General, S99-2(SX 210.5-03.2(b))
- 980 Regulated Operations>10 Overall>S99 SEC Materials>General, S99-1(SAB TOPIC 10.D)

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-10-S99

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

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

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

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.

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-20

Discontinuation of Rate-Regulated Accounting

00 Status

05 Overview and Background

15 Scope and Scope Exceptions

20 Glossary

35 Subsequent Measurement

40 Derecognition

45 Other Presentation Matters

50 Disclosure

55 Implementation Guidance and Illustrations

75 XBRL Elements

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-20-00

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

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

Paragraph	Action	Accounting Standards Update	Date
980-20-40-4	Amended	Accounting Standards Update No. 2015-01	01/09/2015
980-20-45-1	Amended	Maintenance Update 2016-11	06/27/2016
980-20-50-2	Amended	Accounting Standards Update No. 2015-01	01/09/2015
980-20-55-4	Amended	Accounting Standards Update No. 2015-01	01/09/2015
980-20-55-9	Amended	Accounting Standards Update No. 2015-01	01/09/2015
		Accounting	

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

980-20-55-13	Amended	Standards Update No. 2015-01	01/09/2015

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-20-05

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

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.

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.

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-20-15

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

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

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.

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.

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-20-20

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.

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

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, credit losses, fair value adjustments, depreciation and amortization, and so forth.

General

Discontinuation of Recognition Following Regulator Actions

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

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.

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.

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.

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

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

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.

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.

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).

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.

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-20-40

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

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.

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.

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.

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

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* ¦ **Transition 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.

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

a Example 1 (see paragraph 980-20-55-1) illustrates assets recorded based solely on expected future revenue from the regulator.

b Example 2 (see paragraph 980-20-55-6) illustrates liabilities recorded based solely on actions of the regulator.

c 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

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.

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-20-45

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

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 note disclosure, the amounts contained in the financial statements that relate to that separable portion.

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-20-50

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

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.

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.

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-20-55

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

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

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.

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

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

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

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

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

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

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

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

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

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

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* ¦ **Transition 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

55-10 This Example illustrates the guidance in paragraphs 980-20-40-1 through 40-4.

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.

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

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* ¦ **Transition 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.

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-20-75

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.

XBRL Links to Codification

Amount of Embedded Regulatory Asset (0)

Element Name: AmountOfEmbeddedRegulatoryAsset

Paragraphs Referenced by the above XBRL element

- 980 Regulated Operations>20 Discontinuation of Rate-Regulated Accounting>40 Derecognition>General, 40-3
- 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 (0)

Element Name: AmountOfEmbeddedRegulatoryLiability

Paragraphs Referenced by the above XBRL element

- 980 Regulated Operations>20 Discontinuation of Rate-Regulated Accounting>40 Derecognition>General, 40-3
- 980 Regulated Operations>405 Liabilities>25 Recognition>General, 25-1

Discontinuance of Certain Regulatory Reporting Practices (1)

Element Name: DiscontinuanceOfCertainRegulatoryReportingPractices

Paragraphs Referenced by the above XBRL element

- 235 Notes to Financial Statements>10 Overall>50 Disclosure>General, 50-3
- 980 Regulated Operations>20 Discontinuation of Rate-Regulated Accounting>50 Disclosure>General, 50-1

Discontinued Application of Specialized Accounting for Regulated Operations (2)

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

Element Name: DiscontinuedApplicationOfSpecializedAccountingForRegulatedOperations

Paragraphs Referenced by the above XBRL element

- 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 Utilities, Disclosure of Regulatory Matters Pending [S]

Element Name: PublicUtilitiesDisclosureOfRegulatoryMattersPending

Paragraphs Referenced by the above XBRL element

- 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, 50-6
- 980 Regulated Operations>20 Discontinuation of Rate-Regulated Accounting>40 Derecognition>General, 40-6
- 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 Utility Property, Plant, and Equipment [Table Text Block] [S1]

Element Name: SchedulePublicUtilityPropertyPlantAndEquipmentTextBlock

Paragraphs Referenced by the above XBRL element

- 210 Balance Sheet>10 Overall>S99 SEC Materials>General, S99-1(SX 210.5-02.13(b))
- 980 Regulated Operations>20 Discontinuation of Rate-Regulated Accounting>45 Other Presentation>General, 45-1

Public Utility, Property, Plant and Equipment [Table]

Element Name: PublicUtilityPropertyPlantAndEquipmentTable

Paragraphs Referenced by the above XBRL element

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

- 210 Balance Sheet>10 Overall>S99 SEC Materials>General, S99-1(SX 210.5-02.13(b))
- 980 Regulated Operations>20 Discontinuation of Rate-Regulated Accounting>45 Other Presentation>General, 45-1

Regulated and Unregulated Operation [Domain] (0)

Element Name: RegulatedAndUnregulatedOperationDomain

Paragraphs Referenced by the above XBRL element

- 980 Regulated Operations>20 Discontinuation of Rate-Regulated Accounting>45 Other Presentation>General, 45-1

Regulation Status [Axis] (38)

Element Name: PublicUtilityRegulatedOrUnregulatedStatusAxis

Paragraphs Referenced by the above XBRL element

- 210 Balance Sheet>10 Overall>S99 SEC Materials>General, S99-1(SX 210.5-02(13)(b))
- 980 Regulated Operations>20 Discontinuation of Rate-Regulated Accounting>45 Other Presentation>General, 45-1

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-250

Accounting Changes and Error Corrections

00 Status

05 Overview and Background

15 Scope and Scope Exceptions

20 Glossary

55 Implementation Guidance and Illustrations

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

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

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

Paragraph	Action	Accounting Standards Update	Date
980-250-55-3	Amended	Accounting Standards Update No. 2016-02	02/25/2016

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-250-05

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

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

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-250-15

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

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

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-250-20

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).

