

Revenue Recognition



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05 Overview and Background

General Note

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

General Note on Regulated Operations—Revenue Recognition

Upon the effective date of Accounting Standards Update 2014-09, the title of this Subtopic will change to Regulated Operations—Revenue Recognition—Alternative Revenue Programs.

General

05-1 This Subtopic provides guidance for revenue recognition for entities with regulated operations, including alternative revenue programs and long-term power sales contracts.

Pending Content

Transition Date: (P) December 16, 2017; (N) December 16, 2018 | **Transition Guidance:** 980-10-65-1

This Subtopic provides guidance for revenue recognition in alternative revenue programs.

20 Glossary

General Note

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

General Note on Regulated Operations—Revenue Recognition

Upon the effective date of Accounting Standards Update 2014-09, the title of this Subtopic will change to Regulated Operations—Revenue Recognition—Alternative Revenue Programs.

All-in-One Hedge

In an all-in-one hedge, a derivative instrument that will involve gross settlement is designated as the hedging instrument in a cash flow hedge of the variability of the consideration to be paid or received in the forecasted transaction that will occur upon gross settlement of the derivative instrument itself.

Allowable Costs

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

Contract

Note: The following definition is Pending Content; see Transition Guidance in 606-10-65-1

An agreement between two or more parties that creates enforceable rights and obligations.

Customer

A user or reseller.

Note: The following definition is Pending Content; see Transition Guidance in 606-10-65-1.

A party that has contracted with an entity to obtain goods or services that are an output of the entity's ordinary activities in exchange for consideration.

Nonutility Generators



Entities owning electric generating plants built either for their own energy needs or to sell power, usually to rate-regulated entities, under long-term power sales contracts.

Revenue



Revenue earned by an entity from its direct distribution, exploitation, or licensing of a film, before deduction for any of the entity's direct costs of distribution. For markets and territories in which an entity's fully or jointly-owned films are distributed by third parties, revenue is the net amounts payable to the entity by third party distributors. Revenue is reduced by appropriate allowances, estimated returns, price concessions, or similar adjustments, as applicable.

Note: The following definition is Pending Content; see Transition Guidance in 606-10-65-1.

Inflows or other enhancements of assets of an entity or settlements of its liabilities (or a combination of both) from delivering or producing goods, rendering services, or other activities that constitute the entity's ongoing major or central operations.

25 Recognition

General Note

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

General Note on Regulated Operations—Revenue Recognition

Upon the effective date of Accounting Standards Update 2014-09, the title of this Subtopic will change to Regulated Operations—Revenue Recognition—Alternative Revenue Programs.

General Note for Fair Value Option

Some of the items subject to the guidance in this Subtopic may qualify for application of the Fair Value Option Subsections of Subtopic 825-10. Those Subsections (see paragraph 825-10-05-5) address circumstances in which entities may choose, at specified election dates, to measure eligible items at fair value (the fair value option). See Section 825-10-15 for guidance on the scope of the Fair Value Option Subsections of the Financial Instruments Topic.

General

Alternative Revenue Programs

25-1 Traditionally, regulated utilities whose rates are determined based on cost of service invoice their customers by applying approved base rates (designed to recover the utility's allowable costs including a return on shareholders' investment) to usage. Some regulators of utilities have also authorized the use of additional, alternative revenue programs. The major alternative revenue programs currently used can generally be segregated into two categories, Type A and Type B.

25-2 Type A programs adjust billings for the effects of weather abnormalities or broad external factors or to compensate the utility for demand-side management initiatives (for example, no-growth plans and similar conservation efforts). Type B programs provide for additional billings (incentive awards) if the utility achieves certain objectives, such as reducing costs, reaching specified milestones, or demonstratively improving customer service.

25-3 Both types of programs enable the utility to adjust rates in the future (usually as a surcharge applied to future billings) in response to past activities or completed events.

25-4 Once the specific events permitting billing of the additional revenues under Type A and Type B programs have been completed, the regulated utility shall recognize the additional revenues if all of the following conditions are met:

- a The program is established by an order from the utility's regulatory commission that allows for automatic adjustment of future rates. Verification of the adjustment to future rates by the regulator would not preclude the adjustment from being considered automatic.
- b The amount of additional revenues for the period is objectively determinable and is probable of recovery.
- c The additional revenues will be collected within 24 months following the end of the annual period in which they are recognized.

Long-Term Power Sales Contracts

25-5 In general, nonutility generators are not regulated and do not meet the criteria of an entity with regulated operations as provided in paragraph 980-10-15-2. However, since nonutility generators provide many of the same services as entities with regulated operations, the guidance for nonutility generators is included in paragraphs 980-605-25-5 through 25-18. That portion of this Subsection assumes the seller of power under the long-term contract does not meet the criteria for application of this Topic.

Pending Content

Transition Date:(P) December 16, 2017; (N) December 16, 2018 | **Transition Guidance:**906-10-65-1

Editor's Note: Paragraph 980-605-25-5 will be superseded upon transition, together with its heading:

> Long-Term Power Sales Contracts

Paragraph superseded by Accounting Standards Update No. 2014-09

25-6 Nonutility generators provide a significant percentage of new electric generating capacity in the United States. Some of these generating plants are built by users primarily for their own energy needs while others are built specifically to sell power, usually to rate-regulated utilities, under long-term power sales contracts. Those contracts price the power sold under a wide variety of terms and arrangements.

Pending Content

Transition Date:(P) December 16, 2017; (N) December 16, 2018 | **Transition Guidance:**606-10-65-1

Paragraph superseded by Accounting Standards Update No. 2014-09

25-7 The long-term power sales contracts may provide for any of the following:

- a Stated prices per kilowatt hour that increase, decrease, or remain level over the term of the contract

b Formula-based prices per kilowatt hour

c Billings that are a combination of stated prices and formula-based prices per kilowatt hour.

Pending Content

Transition Date:(P) December 16, 2017; (N) December 16, 2018 | **Transition Guidance:**806-10-65-1

Paragraph superseded by Accounting Standards Update No. 2014-09

25-8 One example of a combination is a contract that provides for billings pursuant to a stated price schedule but also provides for a payment to be made or received by the nonutility generator at the end of the contract so that total revenue recognized and payments made over the contract term equal the amount computed pursuant to the formula-based pricing arrangement. The differences between payments made and the amount computed under the formula-based pricing arrangement are recorded in an interest-bearing tracker account. In other cases, the cumulative balance in the tracker account at a defined point in the contract life may be amortized to zero through adjustments to subsequent billings. Another example of such a combination is a contract that provides for billings pursuant to a stated price schedule but that provides for a payment to be made by the nonutility generator, if necessary, at the end of the contract so that the total revenue recognized and total amounts received by the nonutility generator over the contract term are limited to the lesser of the amount computed pursuant to the stated price schedule or the formula-based pricing arrangement.

Pending Content

Transition Date:(P) December 16, 2017; (N) December 16, 2018 | **Transition Guidance:**806-10-65-1

Paragraph superseded by Accounting Standards Update No. 2014-09

25-9 Long-term power supply contracts that would qualify for lease accounting pursuant to Topic 840 are outside the scope of this Subtopic.

Pending Content

Transition Date:(P) December 16, 2017; (N) December 16, 2018 | **Transition Guidance:**806-10-65-1

Paragraph superseded by Accounting Standards Update No. 2014-09

25-10 For a discussion of the considerations required to determine whether a long-term power sales contract arrangement contains a lease, see Subtopic 840-10.

Pending Content

Transition Date:(P) December 16, 2017; (N) December 16, 2018 | **Transition Guidance:**806-10-65-1

Paragraph superseded by Accounting Standards Update No. 2014-09

Contracts Containing Scheduled Price Changes

25-11 For a power sales contract that contains scheduled price changes a nonutility generator shall recognize as revenue the lesser of the following:

- a The amount billable under the contract
- b An amount determined by the kilowatt hours made available during the period multiplied by the estimated average revenue per kilowatt hour over the term of the contract.

Pending Content

Transition Date:(P) December 16, 2017; (N) December 16, 2018 | **Transition Guidance:**606-10-65-1

Editor's Note: Paragraph 980-605-25-11 will be superseded upon transition, together with its heading:

> > Contracts Containing Scheduled Price Changes

Paragraph superseded by Accounting Standards Update No. 2014-09

25-12 The determination of the lesser amount shall be made annually based on the cumulative amounts that would have been recognized had each method been consistently applied from the beginning of the contract term.