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.

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

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

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

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

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.

Pending Content

Transition Date:*(P) December 16, 2018; (N) December 16, 2019* ¦ **Transition Guidance:**842-10-65-1

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. 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.

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

Refunds to Customers

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.

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 460-20-25-2). If the amounts are material, the disclosures specified in paragraph 980-605-50-1 should be furnished.

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-340

Other Assets and Deferred Costs

00 Status

05 Overview and Background

15 Scope and Scope Exceptions

20 Glossary

25 Recognition

35 Subsequent Measurement

40 Derecognition

45 Other Presentation Matters

50 Disclosure

55 Implementation Guidance and Illustrations

75 XBRL Elements

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-340-00

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

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

Paragraph	Action	Accounting Standards Update	Date
980-340-25-4	Amended	Accounting Standards Update No. 2016-02	02/25/2016
980-340-55-9 through 55-11	Amended	Accounting Standards Update No. 2016-02	02/25/2016
980-340-55-13 through 55-17	Amended	Accounting Standards Update No. 2016-02	02/25/2016

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-340-05

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

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

Phase-In Plans

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.

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.

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-340-15

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

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

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-340-20

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).

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

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

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.

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-340-25

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

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

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.

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

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

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.

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.

Pending Content

Transition Date:*(P) December 16, 2018; (N) December 16, 2019* ¦ **Transition Guidance:**842-10-65-1

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 finance 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.

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

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

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.

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.

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

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, credit losses, fair value adjustments, depreciation and amortization, and so forth.

General

Effect of Rate Action on Asset Value

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.

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

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

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

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

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.

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-340-40

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

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.

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-340-45

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

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.

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-340-50

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

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

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

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.

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-340-55

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

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

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.

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

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

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

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.

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.

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.

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.

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

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

Pending Content

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

Transition Date:*(P) December 16, 2018; (N) December 16, 2019* ¦ **Transition Guidance:**842-10-65-1

***Editor's Note**: The heading that precedes paragraph 980-340-55-9 will be amended upon transition as shown below. The con paragraph 980-340-55-9 will not change.*

> > **Example 1: Sale with Leaseback—Finance Lease**

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

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.

Pending Content

Transition Date:*(P) December 16, 2018; (N) December 16, 2019* ¦ **Transition Guidance:**842-10-65-1

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 arrangement would not qualify for sale and leaseback accounting in accordance with Subtopic 842-40 because the leaseback would be classified as a finance lease. However, the arrangement previously qualified as a sale and a capital leaseback in accordance with Subtopic 840-40 before the effective date of Topic 842. Therefore, Utility B continues to account for the arrangement as a sale and a leaseback. 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.

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.

Pending Content

Transition Date:*(P) December 16, 2018; (N) December 16, 2019* ¦ **Transition Guidance:**842-10-65-1

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

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 finance lease to be accounted for much like a purchase of the underlying asset. 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 assets. 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

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

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.

Pending Content

Transition Date:*(P) December 16, 2018; (N) December 16, 2019* ¦ **Transition Guidance:**842-10-65-1

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 arrangement qualifies as a sale and a leaseback in accordance with Subtopic 842-20. The leaseback is classified as an operating lease. Utility C's regulator includes the lease payments 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.

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.

Pending Content

Transition Date:*(P) December 16, 2018; (N) December 16, 2019* ¦ **Transition Guidance:**842-10-65-1

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

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

Example 3: Sale with Leaseback—Profit Recognition Accelerated

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

Pending Content

Transition Date:*(P) December 16, 2018; (N) December 16, 2019* ¦ **Transition Guidance:**842-10-65-1

***Editor's Note**: The heading that precedes paragraph 980-340-55-15 will be amended upon transition as shown below. The co paragraph 980-340-55-15 will not change.*

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

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

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.

Pending Content

Transition Date:*(P) December 16, 2018; (N) December 16, 2019* ¦ **Transition Guidance:**842-10-65-1

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 arrangement would not qualify for sale and leaseback accounting in accordance with Subtopic 842-40 because the leaseback would be classified as a finance lease. However, the arrangement previously qualified as a sale and a capital leaseback in accordance with Subtopic 840-40 before the effective date of Topic 842. Therefore, Utility D continues to account for the arrangement as a sale and a leaseback. Utility D's regulator includes the lease payments 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.

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.

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

Pending Content

Transition Date:*(P) December 16, 2018; (N) December 16, 2019* ¦ **Transition Guidance:**842-10-65-1

The rate-making method described is a phase-in plan under the definition in this Subtopic. GAAP applicable to entities in general at the time of entering into this arrangement required a profit on a sale and 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 at that time required 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 and 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

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

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.

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

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).

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

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

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

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.

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.

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.

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

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

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

$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.

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

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.

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

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

Case C: Interaction with Subsequent Phase-In Plan

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.

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

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

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

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

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.

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:

a 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.

b 19X2—All of the remaining cost of the plant is to be included in the rate base with no recovery of previously deferred amounts.

c 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.

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.

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.

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)

(1)	(2)	(3) Return on Investment	(4)

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

Month	Cost Deferral (Recovery)	Cumulative Amount Deferred	on Cumulative Deferral	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				$ 5,099

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

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

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

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

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.

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.

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.

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.

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.

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-340-75

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.