Pending Content

Transition Date:(P) December 16, 2017; (N) December 16, 2018 | **Transition Guidance:**606-10-65-1

Paragraph superseded by Accounting Standards Update No. 2014-09

Contracts Providing for Revenue Determination or Limitation Under Formula-Based Pricing Arrangements

25-13 A nonutility generator shall recognize revenue in each period determined under the separate, formula-based pricing arrangement if it determines or limits total revenues billed under the contract (see the preceding two paragraphs). The separate, formula-based pricing arrangement shall not be used to recognize revenue if its only purpose is to establish liquidating damages. The nonutility generator shall recognize a receivable only if the contract requires a payment to the nonutility generator at the end of the contract term and such payment is probable of recovery. A receivable arises when amounts billed are less than the amount computed pursuant to the formula-based pricing arrangement.

Pending Content

Transition Date:(P) December 16, 2017; (N) December 16, 2018 | **Transition Guidance:**606-10-65-1

Editor's Note: Paragraph 980-605-25-13 will be superseded upon transition, together with its heading:

> > Contracts Providing for Revenue Determination or Limitation Under Formula-Based Pricing Arrangements

Paragraph superseded by Accounting Standards Update No. 2014-09

Contracts Meeting Definition of Derivative



25-14 If a long-term power sales contract meets the definition of a derivative under Topic 815, then it would be marked to fair value through earnings, unless designated as a hedging instrument in certain types of hedging relationships. Otherwise, the guidance in this Section would apply. Some long-term power sales contracts that meet the definition of a derivative may qualify for the normal purchases and normal sales scope exception contained in paragraph 815-10-15-13(b), in which case the long-term power sales contract would be accounted for under this Section.



Pending Content

Transition Date:(P) December 16, 2017; (N) December 16, 2018 | **Transition Guidance:**606-10-65-1

Editor's Note: Paragraph 980-605-25-14 will be superseded upon transition, together with its heading:

> > Contracts Meeting Definition of Derivative

Paragraph superseded by Accounting Standards Update No. 2014-09

25-15 Long-term power sales contracts that are accounted for as derivatives may possibly qualify as hedging instruments in **all-in-one hedges**. The guidance in Section 815-10-55 may be relevant.



Pending Content

Transition Date:(P) December 16, 2017; (N) December 16, 2018 | **Transition Guidance:**606-10-65-1

Paragraph superseded by Accounting Standards Update No. 2014-09

25-16 For a discussion of issues involved in accounting for derivative contracts held for trading purposes and contracts involved in energy trading and risk management activities, see paragraph 815-10-45-9.



Pending Content

Transition Date:(P) December 16, 2017; (N) December 16, 2018 | **Transition Guidance:**606-10-65-1

Paragraph superseded by Accounting Standards Update No. 2014-09

Contracts Containing Both Fixed and Variable Pricing Terms



25-17 The following addresses a power sales contract that has both fixed and variable-based pricing (based on market

prices, actual avoided costs, or formula-based pricing arrangements) terms, where the variable-based pricing does not determine or limit the total billings under the contract. It is limited to variable price arrangements in which the rate is at least equal to expected costs. The guidance only addresses the revenue recognition associated with the energy component of these long-term power sales contracts.



Pending Content

Transition Date:(P) December 16, 2017; (N) December 16, 2018 | **Transition Guidance:**606-10-65-1

Editor's Note: Paragraph 980-605-25-17 will be superseded upon transition, together with its heading:

> > Contracts Containing Both Fixed and Variable Pricing Terms

Paragraph superseded by Accounting Standards Update No. 2014-09

25-18 Long-term power sales contracts that have both fixed and variable pricing terms shall be bifurcated and accounted for as follows:



a The revenue associated with the fixed or scheduled price period of the contract shall be recognized in accordance with paragraphs 980-605-25-11 through 25-12 (that is, the lesser of the amount billable under the contract or an amount determined by the kilowatt hours made available during the period multiplied by the estimated average revenue per kilowatt hour over the term of the contract).



b The revenue associated with the variable price period of the contract shall be recognized as billed, in accordance with the provisions of the contract for that period.



If the contractual terms during the separate fixed and variable portions of the contract are not representative of the expected market rates at the inception of the contract, the revenue associated with the entire contract shall be recognized in accordance with paragraphs 980-605-25-11 through 25-12.

Pending Content

Transition Date:(P) December 16, 2017; (N) December 16, 2018 | **Transition Guidance:**606-10-65-1

Paragraph superseded by Accounting Standards Update No. 2014-09

30 Initial Measurement

106

General Note

106

The Initial Measurement Section provides guidance on the criteria and amounts used to measure a particular item at the date of initial recognition.

General Note on Regulated Operations—Revenue Recognition

106

Upon the effective date of Accounting Standards Update 2014-09, the title of this Subtopic will change to Regulated Operations—Revenue Recognition—Alternative Revenue Programs.

General

106

Revenue Collected Subject to Refund

106

30-1 In some cases, a regulated entity is permitted to bill requested rate increases before the regulator has ruled on the request.

106

Pending Content

Transition Date:(P) December 16, 2017; (N) December 16, 2018 | **Transition Guidance:**606-10-65-1

Editor's Note: The heading that precedes paragraph 980-605-30-1 will be amended upon transition, while the content of the p remain unchanged.

> Alternative Revenue Programs—Revenue Collected Subject to Refund

In some cases, a regulated entity is permitted to bill requested rate increases before the regulator has ruled on the request.

30-2 When the revenue is originally recorded, the criteria in paragraph 450-20-25-2 shall determine whether a provision for estimated refunds shall be accrued as a loss contingency. Revenue collected subject to refund is similar to sales with warranty obligations. Paragraph 460-10-25-6 states that inability to make a reasonable estimate of the amount of a warranty obligation at the time of sale because of significant uncertainty about possible claims precludes accrual and, if the range of possible loss is wide, may raise a question about whether a sale should be recorded. Similarly, if the range of possible refund is wide and the amount of the refund cannot be reasonably estimated, there may be a question about whether it would be misleading to recognize the provisional revenue increase as income.

106

Pending Content**Transition Date:***(P) December 16, 2017; (N) December 16, 2018* | **Transition Guidance:**806-10-66-1

When the revenue is originally recorded, the criteria in paragraph 450-20-25-2 shall determine whether a provision for estimated refunds shall be accrued as a loss contingency. The inability to make a reasonable estimate of the amount of the obligation at the time of sale because of significant uncertainty about possible claims precludes accrual and, if the range of possible loss is wide, may raise a question about whether revenue should be recognized. Similarly, if the range of possible refund is wide and the amount of the refund cannot be reasonably estimated, there may be a question about whether it would be misleading to recognize the provisional revenue increase as income.

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 Note on Regulated Operations—Revenue Recognition

Upon the effective date of Accounting Standards Update 2014-09, the title of this Subtopic will change to Regulated Operations—Revenue Recognition—Alternative Revenue Programs.

General

Revenue Collected Subject to Refund

35-1 If a provision for estimated refunds is required by the criteria in paragraph 450-20-25-2, it shall be adjusted subsequently if the estimate of the refund changes (see paragraph 980-405-25-1(a)).

Pending Content

Transition Date:(P) December 16, 2017; (N) December 16, 2018 | **Transition Guidance:**606-10-65-1

Editor's Note: The heading that precedes paragraph 980-605-35-1 will be amended upon transition, while the content of the p remain unchanged.

> Alternative Revenue Programs—Revenue Collected Subject to Refund

If a provision for estimated refunds is required by the criteria in paragraph 450-20-25-2, it shall be adjusted subsequently if the e the refund changes (see paragraph 980-405-25-1(a)).

45 Other Presentation Matters

General Note

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

General Note on Regulated Operations—Revenue Recognition

Upon the effective date of Accounting Standards Update 2014-09, the title of this Subtopic will change to Regulated Operations—Revenue Recognition—Alternative Revenue Programs.

General

Alternative Revenue Program Presentation

45-1

Pending Content

Transition Date:(P) December 16, 2017; (N) December 16, 2018 | **Transition Guidance:**606-10-65-1

Revenue arising from alternative revenue programs shall be presented separately from revenue arising from contracts with customers within the scope of Topic 606 in the statement of comprehensive income.

50 Disclosure

General Note

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

General Note on Regulated Operations—Revenue Recognition

Upon the effective date of Accounting Standards Update 2014-09, the title of this Subtopic will change to Regulated Operations—Revenue Recognition—Alternative Revenue Programs.

General

Refunds for Previously Recognized Revenue

50-1 For refunds that are recognized in a period other than the period in which the related revenue was recognized and that have a material effect on net income, the entity shall disclose the effect on net income and indicate the years in which the related revenue was recognized. Such effect may be disclosed by including it, net of related income taxes, as a line item in the income statement. However, that item shall not be presented as an extraordinary item.

Pending Content

Transition Date:(P) December 16, 2015; (N) December 16, 2015 | **Transition Guidance:**225-20-65-1

For refunds that are recognized in a period other than the period in which the related revenue was recognized and that have a material effect on net income, the entity shall disclose the effect on net income and indicate the years in which the related revenue was recognized. Such effect may be disclosed by including it, net of related income taxes, as a line item in the income statement.

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.

General Note on Regulated Operations—Revenue Recognition



Upon the effective date of Accounting Standards Update 2014-09, the title of this Subtopic will change to Regulated Operations—Revenue Recognition—Alternative Revenue Programs.

XBRL Links to Codification



Other Alternative Energy Sales Revenue {7}



Element Name: OtherAlternativeEnergySalesRevenue



Paragraphs Referenced by the above XBRL element

- 225 Income Statement>10 Overall>S99 SEC Materials>General, S99-2(SX 210.5-03.1)
- 932 Extractive Activities—Oil and Gas>235 Notes to Financial Statements>50 Disclosure>General, 50-23(a)
- 932 Extractive Activities—Oil and Gas>235 Notes to Financial Statements>50 Disclosure>General, 50-24
- 980 Regulated Operations>605 Revenue Recognition>45 Other Presentation>General, 45-1

Refund Received Related to Revenue from Different Year, Year Revenue Recognized {0}



Element Name: RefundReceivedRelatedToRevenueFromDifferentYearYearRevenueRecognized



Paragraphs Referenced by the above XBRL element

- 980 Regulated Operations>605 Revenue Recognition>50 Disclosure>General, 50-1

Revenue Recognition for Alternative Revenue Programs, Policy [Policy Text Block] {15}



Element Name: RevenueRecognitionForAlternativeRevenueProgramsPolicy



Paragraphs Referenced by the above XBRL element

- 235 Notes to Financial Statements>10 Overall>50 Disclosure>General, 50-3
- 980 Regulated Operations>605 Revenue Recognition>25 Recognition>General, 25-1
- 980 Regulated Operations>605 Revenue Recognition>25 Recognition>General, 25-2
- 980 Regulated Operations>605 Revenue Recognition>25 Recognition>General, 25-3
- 980 Regulated Operations>605 Revenue Recognition>25 Recognition>General, 25-4

Revenue Subject to Refund [Member] (22)

Element Name: RevenueSubjectToRefundMember

Paragraphs Referenced by the above XBRL element

- 980 Regulated Operations>605 Revenue Recognition>50 Disclosure>General, 50-1

Compensation—General

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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 compensation-related costs for entities with regulated operations.

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.

20 Glossary



General Note



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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.

25 Recognition

100

General Note

100

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

100

Compensated Absences

100

25-1 Topic 710 specifies criteria for accrual of a liability for employees' compensation for future absences. For rate-making purposes, compensation for employees' absences may be included in allowable costs when the compensation is paid.

100

25-2 The liability, if any, shall be accrued in accordance with Topic 710 because rate actions of the regulator cannot eliminate obligations that were not imposed by the regulator (see paragraph 980-405-40-1). By including the accrued compensation in future allowable costs on an as-paid basis, the regulator provides reasonable assurance of the existence of an asset. The asset is the probable future benefit (increased revenue) that will result from the regulatory treatment of the subsequent payment of the liability (see paragraph 980-340-25-1). Accordingly, the entity also shall record the asset that results from the regulator's actions.

100

Compensation—Retirement Benefits

00 Status

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55 Implementation Guidance and Illustrations

75 XBRL Elements

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
Defined Benefit Plan	Added	Accounting Standards Update No. 2014-06	03/14/2014
980-715-55-7	Amended	Accounting Standards Update No. 2014-06	03/14/2014

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 compensation related to pension costs and other postretirement benefit costs for entities with regulated operations.

Postretirement Pension Cost

05-2 This Subtopic provides guidance for the difference between net periodic pension cost as defined in Subtopic 715-30 and amounts of pension cost considered for rate-making purposes as an asset or a liability created by the actions of the regulator.

Other Postretirement Benefit Cost

05-3 This Subtopic provides guidance for the difference between net periodic postretirement benefit cost as defined in Subtopic 715-60 and amounts of postretirement benefit cost considered for rate-making purposes as an asset or a liability created by the actions of the regulator.

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 680-10-15. Accordingly, the guidance related to the accounting for regulatory assets related to other postretirement benefit costs (see Subtopic 715-60) is for rate-regulated entities that meet the criteria for applying this Topic.

20 Glossary

General Note

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Defined Benefit Plan

A defined benefit plan provides participants with a determinable benefit based on a formula provided for in the plan.

a Defined benefit health and welfare plans—Defined benefit health and welfare plans specify a determinable benefit, which may be in the form of a reimbursement to the covered plan participant or a direct payment to providers or third-party insurers for the cost of specified services. Such plans may also include benefits that are payable as a lump sum, such as death benefits. The level of benefits may be defined or limited based on factors such as age, years of service, and salary. Contributions may be determined by the plan's actuary or be based on premiums, actual claims paid, hours worked, or other factors determined by the plan sponsor. Even when a plan is funded pursuant to agreements that specify a fixed rate of employer contributions (for example, a collectively bargained multiemployer plan), such a plan may nevertheless be a defined benefit health and welfare plan if its substance is to provide a defined benefit.

b Defined benefit pension plan—A pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service, or compensation. Any pension plan that is not a defined contribution pension plan is, for purposes of Subtopic 715-30, a defined benefit pension plan.

c Defined benefit postretirement plan—A plan that defines postretirement benefits in terms of monetary amounts (for example, \$100,000 of life insurance) or benefit coverage to be provided (for example, up to \$200 per day for hospitalization, or 80 percent of the cost of specified surgical procedures). Any postretirement benefit plan that is not a defined contribution postretirement plan is, for purposes of Subtopic 715-60, a defined benefit postretirement plan. (Specified monetary amounts and benefit coverage are collectively referred to as benefits.)

Defined Contribution Plan

A plan that provides an individual account for each participant and provides benefits that are based on all of the following: amounts contributed to the participant's account by the employer or employee; investment experience; and any forfeitures allocated to the account, less any administrative expenses charged to the plan.

a Defined contribution health and welfare plans—Defined contribution health and welfare plans maintain an

individual account for each plan participant. They have terms that specify the means of determining the contributions to participants' accounts, rather than the amount of benefits the participants are to receive. The benefits a plan participant will receive are limited to the amount contributed to the participant's account, investment experience, expenses, and any forfeitures allocated to the participant's account. These plans also include flexible spending arrangements.

- b Defined contribution postretirement plan—A plan that provides postretirement benefits in return for services rendered, provides an individual account for each plan participant, and specifies how contributions to the individual's account are to be determined rather than specifies the amount of benefits the individual is to receive. Under a defined contribution postretirement plan, the benefits a plan participant will receive depend solely on the amount contributed to the plan participant's account, the returns earned on investments of those contributions, and the forfeitures of other plan participants' benefits that may be allocated to that plan participant's account.

Incurring 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.

25 Recognition

General Note

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

General

Postretirement Pension Cost

25-1 This Subtopic requires that the difference between net periodic pension cost as defined in Subtopic 715-30 and amounts of pension cost considered for rate-making purposes be recognized as an asset or a liability created by the actions of the regulator. Those actions of the regulator change the timing of recognition of net pension cost as an expense; they do not otherwise affect the requirements of that Subtopic.

25-2 Example 1 (see paragraph 980-715-55-9) illustrates accounting for pensions by an employer with regulated operations.

Other Postretirement Benefit Cost

Criteria for Recognizing Regulatory Assets for Postretirement Benefit Differences

25-3 For purposes of this Subtopic, other postretirement benefits refer to all forms of benefits, other than pensions, provided by an employer to retirees.

25-4 For continuing postretirement benefit plans, a regulatory asset related to Subtopic 715-60 costs shall not be recorded if the regulator continues to include other postretirement benefit costs in rates on a pay-as-you-go basis. The application of this Topic requires that a rate-regulated entity's rates be designed to recover the specific entity's costs of providing the regulated service or product. Accordingly, an entity's cost of providing a regulated service or product includes the costs provided for in Subtopic 715-60.

25-5 For a continuing postretirement benefit plan a rate-regulated entity shall recognize a regulatory asset for the difference between Subtopic 715-60 costs and other postretirement benefit costs included in the entity's rates if the entity does both of the following:

a Determines that it is probable that future revenue in an amount at least equal to the deferred cost (regulatory asset) will be recovered in rates

b Meets all of the following criteria:

1 The rate-regulated entity's regulator has issued a rate order or issued a policy statement or a generic order applicable to entities within the regulator's jurisdiction that allows both for the deferral of Subtopic 715-60 costs and for the subsequent inclusion of those deferred costs in the entity's rates.