XBRL Links to Codification

Amount of Embedded Regulatory Asset (0)

Element Name: AmountOfEmbeddedRegulatoryAsset

Paragraphs Referenced by the above XBRL element

- 980 Regulated Operations>20 Discontinuation of Rate-Regulated Accounting>40 Derecognition>General, 40-3
- 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 Impairment to Carrying Amount of Regulatory Assets (10)

Element Name: AmountOfImpairmentToCarryingAmountOfRegulatoryAssets

Paragraphs Referenced by the above XBRL element

- 980 Regulated Operations>340 Other Assets and Deferred Costs>35 Subsequent Measurement>General, 35-1

Asset Impairment for Regulatory Action [Member] (3)

Element Name: AssetImpairmentForRegulatoryActionMember

Paragraphs Referenced by the above XBRL element

- 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] (15)

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

Element Name: AssetRecoverableGasCostsMember

Paragraphs Referenced by the above XBRL element

- 980 Regulated Operations>340 Other Assets and Deferred Costs>25 Recognition>General, 25-1

Asset Recovery Damaged Property Costs, Noncurrent (2)

Element Name: AssetRecoveryDamagedPropertyCostsNoncurrent

Paragraphs Referenced by the above XBRL element

- 980 Regulated Operations>340 Other Assets and Deferred Costs>25 Recognition>General, 25-1

Asset Retirement Obligation Costs [Member] (123)

Element Name: AssetRetirementObligationCostsMember

Paragraphs Referenced by the above XBRL element

- 980 Regulated Operations>340 Other Assets and Deferred Costs>25 Recognition>General, 25-1
- 980 Regulated Operations>410 Asset Retirement and Environmental Obligations>25 Recognition>General, 25-2

Capitalization and Amortization of Fuel Costs, Policy [Policy Text Block] (15)

Element Name: CapitalizationAndAmortizationOfFuelCostsPolicy

Paragraphs Referenced by the above XBRL element

- 235 Notes to Financial Statements>10 Overall>50 Disclosure>General, 50-3
- 980 Regulated Operations>340 Other Assets and Deferred Costs>50 Disclosure>General, 50-1

Deferred Fuel Cost (19)

Element Name: DeferredFuelCost

Paragraphs Referenced by the above XBRL element

- 980 Regulated Operations>340 Other Assets and Deferred Costs>25 Recognition>General, 25-1

Deferred Fuel Costs [Member] (30)

Element Name: DeferredFuelCostsMember

Paragraphs Referenced by the above XBRL element

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

- 980 Regulated Operations>340 Other Assets and Deferred Costs>25 Recognition>General, 25-1

Deferred Gain (Loss) on Early Extinguishment of Debt [Member] {9}

Element Name: DeferredLossOnEarlyExtinguishmentOfDebtMember

Paragraphs Referenced by the above XBRL element

- 980 Regulated Operations>340 Other Assets and Deferred Costs>25 Recognition>General, 25-1
- 980 Regulated Operations>405 Liabilities>25 Recognition>General, 25-1
- 980 Regulated Operations>470 Debt>40 Derecognition>General, 40-1

Deferred Gas Cost {10}

Element Name: DeferredGasCost

Paragraphs Referenced by the above XBRL element

- 980 Regulated Operations>340 Other Assets and Deferred Costs>25 Recognition>General, 25-1

Deferred Income Tax Charge [Member] {94}

Element Name: DeferredIncomeTaxChargesMember

Paragraphs Referenced by the above XBRL element

- 980 Regulated Operations>340 Other Assets and Deferred Costs>25 Recognition>General, 25-1
- 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] {15}

Element Name: DeferredProjectCostsMember

Paragraphs Referenced by the above XBRL element

- 980 Regulated Operations>340 Other Assets and Deferred Costs>25 Recognition>General, 25-1

Deferred Storm and Property Reserve Deficiency, Current {2}

Element Name: DeferredStormAndPropertyReserveDeficiencyCurrent

Paragraphs Referenced by the above XBRL element

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

- 980 Regulated Operations>340 Other Assets and Deferred Costs>25 Recognition>General, 25-1

Deferred Storm and Property Reserve Deficiency, Noncurrent (6)

Element Name: DeferredStormAndPropertyReserveDeficiencyNoncurrent

Paragraphs Referenced by the above XBRL element

- 980 Regulated Operations>340 Other Assets and Deferred Costs>25 Recognition>General, 25-1

Demand Side Management Program Costs, Noncurrent (1)

Element Name: DemandSideManagementProgramCostsNoncurrent

Paragraphs Referenced by the above XBRL element

- 210 Balance Sheet>10 Overall>S99 SEC Materials>General, S99-1(SX 210.5-02.17)
- 980 Regulated Operations>340 Other Assets and Deferred Costs>25 Recognition>General, 25-1

Description of Regulatory Assets and Liabilities (1)

Element Name: DescriptionOfRegulatoryAssetsAndLiabilities

Paragraphs Referenced by the above XBRL element

- 980 Regulated Operations>340 Other Assets and Deferred Costs>50 Disclosure>General, 50-1
- 980 Regulated Operations>405 Liabilities>25 Recognition>General, 25-1

Description of Specific Regulatory Assets (0)

Element Name: DescriptionOfSpecificRegulatoryAssets

Paragraphs Referenced by the above XBRL element

- 980 Regulated Operations>340 Other Assets and Deferred Costs>50 Disclosure>General, 50-1

Loss on Reacquired Debt [Member] (42)

Element Name: LossOnReacquiredDebtMember

Paragraphs Referenced by the above XBRL element

- 980 Regulated Operations>340 Other Assets and Deferred Costs>25 Recognition>General, 25-1
- 980 Regulated Operations>470 Debt>40 Derecognition>General, 40-2

Natural Gas Transition Cost [Member] (3)

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

Element Name: NaturalGasTransitionCostMember

Paragraphs Referenced by the above XBRL element

- 980 Regulated Operations>340 Other Assets and Deferred Costs>25 Recognition>General, 25-1

Net Regulatory Assets {25}

Element Name: NetRegulatoryAssets

Paragraphs Referenced by the above XBRL element

- 980 Regulated Operations>340 Other Assets and Deferred Costs>50 Disclosure>General, 50-1