2 The annual Subtopic 715-60 costs (including amortization of the transition obligation) will be included in rates within approximately five years from the date of adoption of that Subtopic. The change to full accrual accounting may take place in steps, but the period for deferring additional amounts shall not exceed approximately five years.

3 The combined deferral-recovery period authorized by the regulator for the regulatory asset shall not exceed approximately 20 years from the date of adoption of Subtopic 715-60. To the extent that the regulator imposes a deferral-recovery period for those costs provided for in Subtopic 715-60 greater than approximately 20 years, any proportionate amount of such costs not recoverable within approximately 20 years shall not be recognized as a regulatory asset.

4 The percentage increase in rates scheduled under the regulatory recovery plan for each future year shall be no greater than the percentage increase in rates scheduled under the plan for each immediately preceding year. This criterion is similar to that required for phase-in plans in paragraph 980-340-25-3(d). Recovery of the regulatory asset in rates on a straight-line basis would meet this criterion.

25-6 This guidance applies to rate-regulated entities that elect to immediately recognize their postretirement benefit transition obligation under Subtopic 715-60 as well as those entities that elect to delay the recognition of and amortize their postretirement benefit transition obligation in accordance with that Subtopic.

25-7 For discontinued plans, a regulatory asset related to Subtopic 715-60 costs shall be recorded if it is probable that future revenue in an amount at least equal to any deferred that Subtopic costs will be recovered in rates within approximately 20 years following the adoption of that Subtopic. Rate recovery during that period may continue on a pay-as-you-go basis. For purposes of this guidance, a discontinued plan is one that results in employees not earning additional benefits for future service (that is, one that has no current service costs).

Accounting for Regulatory Assets when Criteria Are Met in a Subsequent Period

25-8 If an entity does not initially meet the criteria established in Section 980-715-25 but meets those criteria in a subsequent period, then a regulatory asset related to Subtopic 715-60 costs shall be recognized in the period those criteria are met.

50 Disclosure

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General Note

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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

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Regulatory Treatment of Postretirement Benefit Costs

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50-1 A rate-regulated entity shall disclose in its financial statements a description of the regulatory treatment of postretirement benefit costs, the status of any pending regulatory action, the amount of any Subtopic 715-60 costs deferred as a regulatory asset at the balance sheet date, and the period over which the deferred amounts are expected to be recovered in rates.

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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 All implementation guidance and illustrations assume that the entity meets the criteria of paragraph 980-10-15-2 for the application of this Topic by the entity; thus recovery of any cost is probable if that cost is designated for future recovery by the regulator.

Implementation Guidance

Effects of Applying Accounting for Pensions Guidance if Another Method Is Used for Rate-Making Purposes

55-2 An employer with regulated operations shall account for the effects of applying Subtopic 715-30 for financial reporting purposes even if another method of accounting for pensions is used for determining allowable pension cost for rate-making purposes.

55-3 As indicated in paragraph 980-715-25-1, Subtopic 715-30 applies to employers with regulated operations.

55-4 If this Subtopic applies to the employer, and the amount of net periodic pension cost determined under the method used for rate-making purposes differs from that determined under Subtopic 715-30, the difference would be either of the following:

- a An asset if the criteria in paragraph 980-340-25-1 are met
- b A liability if the situation is as described in paragraph 980-405-25-1(b).

55-5 Usually, continued use of different methods for rate-making purposes and general-purpose external financial reporting purposes would result in either the criteria in paragraph 980-340-25-1 being met or the situation described in paragraph 980-405-25-1(b). However, if pension cost determined in accordance with Subtopic 715-30 exceeds pension cost determined in accordance with the method used in setting current rates, the criteria in paragraph 980-340-25-1 would not be met if both of the following conditions exist:

a It is probable that the regulator soon will accept a change for rate-making purposes so that pension cost is determined in accordance with Subtopic 715-30.

b It is not probable that the regulator will provide revenue to recover the excess cost that results from the use of Subtopic 715-30 for financial reporting purposes during the period between the date that the employer adopts that Subtopic and the rate case implementing the change.

55-6 Similarly, if pension cost determined in accordance with the method used in setting current rates exceeds pension cost determined in accordance with Subtopic 715-30, the situation would not be as described in paragraph 980-405-25-1(b) if it is probable that all of the following conditions exist:

a The regulator soon will accept a change for rate-making purposes so that pension cost is determined in accordance with Subtopic 715-30.

b The regulator will not hold the employer responsible for the costs that were intended to be recovered by the current rates and that have been deferred by the change in method.

c The regulator will provide revenue to recover those same costs when they are eventually recognized under the method required by Subtopic 715-30.

55-7 Because a regulator cannot eliminate a liability that was not imposed by its actions, the need to recognize the underfunded status of a defined benefit plan as a liability under paragraphs 715-30-25-1 through 25-2 is unaffected by regulation.

55-8 See Example 1 (paragraphs 980-715-55-9) for the employer's accounting when paragraphs 980-340-25-1 and 980-405-25-1(b) apply.

Illustrations

Example 1: Accounting for Pensions by an Employer with Regulated Operations

55-9 This Example illustrates the guidance for recognition of postretirement pension cost in paragraph 980-715-25-1.

55-10 An employer with regulated operations sponsors a defined benefit pension plan that is accounted for pursuant to Subtopic 715-30. To simplify the Example, it is assumed that there are no remaining differences between amounts previously recognized as net periodic pension cost and amounts allowable for rate-making purposes. The employer's determination of net periodic pension cost under that Subtopic, however, differs from that allowable for rate-making purposes. The following schedule shows the amounts under both bases for the years 20X0–20X3.

Year	Net periodic pension cost under Subtopic 715-30	Allowable for Rate-Making	Difference for the Period	Cumulative Difference
20X0	\$ 120	\$ 200	\$ (80)	\$ (80)

	20X0	20X1	20X2	20X3
	200	100	100	100
	170	140	30	50
	120	200	(80)	(30)



55-11 In 20X0, the amount allowable for rate-making purposes exceeds net periodic pension cost determined under Subtopic 715-30. In that case, paragraph 980-405-25-1(b) requires the amount determined under Subtopic 715-30 (\$120) to be recognized as net periodic pension cost in the employer's financial statements.



55-12 The difference (\$80) between net periodic pension cost determined under Subtopic 715-30 (\$120) and that allowable for rate-making purposes (\$200) is recognized as a liability (unearned revenue) and represents an amount collected or collectible for recovery of future pension cost. When that pension cost is incurred for financial reporting purposes, the liability (unearned revenue) shall be eliminated and revenue shall be recognized.



55-13 The journal entries to account for the accrual of net periodic pension cost and the contribution made to the pension plan during the year are as follows.



Journal Entry 1

Net periodic pension cost	\$ 120	
Revenue	80	
Pension liability		\$ 120
Unearned revenue		80



To record net periodic pension cost for the period and the liability created by actions of the regulator



Journal Entry 2

Pension liability	\$ 200	
Cash		\$ 200



To record contribution to pension plan



55-14 No modifications of the disclosure required by paragraph 715-20-50-1(h) are required in this case because the accounting required by this Topic does not change the amount of net periodic pension cost recognized under Subtopic 715-30. (See the table in paragraph 980-715-55-10.)



55-15 In 20X1, the amount allowable for rate-making purposes is less than net periodic pension cost determined under Subtopic 715-30 by \$100. Of that amount, \$80 was allowable for rate-making purposes in 20X0. Therefore, the 20X0 unearned revenue of \$80 is recognized as revenue for 20X1. Paragraph 980-340-25-1 requires the remaining portion of the \$100 difference (\$20) to be capitalized as an **incurred cost** for which future recovery is assured by actions of the regulator.



55-16 The journal entries to account for the accrual of net periodic pension cost and the contribution made to the pension plan during the year are as follows.



Journal Entry 1

Net periodic pension cost	\$ 180	
Capitalized cost for future recovery	20	
Unearned revenue	80	
Pension liability		\$ 200
Revenue		80



To record net periodic pension cost for the period and the asset created by actions of the regulator

*Journal Entry 2*

Pension liability	\$ 100	
Cash		\$ 100



To record contribution to pension plan



55-17 In this case, the accounting required by this Topic changes the amount of net periodic pension cost that otherwise would have been recognized under Subtopic 715-30 requiring modification of the disclosure required by paragraph 715-20-50-1(h). (See the table in paragraph 980-715-55-10.)



55-18 In 20X2, the amount allowable for rate-making purposes is less than net periodic pension cost determined under Subtopic 715-30 by \$30. None of that amount was allowable for rate-making purposes in prior years. Paragraph 980-340-25-1 requires the \$30 to be capitalized as an incurred cost for which future recovery is assured by actions of the regulator.



55-19 The journal entries to account for the accrual of net periodic pension cost and the contribution made to the pension plan during the year are as follows.

*Journal Entry 1*

Net periodic pension cost	\$ 140	
Capitalized cost for future recovery	30	
Pension liability		\$ 170



To record net periodic pension cost for the period and the asset created by actions of the regulator

*Journal Entry 2*

Pension liability	\$ 140	
Cash		\$ 140



To record contribution to pension plan



55-20 The situation in 20X2 is similar to that in 20X1, necessitating additional disclosure. (See the table in paragraph 980-715-55-10.)



55-21 In 20X3, the amount allowable for rate-making purposes exceeds net periodic pension cost determined under Subtopic 715-30 by \$80. In prior years (20X1 and 20X2), \$50 of that amount was recognized as a capitalized cost.

55-22 Accordingly, that capitalized cost (\$50) is expensed in 20X3. Additionally, paragraph 980-405-25-1 requires recognition of a liability (unearned revenue) equal to the remaining portion (\$30) of the amount allowable for rate-making purposes in excess of net periodic pension cost determined under Subtopic 715-30 $[(\$200 - \$120) - \$50 = \$30]$. When that pension cost is incurred for financial reporting purposes, the \$30 liability (unearned revenue) shall be eliminated and revenue shall be recognized.

55-23 The journal entries to account for the accrual of net periodic pension cost and the contribution made to the pension plan during the year are as follows.

Journal Entry 1

Net periodic pension cost	\$ 170	
Revenue	30	
Capitalized cost for future recovery		\$ 50
Pension liability		120
Unearned revenue		30

To record net periodic pension cost for the period and the liability created by actions of the regulator

Journal Entry 2

Pension liability	\$ 200	
Cash		\$ 200

To record contribution to pension plan

55-24 The situation in 20X3 is similar to that in 20X1 and 20X2, necessitating additional disclosure. (See the table in paragraph 980-715-55-10.)

55-25 The following illustrates the disclosure of the components of net periodic pension cost for 20X0–20X3. It is assumed that there is no transition asset or obligation remaining in accumulated other comprehensive income and there are no gains or losses for the four-year period.

	20X0	20X1	20X2	20X3
Service cost ^(a)	\$ XXX	\$ XXX	\$ XXX	\$ XXX
Interest cost ^(a)	XXX	XXX	XXX	XXX
Expected return on plan assets ^(a)	(XXX)	(XXX)	(XXX)	(XXX)
Net amortization and deferral	-	-	-	-
Net periodic pension cost determined under Subtopic 715-20	120	200	170	120
Amount (capitalized) expensed due to actions of the regulator		(20)	(30)	50
Net periodic pension cost recognized	<u>\$ 120</u>	<u>\$ 180</u>	<u>\$ 140</u>	<u>\$ 170</u>

(a) Amounts are excluded for illustrative purposes only.

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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

Pension Costs [Member] {54}

Element Name: PensionCostsMember

Paragraphs Referenced by the above XBRL element

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

Postretirement Benefit Costs [Member] {42}

Element Name: PostretirementBenefitCostsMember

Paragraphs Referenced by the above XBRL element

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

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

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

Income Taxes

05 Overview and Background

15 Scope and Scope Exceptions

20 Glossary

25 Recognition

55 Implementation Guidance and Illustrations

75 XBRL Elements

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 on accounting for income taxes for entities with regulated operations.

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.

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.

25 Recognition

General Note

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

General

Income Taxes Applicable to Regulated Entities

25-1 For regulated entities that meet the criteria for application of paragraph 980-10-15-2, this Subtopic specifically:

- a Prohibits net-of-tax accounting and reporting
- b Requires recognition of a deferred tax liability for tax benefits that are flowed through to customers when temporary differences originate and for the equity component of the allowance for funds used during construction
- c Requires adjustment of a deferred tax liability or asset for an enacted change in tax laws or rates.

25-2 If, as a result of an action by a regulator, it is probable that the future increase or decrease in taxes payable for (b) and (c) in the preceding paragraph will be recovered from or returned to customers through future rates, an asset or liability shall be recognized for that probable future revenue or reduction in future revenue pursuant to paragraphs 980-340-25-1 and 980-405-25-1. That asset or liability also shall be a temporary difference for which a deferred tax liability or asset shall be recognized.

25-3 Example 1 (see paragraph 980-740-55-8) illustrates recognition of an asset for the probable revenue to recover future income taxes.

25-4 Example 2 (see paragraph 980-740-55-13) illustrates adjustment of a deferred tax liability when the liability represents amounts already collected from customers.

55 Implementation Guidance and Illustrations

General Note

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

General

Implementation Guidance

Asset Resulting from Recognition of Deferred Tax Liability

55-1 Paragraph 980-340-25-1 requires a regulated entity that applies this Topic to capitalize an incurred cost that would otherwise be charged to expense if the following criteria are met:

- a It is probable that future revenue in an amount at least equal to the capitalized cost will result from inclusion of that cost in allowable costs for rate-making purposes.
- b Based on available evidence, the future revenue will be provided to permit recovery of the previously incurred cost rather than to provide for expected levels of similar future costs.

If the income taxes that result from recording a deferred tax liability in accordance with Subtopic 740-10 meet those criteria, an asset is recognized for those income taxes when the deferred tax liability is recognized. That asset and the deferred tax liability are not offset for general-purpose financial reporting; rather, each is displayed separately.

Income Taxes for Abandoned Plants

55-2 When a loss on abandonment is recognized, the amount of deferred income taxes related to the remaining asset shall be determined as indicated in the following guidance.

55-3 While under construction, a utility's plant has a recorded cost that consists of the following three separate elements for income tax purposes:

- a Costs that will be deductible in the future, either as depreciation or (in the event that the plant is abandoned) as an abandonment loss

b Costs that have been deducted in the past

c Costs that are never deductible (the allowance for equity funds used during construction).

55-4 An abandonment loss generally is deductible for federal income tax purposes when the abandonment occurs. That tax deduction is allowed without regard to the rate-making treatment applied to the recorded cost of the abandoned plant.

55-5 When a regulator is expected to provide recovery of the cost of an abandoned plant without return on investment, Subtopic 980-360 requires a portion of the cost of the abandoned plant to be recognized as a loss, equivalent to the present value of the effective disallowance of return on investment.

55-6 Deferred income tax liabilities, related to the remaining asset and the recovery of a separate asset recognized to reflect the future revenue that is expected to be provided in rates by the regulator when the income taxes become payable, shall be recorded under the requirements of Subtopic 740-10.

Illustrations

55-7 All the Examples assume that the entity meets the criteria in paragraph 980-10-15-2 for the application of this Topic by the entity.

Example 1: Recognition of an Asset for the Probable Revenue to Recover Future Income Taxes

55-8 This Example illustrates the guidance in paragraphs 980-740-25-1 through 25-2. The following Cases illustrate the recognition of an asset related to a deferred tax liability:

a Recognition of an asset for the probable future revenue to recover future income taxes related to the deferred tax liability for the equity component of the allowance for funds used during construction (Case A)

b A subsequent adjustment of deferred tax liability for an enacted change in tax rates (Case B).

55-9 Cases A and B share all of the following assumptions:

a During Year 1, the first year of operations, total construction costs for financial reporting and tax purposes are \$400,000 (exclusive of the allowance for funds used during construction).

b The enacted tax rate is 34 percent for all future years.

c Allowance for funds used during construction (consisting entirely of the equity component) is \$26,000. The asset for probable future revenue to recover the related income taxes is calculated as follows:

34 percent of $(\$26,000 + A) = A$ (where A equals the asset for probable future revenue)

d $A = \$13,394$.

Case A: Asset Recognition Related to the Equity Component of the Allowance for Funds Used During Construction

55-10 At the end of Year 1, the related accounts are as follows.

Construction in progress	<u>\$426,000</u>
Probable future revenue	<u>\$ 13,394</u>
Deferred tax liability (34 percent of (\$26,000 + \$13,394))	<u>\$ 13,394</u>

55-11 In this Case, if the allowance for funds used during construction had consisted entirely of a net-of-tax debt component in the amount of \$26,000, the related accounts and their balances at the end of Year 1 would be construction in progress in the amount of \$439,394 and a deferred tax liability in the amount of \$13,394.

Case B: Enacted Change in Tax Rates

55-12 This Case illustrates adjustment of a deferred tax liability for an enacted change in tax rates. In this Case, a change in the tax rate from 34 percent to 30 percent is enacted on the first day of Year 2. As of the first day of Year 2, the related accounts are adjusted so that the balances are as follows.