Phase-in Plan, Amount of Capitalized Costs Recovered {1}

Element Name: PhaseInPlanAmountOfCapitalizedCostsRecovered

Paragraphs Referenced by the above XBRL element

- 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 {2}

Element Name: PhaseInPlanAmountOfCostsDeferredForRateMakingPurposes

Paragraphs Referenced by the above XBRL element

- 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 {1}

Element Name: PhaseInPlanNetChangeInAmountOfCostsDeferredForRateMakingPurposes

Paragraphs Referenced by the above XBRL element

- 980 Regulated Operations>340 Other Assets and Deferred Costs>50 Disclosure>General, 50-2

Public Utilities, Allowance for Funds Used During Construction, Additions {46}

Element Name: PublicUtilitiesAllowanceForFundsUsedDuringConstructionAdditions

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

Paragraphs Referenced by the above XBRL element

- 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
- 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 (1)

Element Name: PublicUtilitiesAmountOfAllowanceForEarningsOnEquityCapitalizedForRateMakingPurposes

Paragraphs Referenced by the above XBRL element

- 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 (1)

Element Name:
PublicUtilitiesAmountOfAllowanceForFundsUsedDuringConstructionEquityCostsCapitalizedOnlyForRateMakingPurposes

Paragraphs Referenced by the above XBRL element

- 980 Regulated Operations>340 Other Assets and Deferred Costs>50 Disclosure>General, 50-3
- 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 (0)

Element Name:
PublicUtilitiesAllowanceForFundsUsedDuringConstructionEquityCostsCapitalizedOnlyForRateMakingPurposes

Paragraphs Referenced by the above XBRL element

- 980 Regulated Operations>340 Other Assets and Deferred Costs>50 Disclosure>General, 50-3
- 980 Regulated Operations>835 Interest>25 Recognition>General, 25-1
- 980 Regulated Operations>835 Interest>45 Other Presentation>General, 45-1

Public Utilities, Nature of Allowance for Earnings on Equity Capitalized for Rate Making Purposes (1)

Element Name: PublicUtilitiesNatureOfAllowanceForEarningsOnEquityCapitalizedForRateMakingPurposes

Paragraphs Referenced by the above XBRL element

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

- 980 Regulated Operations>340 Other Assets and Deferred Costs>50 Disclosure>General, 50-3

Public Utilities, Phase-in Plan Terms {1}

Element Name: PublicUtilitiesPhaseInPlanTerms

Paragraphs Referenced by the above XBRL element

- 980 Regulated Operations>340 Other Assets and Deferred Costs>50 Disclosure>General, 50-2

Regulatory Asset Recovery Assessments {1}

Element Name: RegulatoryAssetRecoveryAssessments

Paragraphs Referenced by the above XBRL element

- 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] {168}

Element Name: RegulatoryAssetAxis

Paragraphs Referenced by the above XBRL element

- 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
- 980 Regulated Operations>715 Compensation—Retirement Benefits>50 Disclosure>General, 50-1

Regulatory Asset [Domain] {0}

Element Name: RegulatoryAssetDomain

Paragraphs Referenced by the above XBRL element

- 980 Regulated Operations>340 Other Assets and Deferred Costs>50 Disclosure>General, 50-1

Regulatory Assets {168}

Element Name: RegulatoryAssets

Paragraphs Referenced by the above XBRL element

- 980 Regulated Operations>340 Other Assets and Deferred Costs>50 Disclosure>General, 50-1

Regulatory Assets and Liabilities, Recognition Criteria {0}

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

Element Name: RegulatoryAssetsAndLiabilitiesRecognitionCriteria

Paragraphs Referenced by the above XBRL element

- 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
- 980 Regulated Operations>405 Liabilities>25 Recognition>General, 25-1

Regulatory Assets, Current (90)

Element Name: RegulatoryAssetsCurrent

Paragraphs Referenced by the above XBRL element

- 980 Regulated Operations>340 Other Assets and Deferred Costs>50 Disclosure>General, 50-1

Regulatory Assets, Noncurrent (119)

Element Name: RegulatoryAssetsNoncurrent

Paragraphs Referenced by the above XBRL element

- 980 Regulated Operations>340 Other Assets and Deferred Costs>50 Disclosure>General, 50-1

Regulatory Current Asset, End Date for Recovery (3)

Element Name: RegulatoryCurrentAssetEndDateForRecovery

Paragraphs Referenced by the above XBRL element

- 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 (25)

Element Name: RemainingAmountsOfRegulatoryAssetsForWhichNoReturnOnInvestmentDuringRecoveryPeriodIsProvided

Paragraphs Referenced by the above XBRL element

- 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 (16)

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

Element Name:
RemainingRecoveryPeriodOfRegulatoryAssetsForWhichNoReturnOnInvestmentDuringRecoveryPeriodIsProvided1

Paragraphs Referenced by the above XBRL element

- 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] (59)

Element Name: ScheduleOfRegulatoryAssetsTextBlock

Paragraphs Referenced by the above XBRL element

- 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
- 980 Regulated Operations>715 Compensation—Retirement Benefits>50 Disclosure>General, 50-1

Schedule of Regulatory Assets [Table]

Element Name: ScheduleOfRegulatoryAssetsTable

Paragraphs Referenced by the above XBRL element

- 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
- 980 Regulated Operations>715 Compensation—Retirement Benefits>50 Disclosure>General, 50-1

Securitized Regulatory Transition Assets, Noncurrent (4)

Element Name: SecuritizedRegulatoryTransitionAssetsNoncurrent

Paragraphs Referenced by the above XBRL element

- 860 Transfers and Servicing>10 Overall>55 Implementation >General, 55-7
- 980 Regulated Operations>340 Other Assets and Deferred Costs>50 Disclosure>General, 50-1

Types of Net Regulatory Assets Earning Returns (1)

Element Name: TypesOfNetRegulatoryAssetsEarningReturns

Paragraphs Referenced by the above XBRL element

- 980 Regulated Operations>340 Other Assets and Deferred Costs>50 Disclosure>General, 50-1

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

Unrecovered Costs for Purchased Gas Amount (3)

Element Name: UnrecoveredCostsForPurchasedGasAmount

Paragraphs Referenced by the above XBRL element

- 980 Regulated Operations>340 Other Assets and Deferred Costs>50 Disclosure>General, 50-1

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-350

Intangibles—Goodwill and Other

05 Overview and Background

15 Scope and Scope Exceptions

35 Subsequent Measurement

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-350-05

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

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

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-350-15

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

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

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

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, credit losses, fair value adjustments, depreciation and amortization, and so forth.