Construction in progress	<u>\$426,000</u>
Probable future revenue	<u>\$ 11,143</u>
Deferred tax liability (30 percent of (\$26,000 + \$11,143))	<u>\$ 11,143</u>

Example 2: Enacted Change in Tax Rates when Deferred Tax Liability Represents Amounts Collected for Future Payment of Income Taxes

55-13 This Example illustrates adjustment of a deferred tax liability for an enacted change in tax rates when that deferred tax liability represents amounts already collected from customers for the future payment of income taxes discussed in paragraphs 980-740-25-1 through 25-2. In that case, there would be no asset for probable future revenue. This Example has the following assumptions:

a Amounts at the end of Year 1, the current year, are as follows.

Construction in progress for financial reporting	<u>\$ 400,000</u>
Tax basis of construction in progress	<u>\$ 300,000</u>
Deferred tax liability (34 percent of \$100,000)	<u>\$ 34,000</u>

b A change in the tax rate from 34 percent to 30 percent is enacted on the first day of Year 2. As a result of the reduction in tax rates, it is probable that \$4,000 of the \$34,000 (previously collected from customers for the future payment of income taxes) will be refunded to customers, together with the tax benefit of that refund, through a future rate reduction. The liability for the future rate reduction to refund a portion of the deferred taxes previously collected from customers is calculated as follows:

$$\$4,000 + (30 \text{ percent of } R) = R \text{ (where } R \text{ equals the probable future reduction in revenue)}$$

$$c R = \$5,714.$$

55-14 As of the first day of Year 2, the related accounts are adjusted so that the balances are as follows.

Construction in progress	<u>\$400,000</u>
Probable reduction in future revenue	<u>\$ 5,714</u>
Deferred tax liability [30 percent of (\$100,000 — \$5,714)]	<u>\$ 28,286</u>

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 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

Regulatory Income Taxes, Policy [Policy Text Block] {123}



Element Name: RegulatoryIncomeTaxesPolicy



Paragraphs Referenced by the above XBRL element

- 235 Notes to Financial Statements>10 Overall>50 Disclosure>General, 50-3
- 980 Regulated Operations>740 Income Taxes>25 Recognition>General, 25-1
- 980 Regulated Operations>740 Income Taxes>25 Recognition>General, 25-2

Consolidation



- 05 Overview and Background
- 15 Scope and Scope Exceptions
- 45 Other Presentation Matters
- 75 XBRL Elements
- S45 Other Presentation Matters
- S50 Disclosure
- S75 XBRL Elements
- S99 SEC Materials

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 on consolidation for entities with regulated operations.



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.

45 Other Presentation Matters

General Note

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

General

Affiliated Sales

45-1 Profit on sales to regulated affiliates shall not be eliminated in general-purpose financial statements if both of the following criteria are met:

a The sales price is reasonable.

b It is probable that, through the rate-making process, future revenue approximately equal to the sales price will result from the regulated affiliate's use of the products.

45-2 The sales price usually shall be considered reasonable if the price is accepted or not challenged by the regulator that governs the regulated affiliate. Otherwise, reasonableness shall be considered in light of the circumstances. For example, reasonableness might be judged by the return on investment earned by the manufacturing or construction operations or by a comparison of the transfer prices with prices available from other sources.

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



Intercompany Profit to Regulated Affiliates, Policy [Policy Text Block] {3}



Element Name: IntercompanyProfitToRegulatedAffiliatesPolicy



Paragraphs Referenced by the above XBRL element

- 235 Notes to Financial Statements>10 Overall>50 Disclosure>General, 50-3
- 980 Regulated Operations>810 Consolidation>45 Other Presentation>General, 45-1
- 980 Regulated Operations>810 Consolidation>45 Other Presentation>General, 45-2

S45 Other Presentation Matters

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General Note

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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

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Balance Sheet

100

S45-1 See paragraph 980-810-S99-1, Regulation S-X Rule 3A-05, for requirements for the consolidated balance sheet of a public utility holding company.

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Financing Through Construction Intermediaries

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S45-2 See paragraph 980-810-S99-2, SAB Topic 10.A, for SEC Staff views on the presentation of construction work in progress and related liabilities and interest expense being financed through a construction intermediary.

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S50 Disclosure

General Note

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

General

Financing Through Construction Intermediaries

S50-1 See paragraph 980-810-S99-2, SAB Topic 10.A, for SEC Staff views on disclosures when construction is financed through an intermediary.

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

Interest Cost for Plant Construction Using Intermediary, Policy [Policy Text Block] {0}

Element Name: InterestCostForPlantConstructionUsingIntermediaryPolicy

Paragraphs Referenced by the above XBRL element

- 235 Notes to Financial Statements>10 Overall>50 Disclosure>General, 50-3
- 980 Regulated Operations>810 Consolidation>S99 SEC Materials>General, S99-2(SAB Topic 10.A)

Plant Construction Using Intermediary, Policy [Policy Text Block] {4}

Element Name: PlantConstructionUsingIntermediaryPolicy

Paragraphs Referenced by the above XBRL element

- 235 Notes to Financial Statements>10 Overall>50 Disclosure>General, 50-3
- 980 Regulated Operations>810 Consolidation>S99 SEC Materials>General, S99-2(SAB Topic 10.A)

Public Utilities, Property, Plant and Equipment, Amount of Interest Incurred on Intermediary Debt for Electric Utility Plant Construction {0}

Element Name:

PublicUtilitiesPropertyPlantAndEquipmentAmountOfInterestIncurredOnIntermediaryDebtForElectricUtilityPlantConstruction

Paragraphs Referenced by the above XBRL element

- 980 Regulated Operations>810 Consolidation>S99 SEC Materials>General, S99-2(SAB Topic 10.A)

Public Utilities, Property, Plant and Equipment, Description of Electric Utility Use of Intermediary for Plant Construction {0}

106

Element Name:

PublicUtilitiesPropertyPlantAndEquipmentDescriptionOfElectricUtilityUseOfIntermediaryForPlantConstruction

106

Paragraphs Referenced by the above XBRL element

- 980 Regulated Operations>810 Consolidation>S99 SEC Materials>General, S99-2(SAB Topic 10.A)

Public Utilities, Property, Plant and Equipment, Interest Rate on Intermediary Debt for Electric Utility Plant Construction {1}

106

Element Name:

PublicUtilitiesPropertyPlantAndEquipmentInterestRateOnIntermediaryDebtForElectricUtilityPlantConstruction

106

Paragraphs Referenced by the above XBRL element

- 980 Regulated Operations>810 Consolidation>S99 SEC Materials>General, S99-2(SAB Topic 10.A)

S99 SEC Materials

General Note

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

General

SEC Rules, Regulations, and Interpretations

Regulation S-X

Regulation S-X Rule 3A-05, Special Requirements as to Public Utility Holding Companies

S99-1 The following is the text of Regulation S-X Rule 3A-05, Special Requirements as to Public Utility Holding Companies.

There shall be shown in the consolidated balance sheet of a public utility holding company the difference between the amount at which the parent's investment is carried and the underlying book equity of subsidiaries as at the respective dates of acquisition.

[37 FR 14597, July 21, 1972. Redesignated at 45 FR 63687, Sept. 25, 1980, and 46 FR 56179, Nov. 16, 1981]

SEC Staff Guidance

Staff Accounting Bulletins

SAB Topic 10.A, Financing by Electric Utility Companies Through Use of Construction Intermediaries

S99-2 The following is the text of SAB Topic 10.A, Financing by Electric Utility Companies Through Use of Construction Intermediaries.

Facts: Some electric utility companies finance construction of a generating plant or their share of a jointly owned plant through the use of a "construction intermediary" which may be organized as a trust or a corporation. Typically the utility assigns its interest in property and other contract rights to the construction intermediary with the latter authorized to obtain funds to finance construction with term loans, bank loans, commercial paper and other sources of funds and that may be available. The intermediary's borrowings are guaranteed in part of the work in progress but more significantly, although indirectly, by the obligation of the utility to purchase the project upon completion and assume or otherwise settle the borrowings. The utility may be committed to provide any deficiency of funds which the intermediary cannot obtain and excess funds may be loaned to the utility by the intermediary. (In one case involving construction of an entire generating plant, the intermediary appointed the utility as its agent to complete construction.) On the occurrence of an event such as commencement of the testing period for the plant or placing the plant in commercial service (but not later than a specified date) the interest in the plant reverts to the utility and concurrently the utility must either assume the obligations issued by the intermediary or purchase them from the holders. The intermediary also may be authorized to borrow amounts for accrued interest when due and those amounts are added to the balance of the outstanding indebtedness. Interest is thus capitalized during the construction period at rates being charged by the lenders; however, it is deductible by the utility for tax purposes in the year of accrual.

Question: How should construction work in progress and related liabilities and interest expense being financed through a construction intermediary be reflected in an electric utility's financial statements?