General

Amortization of Goodwill

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.

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

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.

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.

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.

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-360

Property, Plant, and Equipment

05 Overview and Background

15 Scope and Scope Exceptions

20 Glossary

25 Recognition

35 Subsequent Measurement

55 Implementation Guidance and Illustrations

75 XBRL Elements

S00 Status

S45 Other Presentation Matters

S50 Disclosure

S75 XBRL Elements

S99 SEC Materials

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-360-05

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

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.

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-360-15

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

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

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-360-20

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).

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.

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-360-25

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

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.

25-2 Paragraph Not Used

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

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, credit losses, fair value adjustments, depreciation and amortization, and so forth.

General

Abandonments

Accounting for Abandonments

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.

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.

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

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

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.

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.

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.

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.

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.

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.

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

Income Tax Effects

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.

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.

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

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.

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

Excess Capacity

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.

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.

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

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

a Example 2 (see paragraph 980-360-55-14) illustrates a disallowance of plant cost.

b Example 3 (see paragraph 980-360-55-18) illustrates a disallowance of plant cost resulting from a cost cap.

c Example 4 (see paragraph 980-360-55-26) illustrates an explicit, but indirect, disallowance.

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-360-55

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

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

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.

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

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

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

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

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.

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.

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.

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.

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.

	Assets	Deferred Income Tax Liabilities
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	76,015,152	25,845,152
Total assets	$ 826,515,152 (1)	
Total deferred income tax liabilities		$ 281,015,152 (2)
Net investment (1) – (2)		$ 545,500,000

55-8 If the computed additional deferred income tax liabilities did not equal the tax benefit that resulted from the

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

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.

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)	545,500,000
Loss (net of related income taxes) to be recognized at time of decision to abandon the plant	$ 166,138,046

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.

	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	$ 574,790,840	$ 195,428,886	$ 379,361,954

(a) Computed as $166,138,046 ÷ 0.66
(b) Computed as $251,724,312 × 34%

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 Accr
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

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

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)

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. Comp.	Gross Investment (a)	Deferred Charge (b)	Income Tax Liability (c)	Net Investment [(1)+(2)−3)]	Return on Net Investment [14%÷12 x (3)]	Amortization of Gross Investment (d)	Amortization of Deferred Charge	Income Tax Expense [34% x (5)]	P $ i Ir
19	$ 583,876,284	$ 76,015,152	$ 224,363,089	$ 435,528,347	$ 5,081,164	$ 7,427,169	$ 1,266,919	$ 1,727,596	$
20	576,449,115	74,748,233	221,407,099	429,790,249	5,014,219	7,494,114	1,266,919	1,704,835	
21	568,955,001	73,481,314	218,428,348	424,007,967	4,946,759	7,561,574	1,266,919	1,681,896	
22	561,393,427	72,214,395	215,426,660	418,181,162	4,878,780	7,629,553	1,266,919	1,658,786	
23	553,763,874	70,947,475	212,401,859	412,309,490	4,810,277	7,698,056	1,266,919	1,635,494	
24	546,065,818	69,680,556	209,353,767	406,392,607	4,741,247	7,767,086	1,266,919	1,612,024	
25	538,298,732	68,413,637	206,282,206	400,430,163	4,671,685	7,836,648	1,266,919	1,588,373	
26	530,462,084	67,146,718	203,186,993	394,421,809	4,601,587	7,906,746	1,266,919	1,564,540	
27	522,555,338	65,879,799	200,067,947	388,367,190	4,530,951	7,977,382	1,266,919	1,540,524	
28	514,577,956	64,612,879	196,924,884	382,265,951	4,459,769	8,048,564	1,266,919	1,516,322	
29	506,529,392	63,345,960	193,757,620	376,117,732	4,388,040	8,120,293	1,266,919	1,491,934	
30	498,409,099	62,079,041	190,565,968	369,922,172	4,315,758	8,192,575	1,266,919	1,467,358	
31	490,216,524	60,812,122	187,349,740	363,678,906	4,242,920	8,265,413	1,266,919	1,442,593	
32	481,951,111	59,545,203	184,108,747	357,387,567	4,169,521	8,338,812	1,266,919	1,417,638	
33	473,612,299	58,278,283	180,842,796	351,047,784	4,095,558	8,412,775	1,266,919	1,392,490	
34	465,199,524	57,011,364	177,551,702	344,659,186	4,021,023	8,487,310	1,266,919	1,367,148	
35	456,712,214	55,744,445	174,235,264	338,221,395	3,945,916	8,562,417	1,266,919	1,341,612	
.	.	.	.	.	.	.	.	.	
.	.	.	.	.	.	.	.	.	
.	.	.	.	.	.	.	.	.	
73	72,867,488	7,601,515	27,269,464	53,199,549	619,612	11,888,721	1,266,919	210,669	
74	60,978,777	6,334,596	22,886,547	44,426,826	518,312	11,990,021	1,266,919	176,226	
75	48,988,756	5,067,677	18,378,167	35,677,246	416,234	12,092,099	1,266,919	141,520	
76	36,896,657	3,800,758	13,837,121	26,860,294	313,370	12,194,963	1,266,919	106,546	

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

77	24,701,598	2,533,839	9,280,062	17,975,451	209,714	12,298,619	1,266,919	71,304
78	12,403,075	1,266,919	4,647,798	9,022,196	105,268	12,403,075	1,266,919	35,788

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

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

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

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

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.

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

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

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

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

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	$ 3,500,000,000

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

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.

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	3,400,000,000
Difference	$ 100,000,000
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%)	19,428,600
Net loss to be recognized when cost cap is agreed to	$ 70,459,000

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.

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.

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

Example 4: Explicit, but Indirect, Disallowance

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

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.

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.

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.

55-30 Paragraph Not Used

55-31 Paragraph Not Used

55-32 Paragraph Not Used

55-33 Paragraph Not Used

55-34 Paragraph Not Used

55-35 Paragraph Not Used

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-360-75

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.

XBRL Links to Codification

Allowance for Funds Used During Construction, Investing Activities (13)

Element Name: AllowanceForFundsUsedDuringConstructionInvestingActivities

Paragraphs Referenced by the above XBRL element

- 230 Statement of Cash Flows>10 Overall>45 Other Presentation>General, 45-12
- 980 Regulated Operations>360 Property, Plant, and Equipment>25 Recognition>General, 25-1

Allowance for Funds Used During Construction, Policy [Policy Text Block] (56)

Element Name: AllowanceForFundsUsedDuringConstructionPolicy

Paragraphs Referenced by the above XBRL element

- 235 Notes to Financial Statements>10 Overall>50 Disclosure>General, 50-3
- 980 Regulated Operations>360 Property, Plant, and Equipment>25 Recognition>General, 25-1

Plant Retirement and Abandonment, Policy [Policy Text Block] (7)

Element Name: PlantRetirementAndAbandonmentPolicy

Paragraphs Referenced by the above XBRL element

- 235 Notes to Financial Statements>10 Overall>50 Disclosure>General, 50-3
- 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

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

Public Utilities, Allowance for Funds Used During Construction, Additions (46)

Element Name: PublicUtilitiesAllowanceForFundsUsedDuringConstructionAdditions

Paragraphs Referenced by the above XBRL element

- 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
- 980 Regulated Operations>360 Property, Plant, and Equipment>25 Recognition>General, 25-1

Public Utilities, Disclosure of Regulatory Matters Pending (3)

Element Name: PublicUtilitiesDisclosureOfRegulatoryMattersPending

Paragraphs Referenced by the above XBRL element

- 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
- 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, Property, Plant and Equipment, Amortization of Present Value of Regulated Asset for Plant Abandonment (0)

Element Name:
PublicUtilitiesPropertyPlantAndEquipmentAmortizationOfPresentValueOfRegulatedAssetForPlantAbandonment

Paragraphs Referenced by the above XBRL element

- 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 (3)

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

Element Name: PublicUtilitiesPropertyPlantAndEquipmentAmountOfDisallowedCostsForRecentlyCompletedPlant

Paragraphs Referenced by the above XBRL element

- 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 (1)

Element Name:
PublicUtilitiesPropertyPlantAndEquipmentAmountOfIndirectDisallowanceOfCostsOfRecentlyCompletedPlants

Paragraphs Referenced by the above XBRL element

- 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 (1)

Element Name: PublicUtilitiesPropertyPlantAndEquipmentAmountOfLossRecoveryOnPlantAbandonment

Paragraphs Referenced by the above XBRL element

- 980 Regulated Operations>360 Property, Plant, and Equipment>35 Subsequent Measurement>General, 35-9
- 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 Remainder of Costs of Disallowed Assets for Recently Completed Plant (0)

Element Name:
PublicUtilitiesPropertyPlantAndEquipmentAmountOfRemainderOfCostsOfDisallowedAssetsForRecentlyCompletedPlant

Paragraphs Referenced by the above XBRL element

- 980 Regulated Operations>360 Property, Plant, and Equipment>35 Subsequent Measurement>General, 35-12

Public Utilities, Property, Plant and Equipment, Present Value of Regulated Asset for Plant Abandonment (1)

Element Name: PublicUtilitiesPropertyPlantAndEquipmentPresentValueOfRegulatedAssetForPlantAbandonment

Paragraphs Referenced by the above XBRL element

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

- 980 Regulated Operations>360 Property, Plant, and Equipment>35 Subsequent Measurement>General, 35-3(b)

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-360-S00

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

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

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-360-S45

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

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.

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-360-S50

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

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

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.

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-360-S75

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.

XBRL Links to Codification

Electricity Generation Plant, Non-Nuclear [Member] (25)

Element Name: ElectricityGenerationPlantNonNuclearMember

Paragraphs Referenced by the above XBRL element

- 210 Balance Sheet>10 Overall>S99 SEC Materials>General, S99-1
- 980 Regulated Operations>360 Property, Plant, and Equipment>S99 SEC Materials>General, S99-1(SAB Topic 10.C)

Gas Distribution [Member] (17)

Element Name: GasDistributionMember

Paragraphs Referenced by the above XBRL element

- 210 Balance Sheet>10 Overall>S99 SEC Materials>General, S99-1
- 980 Regulated Operations>360 Property, Plant, and Equipment>S99 SEC Materials>General, S99-1(SAB Topic 10.C)

Jointly Owned Utility Plant Interests [Table]

Element Name: JointlyOwnedUtilityPlantInterestsTable

Paragraphs Referenced by the above XBRL element

- 980 Regulated Operations>360 Property, Plant, and Equipment>S99 SEC Materials>General, S99-1(SAB Topic 10.C)

Jointly Owned Utility Plant [Axis] (54)

Element Name: JointlyOwnedUtilityPlantAxis

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

Paragraphs Referenced by the above XBRL element

- 980 Regulated Operations>360 Property, Plant, and Equipment>S99 SEC Materials>General, S99-1(SAB Topic 10.C)

Jointly Owned Utility Plant [Domain] (0)