Interpretive Response: The balance sheet of an electric utility company using a construction intermediary to finance construction should include the intermediary's work in progress in the appropriate caption under utility plant. The related debt should be included in long-term liabilities and disclosed either on the balance sheet or in a note.

The amount of interest cost incurred and the respective amounts expensed or capitalized shall be disclosed for each period for which an income statement is presented. Consequently, capitalized interest included as part of an intermediary's construction work in progress on the balance sheet should be recognized on the current income statement as interest expense with a corresponding offset to allowance for borrowed funds used during construction. Income statements for prior periods should also be restated. The amounts may be shown separately on the statement or included with interest expense and allowance for borrowed funds used during construction.

A note to the financial statements should describe briefly the organization and purpose of the intermediary and the nature of its authorization to incur debt to finance construction. The note should disclose the rate at which interest on this debt has been capitalized and the dollar amount for each period for which an income statement is presented.

Derivatives and Hedging



00 Status

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15 Scope and Scope Exceptions

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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
<u>All-in-One Hedge</u>	Added	Accounting Standards Update No. 2014-09	05/28/2014
<u>Contract</u>	Added	Accounting Standards Update No. 2014-09	05/28/2014
<u>Nonutility Generators</u>	Added	Accounting Standards Update No. 2014-09	05/28/2014
980-815-05-1	Added	Accounting Standards Update No. 2014-09	05/28/2014
980-815-15-1 through 15-3	Added	Accounting Standards Update No. 2014-09	05/28/2014

980-815-15-3	Amended	Accounting Standards Update No. 2016-02	02/25/2016
980-815-25-1 through 25-6	Added	Accounting Standards Update No. 2014-09	05/28/2014

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

Pending Content

Transition Date:*(P) December 16, 2017; (N) December 16, 2018* | **Transition Guidance:**606-10-65-1

This Subtopic provides guidance for long-term power sales contracts.

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

Pending Content

Transition Date:(P) December 16, 2017; (N) December 16, 2018 | **Transition Guidance:**606-10-65-1

This Subtopic follows the same Scope and Scope Exceptions as outlined in the Overall Subtopic; see Section 980-10-15, with specific qualifications and exceptions noted below.

Entities

15-2

Pending Content

Transition Date:(P) December 16, 2017; (N) December 16, 2018 | **Transition Guidance:**606-10-65-1

The guidance in this Subtopic applies to nonutility generators as they provide many of the services of entities with regulated operations.

Transactions

15-3

Pending Content

Transition Date:*(P) December 16, 2017; (N) December 16, 2018* | **Transition Guidance:**806-10-65-1

The scope of this Subtopic excludes long-term power supply contracts that would qualify for lease accounting pursuant to Topic 840. For a discussion of the considerations required to determine whether a long-term power sales contract arrangement contains a lease, see Subtopic 840-10.

Pending Content

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

The scope of this Subtopic excludes long-term power supply contracts if they are within the scope of Topic 842 on leases. For the considerations required to determine whether a long-term power sales contract arrangement contains a lease, see Subtopic 842-10.

20 Glossary



General Note



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

All-in-One Hedge



In an all-in-one hedge, a derivative instrument that will involve gross settlement is designated as the hedging instrument in a cash flow hedge of the variability of the consideration to be paid or received in the forecasted transaction that will occur upon gross settlement of the derivative instrument itself.

Contract



Note: The following definition is Pending Content; see Transition Guidance in 606-10-65-1

An agreement between two or more parties that creates enforceable rights and obligations.

Nonutility Generators



Entities owning electric generating plants built either for their own energy needs or to sell power, usually to rate-regulated entities, under long-term power sales contracts.

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

Long-Term Power Sales Contracts

25-1

Pending Content

Transition Date:(P) December 16, 2017; (N) December 16, 2018 | **Transition Guidance:**606-10-65-1

In general, nonutility generators are not regulated and do not meet the criteria of an entity with regulated operations as provided in paragraph 980-10-15-2. However, since nonutility generators provide many of the same services as entities with regulated operations, the guidance for nonutility generators on accounting for contracts that meet the definition of a derivative is included in paragraphs 980-815-25-4 through 25-6. That portion of this Subsection assumes the seller of power under the long-term contract does not meet the criteria for application of this Topic.

25-2

Pending Content

Transition Date:(P) December 16, 2017; (N) December 16, 2018 | **Transition Guidance:**606-10-65-1

Nonutility generators provide a significant percentage of new electric generating capacity in the United States. Some of these generating plants are built by users primarily for their own energy needs while others are built specifically to sell power, usually to rate-regulated utilities, under long-term power sales contracts. Those contracts price the power sold under a wide variety of terms and arrangements.

25-3

Pending Content

Transition Date:(P) December 16, 2017; (N) December 16, 2018 | **Transition Guidance:**606-10-65-1

The long-term power sales contracts may provide for any of the following:

- a Stated prices per kilowatt hour that increase, decrease, or remain level over the term of the contract
- b Formula-based prices per kilowatt hour
- c Billings that are a combination of stated prices and formula-based prices per kilowatt hour.

Contracts Meeting Definition of Derivative

606

25-4

Pending Content

Transition Date:(P) December 16, 2017; (N) December 16, 2018 | **Transition Guidance:**606-10-65-1

If a long-term power sales contract meets the definition of a derivative under Topic 815, then it would be marked to fair value through earnings, unless designated as a hedging instrument in certain types of hedging relationships. Otherwise, the guidance in Topic 606 on revenue from contracts with customers would apply. Some long-term power sales contracts that meet the definition of a derivative may qualify for the normal purchases and normal sales scope exception contained in paragraph 815-10-15-13(b), in which case the long-term power sales contract would be accounted for under this Section.

25-5

Pending Content

Transition Date:(P) December 16, 2017; (N) December 16, 2018 | **Transition Guidance:**606-10-65-1

Long-term power sales contracts that are accounted for as derivatives may possibly qualify as hedging instruments in all-in-one hedges. The guidance in Section 815-10-55 may be relevant.

25-6

Pending Content

Transition Date:(P) December 16, 2017; (N) December 16, 2018 | **Transition Guidance:**606-10-65-1

For a discussion of issues involved in accounting for derivative contracts held for trading purposes and contracts involved in energy trading and risk management activities, see paragraph 815-10-45-9.

Interest



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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 on accounting for interest for entities with regulated operations.



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.



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.

25 Recognition

General Note

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

General

Construction Financing Cost Capitalization

25-1 In some cases, a regulator requires an entity subject to its authority to **capitalize**, as part of the cost of plant and equipment, the cost of financing construction as financed partially by borrowings and partially by equity. This cost of financing construction is referred to as an **allowance for funds used during construction**.

25-2 If the specific criteria in paragraph 980-835-35-1 are met but an allowance for funds used during construction is not capitalized because its inclusion in the cost that will become the basis for future rates is not probable, the regulated entity may not alternatively capitalize interest cost in accordance with Subtopic 835-20.

25-3 If completion of a plant under construction is reasonably possible but no longer probable, and the regulator in the governing jurisdiction routinely disallows accumulated allowance for funds used during construction on abandoned plants, the criteria required to write off such previously recognized amounts are not met since disallowance is not probable; thus, such previously capitalized amounts shall not be written off. However, because inclusion of allowance for funds used during construction in the cost allowed for future rates is no longer probable, further capitalization of such amounts is not warranted.

25-4 Assume that a prudence investigation is in process or has taken place, and a disallowance of cost (including subsequent allowance for funds used during construction on those costs) is reasonably possible, and that the range of such disallowance is from zero to some maximum amount, with no point within the range being more likely than any other. In that situation, because a disallowance of the maximum amount in the range is reasonably possible and thus inclusion of that amount in rates is no longer probable, subsequent capitalization of allowance for funds used during construction shall be discontinued for an amount of costs equal to the maximum amount that is within the range.

30 Initial Measurement

100

General Note

100

The Initial Measurement Section provides guidance on the criteria and amounts used to measure a particular item at the date of initial recognition.

General

100

30-1 If a regulator requires an entity to capitalize certain costs as discussed in paragraph 980-835-25-1, a computed interest cost and a designated cost of equity funds are capitalized, and net income for the current period is increased by a corresponding amount. In such cases, the amounts capitalized for rate-making purposes as part of the cost of acquiring the assets shall be capitalized for financial reporting purposes instead of the amount of interest that would be capitalized in accordance with Subtopic 835-20. Those amounts shall be capitalized only if their subsequent inclusion in allowable costs for rate-making purposes is probable.

100

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 After construction is completed, the resulting capitalized cost, including the allowance for funds used during construction, is the basis for depreciation and unrecovered investment for rate-making purposes.