Element Name: JointlyOwnedUtilityPlantDomain

Paragraphs Referenced by the above XBRL element

- 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 (47)

Element Name: JointlyOwnedUtilityPlantGrossOwnershipAmountOfPlantInService

Paragraphs Referenced by the above XBRL element

- 980 Regulated Operations>360 Property, Plant, and Equipment>S99 SEC Materials>General, S99-1(SAB Topic 10.C)

Jointly Owned Utility Plant, Name (2)

Element Name: JointlyOwnedUtilityPlantName

Paragraphs Referenced by the above XBRL element

- 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 (11)

Element Name: JointlyOwnedUtilityPlantNetOwnershipAmount

Paragraphs Referenced by the above XBRL element

- 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 (41)

Element Name: JointlyOwnedUtilityPlantOwnershipAmountOfConstructionWorkInProgress

Paragraphs Referenced by the above XBRL element

- 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 (2)

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

Element Name: JointlyOwnedUtilityPlantOwnershipAmountOfOtherAssets

Paragraphs Referenced by the above XBRL element

- 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 (48)

Element Name: JointlyOwnedUtilityPlantOwnershipAmountOfPlantAccumulatedDepreciation

Paragraphs Referenced by the above XBRL element

- 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 (60)

Element Name: JointlyOwnedUtilityPlantProportionateOwnershipShare

Paragraphs Referenced by the above XBRL element

- 980 Regulated Operations>360 Property, Plant, and Equipment>S99 SEC Materials>General, S99-1(SAB Topic 10.C)

Natural Gas Processing Plant [Member] (28)

Element Name: NaturalGasProcessingPlantMember

Paragraphs Referenced by the above XBRL element

- 210 Balance Sheet>10 Overall>S99 SEC Materials>General, S99-1
- 980 Regulated Operations>360 Property, Plant, and Equipment>S99 SEC Materials>General, S99-1(SAB Topic 10.C)

Other Plant in Service [Member] (18)

Element Name: OtherPlantInServiceMember

Paragraphs Referenced by the above XBRL element

- 210 Balance Sheet>10 Overall>S99 SEC Materials>General, S99-1
- 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 (3)

Element Name: PublicUtilitiesPropertyPlantAndEquipmentAmountOfDisallowedCostsForRecentlyCompletedPlant

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

Paragraphs Referenced by the above XBRL element

- 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 Loss (Recovery) on Plant Abandonment (1)

Element Name: PublicUtilitiesPropertyPlantAndEquipmentAmountOfLossRecoveryOnPlantAbandonment

Paragraphs Referenced by the above XBRL element

- 980 Regulated Operations>360 Property, Plant, and Equipment>35 Subsequent Measurement>General, 35-9
- 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] (47)

Element Name: ScheduleOfJointlyOwnedUtilityPlantsTextBlock

Paragraphs Referenced by the above XBRL element

- 980 Regulated Operations>360 Property, Plant, and Equipment>S99 SEC Materials>General, S99-1(SAB Topic 10.C)

Water Distribution [Member] (1)

Element Name: WaterDistributionMember

Paragraphs Referenced by the above XBRL element

- 210 Balance Sheet>10 Overall>S99 SEC Materials>General, S99-1
- 980 Regulated Operations>360 Property, Plant, and Equipment>S99 SEC Materials>General, S99-1(SAB Topic 10.C)

Water Transmission [Member] (3)

Element Name: WaterTransmissionMember

Paragraphs Referenced by the above XBRL element

- 210 Balance Sheet>10 Overall>S99 SEC Materials>General, S99-1
- 980 Regulated Operations>360 Property, Plant, and Equipment>S99 SEC Materials>General, S99-1(SAB Topic 10.C)

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-360-S99

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

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 its 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.

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

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

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

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

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.

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-405

Liabilities

05 Overview and Background

15 Scope and Scope Exceptions

20 Glossary

25 Recognition

40 Derecognition

55 Implementation Guidance and Illustrations

75 XBRL Elements

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-405-05

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

05-1 This Subtopic provides guidance for liabilities for entities with regulated operations.

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-405-15

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

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

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-405-20

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).

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.

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-405-25

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

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-

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

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.

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-405-40

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

40-1 Actions of a regulator can eliminate a liability only if the liability was imposed by actions of the regulator.

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-405-55

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

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.

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-405-75

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.

XBRL Links to Codification

Amount of Embedded Regulatory Liability (0)

Element Name: AmountOfEmbeddedRegulatoryLiability

Paragraphs Referenced by the above XBRL element

- 980 Regulated Operations>20 Discontinuation of Rate-Regulated Accounting>40 Derecognition>General, 40-3
- 980 Regulated Operations>405 Liabilities>25 Recognition>General, 25-1

Deferred Gain (Loss) on Early Extinguishment of Debt [Member] (0)

Element Name: DeferredLossOnEarlyExtinguishmentOfDebtMember

Paragraphs Referenced by the above XBRL element

- 980 Regulated Operations>340 Other Assets and Deferred Costs>25 Recognition>General, 25-1
- 980 Regulated Operations>405 Liabilities>25 Recognition>General, 25-1
- 980 Regulated Operations>470 Debt>40 Derecognition>General, 40-1

Deferred Income Tax Charge [Member] (94)

Element Name: DeferredIncomeTaxChargesMember

Paragraphs Referenced by the above XBRL element

- 980 Regulated Operations>340 Other Assets and Deferred Costs>25 Recognition>General, 25-1
- 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

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

Description of Regulatory Assets and Liabilities {1}

Element Name: DescriptionOfRegulatoryAssetsAndLiabilities

Paragraphs Referenced by the above XBRL element

- 980 Regulated Operations>340 Other Assets and Deferred Costs>50 Disclosure>General, 50-1
- 980 Regulated Operations>405 Liabilities>25 Recognition>General, 25-1

Public Utilities, Description of Specific Regulatory Liabilities {1}

Element Name: PublicUtilitiesDescriptionOfSpecificRegulatoryLiabilities

Paragraphs Referenced by the above XBRL element

- 980 Regulated Operations>405 Liabilities>25 Recognition>General, 25-1

Refundable Gas Costs {11}

Element Name: RefundableGasCosts

Paragraphs Referenced by the above XBRL element

- 210 Balance Sheet>10 Overall>S99 SEC Materials>General, S99-1(SX 210.5-02.20)
- 980 Regulated Operations>405 Liabilities>25 Recognition>General, 25-1(b)

Regulatory Assets and Liabilities, Recognition Criteria {0}

Element Name: RegulatoryAssetsAndLiabilitiesRecognitionCriteria

Paragraphs Referenced by the above XBRL element

- 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
- 980 Regulated Operations>405 Liabilities>25 Recognition>General, 25-1

Regulatory Liabilities {98}

Element Name: RegulatoryLiabilities

Paragraphs Referenced by the above XBRL element

- 980 Regulated Operations>405 Liabilities>25 Recognition>General, 25-1

Regulatory Liability [Axis] {145}

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

Element Name: RegulatoryLiabilityAxis

Paragraphs Referenced by the above XBRL element

- 980 Regulated Operations>405 Liabilities>25 Recognition>General, 25-1

Regulatory Liability [Domain] (2)

Element Name: RegulatoryLiabilityDomain

Paragraphs Referenced by the above XBRL element

- 980 Regulated Operations>405 Liabilities>25 Recognition>General, 25-1

Regulatory Liability, Current (65)

Element Name: RegulatoryLiabilityCurrent

Paragraphs Referenced by the above XBRL element

- 980 Regulated Operations>405 Liabilities>25 Recognition>General, 25-1

Schedule of Regulatory Liabilities [Table Text Block] (47)

Element Name: ScheduleOfRegulatoryLiabilitiesTextBlock

Paragraphs Referenced by the above XBRL element

- 980 Regulated Operations>405 Liabilities>25 Recognition>General, 25-1

Storm Costs [Member] (16)

Element Name: StormCostsMember

Paragraphs Referenced by the above XBRL element

- 980 Regulated Operations>405 Liabilities>55 Implementation >General, 55-1

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-410

Asset Retirement and Environmental Obligations

05 Overview and Background

15 Scope and Scope Exceptions

25 Recognition

35 Subsequent Measurement

75 XBRL Elements

S00 Status

S25 Recognition

S45 Other Presentation Matters

S75 XBRL Elements

S99 SEC Materials

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-410-05

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

05-1 This Subtopic provides guidance for asset retirement obligations for entities with regulated operations.

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-410-15

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

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

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-410-25

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

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

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.

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

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, credit losses, fair value adjustments, depreciation and amortization, and so forth.

General

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.

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-410-75

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.

XBRL Links to Codification

Asset Retirement Obligation Costs [Member] (123)

Element Name: AssetRetirementObligationCostsMember

Paragraphs Referenced by the above XBRL element

- 980 Regulated Operations>340 Other Assets and Deferred Costs>25 Recognition>General, 25-1
- 980 Regulated Operations>410 Asset Retirement and Environmental Obligations>25 Recognition>General, 25-2

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-410-S00

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

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

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-410-S25

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

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.

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-410-S45

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

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.

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-410-S75

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.

XBRL Links to Codification

Environmental Restoration Costs [Member] (54)

Element Name: EnvironmentalRestorationCostsMember

Paragraphs Referenced by the above XBRL element

- 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] (47)

Element Name: RegulatoryEnvironmentalCostsPolicy

Paragraphs Referenced by the above XBRL element

- 235 Notes to Financial Statements>10 Overall>50 Disclosure>General, 50-3
- 980 Regulated Operations>410 Asset Retirement and Environmental Obligations>S99 SEC Materials>General, S99-1(SAB Topic 10.F)

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-410-S99

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

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.

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

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.

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-450

Contingencies

05 Overview and Background

15 Scope and Scope Exceptions

20 Glossary

25 Recognition

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-450-05

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

05-1 This Subtopic provides guidance for contingencies for entities with regulated operations.

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-450-15

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

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

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-450-20

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).

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.

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-450-25

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

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)).

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-470

Debt

05 Overview and Background

15 Scope and Scope Exceptions

20 Glossary

40 Derecognition

75 XBRL Elements

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-470-05

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

05-1 This Subtopic provides guidance for debt for entities with regulated operations.

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-470-15

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

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

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-470-20

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).

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.

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-470-40

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

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.

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.

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.

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.

FASB ASC 980-470-75

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.

XBRL Links to Codification

Deferred Gain (Loss) on Early Extinguishment of Debt [Member] (0)

Element Name: DeferredLossOnEarlyExtinguishmentOfDebtMember

Paragraphs Referenced by the above XBRL element

- 980 Regulated Operations>340 Other Assets and Deferred Costs>25 Recognition>General, 25-1
- 980 Regulated Operations>405 Liabilities>25 Recognition>General, 25-1
- 980 Regulated Operations>470 Debt>40 Derecognition>General, 40-1

Loss on Reacquired Debt [Member] (42)

Element Name: LossOnReacquiredDebtMember

Paragraphs Referenced by the above XBRL element

- 980 Regulated Operations>340 Other Assets and Deferred Costs>25 Recognition>General, 25-1
- 980 Regulated Operations>470 Debt>40 Derecognition>General, 40-2

Copyright 2009-2016 by Financial Accounting Standards Board, Norwalk, Connecticut.
Materials on the Site may not be modified, reproduced, publicly displayed, performed, distributed or used for any public or commercial purposes without the explicit written permission from the appropriate content or material provider (including third-party links). KPMG bears no risk, responsibility or liability in the event that a user does not obtain such explicit written permission as advised by KPMG.