45 Other Presentation Matters

100

General Note

100

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

100

45-1 The income statement shall include an item of other income, a reduction of interest expense, or both, in a manner that indicates the basis for the amount of construction financing cost capitalized as required by paragraph 980-835-25-1.

100

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, Capitalized Interest (71)



Element Name: PublicUtilitiesAllowanceForFundsUsedDuringConstructionCapitalizedInterest



Paragraphs Referenced by the above XBRL element

- 980 Regulated Operations>835 Interest>25 Recognition>General, 25-1

Capitalized Interest Costs, Including Allowance for Funds Used During Construction (100)



Element Name: InterestCostsIncurredCapitalized



Paragraphs Referenced by the above XBRL element

- 980 Regulated Operations>835 Interest>45 Other Presentation>General, 45-1

Public Utilities, Allowance for Funds Used During Construction, Capitalized Cost of Equity (83)



Element Name: PublicUtilitiesAllowanceForFundsUsedDuringConstructionCapitalizedCostOfEquity



Paragraphs Referenced by the above XBRL element

- 980 Regulated Operations>835 Interest>25 Recognition>General, 25-1
- 980 Regulated Operations>835 Interest>45 Other Presentation>General, 45-1

Public Utilities, Allowance for Funds Used During Construction, Description (0)



Element Name: PublicUtilitiesAllowanceForFundsUsedDuringConstructionDescription



Paragraphs Referenced by the above XBRL element

- 980 Regulated Operations>835 Interest>25 Recognition>General, 25-1
- 980 Regulated Operations>835 Interest>45 Other Presentation>General, 45-1

Public Utilities, Allowance for Funds Used During Construction, Rate {41}



Element Name: PublicUtilitiesAllowanceForFundsUsedDuringConstructionRate



Paragraphs Referenced by the above XBRL element

- 980 Regulated Operations>835 Interest>25 Recognition>General, 25-1
- 980 Regulated Operations>835 Interest>45 Other Presentation>General, 45-1

Public Utilities, Amount of Allowance for Funds Used During Construction, Equity Costs Capitalized Only for Rate-making Purposes {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

Leases



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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
Allowable Costs	Superseded	Accounting Standards Update No. 2016-02	02/25/2016
Phase-In Plan	Superseded	Accounting Standards Update No. 2016-02	02/25/2016
980-840-05-1	Superseded	Accounting Standards Update No. 2016-02	02/25/2016
980-840-15-1	Superseded	Accounting Standards Update No. 2016-02	02/25/2016
980-840-25-1 through 25-3	Superseded	Accounting Standards Update No. 2016-02	02/25/2016

980-840-35-1	Superseded	Accounting Standards Update No. 2016-02	02/25/2016
980-840-35-2	Superseded	Accounting Standards Update No. 2016-02	02/25/2016
980-840-45-1 through 45-4	Superseded	Accounting Standards Update No. 2016-02	02/25/2016
980-840-55-1	Amended	Maintenance Update 2016-11	06/27/2016
980-840-55-1	Superseded	Accounting Standards Update No. 2016-02	02/25/2016

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 on accounting for leases for entities with regulated operations.

Pending Content

Transition Date: (P) December 16, 2018; (N) December 16, 2019 | **Transition Guidance:** 342-10-65-1

Paragraph superseded by Accounting Standards Update No. 2016-02

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.
88

Pending Content

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

Editor's Note: Paragraph 980-840-15-1 will be superseded upon transition, together with its heading.

> Overall Guidance

Paragraph superseded by Accounting Standards Update No. 2016-02

20 Glossary



General Note



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

Allowable Costs



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

Phase-In Plan



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

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

25 Recognition

General Note

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

General

Sale-Leaseback Transactions

25-1 Accounting for sale-leaseback transactions in accordance with the guidance in Subtopic 840-40 may result in a difference between the timing of income and expense recognition required by that Subtopic and the timing of income and expense recognition for rate-making purposes.

Pending Content

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

Editor's Note: Paragraph 980-840-25-1 will be superseded upon transition, together with its heading.

> Sale-Leaseback Transactions

Paragraph superseded by Accounting Standards Update No. 2016-02

25-2 That difference shall be accounted for as follows:

a If the difference in timing of income and expense recognition constitutes all or a part of a phase-in plan, it shall be accounted for in accordance with Subtopic 980-340.

b Otherwise, the timing of income and expense recognition related to the sale-leaseback transaction shall be modified as necessary to conform to the Regulated Operations Topic. That modification required for a transaction that is accounted for by the deposit method or as a financing is further described in the following paragraph and paragraphs 980-840-35-1 through 35-2.

Pending Content

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

Paragraph superseded by Accounting Standards Update No. 2016-02

25-3 The difference between the amount of income or expense recognized for a transaction that is not part of a phase-in plan and that is accounted for by the deposit method or as a financing under Subtopic 840-40 and the amount of income or expense included in allowable cost for rate-making purposes shall be capitalized or accrued as a separate regulatory-created asset or liability, as appropriate, if that difference meets the criteria of the Regulated Operations Topic.

88

Pending Content

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

Paragraph superseded by Accounting Standards Update No. 2016-02

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

Sale-Leaseback Transactions

35-1 If a sale-leaseback transaction that is not part of a phase-in plan is accounted for by the deposit method but the sale is recognized for rate-making purposes, the amortization of the asset shall be modified to equal the total of the rental expense and the gain or loss allowable for rate-making purposes.

Pending Content

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

Editor's Note: Paragraph 980-840-35-1 will be superseded upon transition, together with its heading.

> Sale-Leaseback Transactions

Paragraph superseded by Accounting Standards Update No. 2016-02

35-2 Similarly, if the sale-leaseback transaction is accounted for as a financing and the sale is recognized for rate-making purposes, the total of interest imputed under the interest method for the financing and the amortization of the asset shall be modified to equal the total rental expense and the gain or loss allowable for rate-making purposes.

Pending Content

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

Paragraph superseded by Accounting Standards Update No. 2016-02

45 Other Presentation Matters

General Note

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

General

Treatment of Leases for Rate-Making Purposes

45-1 Topic 840 specifies criteria for classification of leases and the method of accounting for each type of lease. For rate-making purposes, a lease may be treated as an operating lease even though the lease would be classified as a capital lease under those criteria. In effect, the amount of the lease payment is included in allowable costs as rental expense in the period it covers.

Pending Content

Transition Date:(P) December 16, 2018; (N) December 16, 2019 | **Transition Guidance:**342-10-65-1

Editor's Note: Paragraph 980-840-45-1 will be superseded upon transition, together with its heading.

> Treatment of Leases for Rate-Making Purposes

Paragraph superseded by Accounting Standards Update No. 2016-02

45-2 For financial reporting purposes, the classification of the lease is not affected by the regulator's actions. The regulator cannot eliminate an obligation that was not imposed by the regulator (see paragraph 980-405-40-1). Also, by including the lease payments as allowable costs, the regulator sets rates that will provide revenue approximately equal to the combined amount of the capitalized leased asset and interest on the lease obligation over the term of the lease and, thus, provides reasonable assurance of the existence of an asset (see paragraph 980-340-25-1). Accordingly, regulated entities shall classify leases in accordance with Topic 840.

Pending Content

Transition Date:(P) December 16, 2018; (N) December 16, 2019 | **Transition Guidance:**342-10-65-1

Paragraph superseded by Accounting Standards Update No. 2016-02

45-3 The nature of the expense elements related to a capitalized lease (amortization of the leased asset and interest on the lease obligation) is not changed by the regulator's action; however, the timing of expense recognition related to the lease would be modified to conform to the rate treatment. Thus, amortization of the leased asset shall be modified so that the total of interest on the lease obligation and amortization of the leased asset shall equal the rental expense that was allowed for rate-making purposes. For newly completed plants such regulatory treatment could result in a **phase-in plan** as defined in Subtopic 980-340.



Pending Content

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

Paragraph superseded by Accounting Standards Update No. 2016-02

45-4 Paragraph 840-30-45-3 states that an entity is not required to classify interest expense or amortization of leased assets to be classified as separate items in an income statement. For example, the amounts of amortization of capitalized leased nuclear fuel and interest on the related lease obligation could be combined with other costs and displayed as fuel cost. However, the disclosure of total interest cost incurred, required by Subtopic 835-20, shall include the interest on that lease obligation; and the disclosure of the total amortization charge, required by Topic 840, shall include amortization of that leased asset.



Pending Content

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

Paragraph superseded by Accounting Standards Update No. 2016-02

55 Implementation Guidance and Illustrations

General Note

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

General

Implementation Guidance

Income Statement Classification

55-1 Paragraph 840-30-45-3 states that an entity is not required to classify interest expense or amortization of leased assets as separate items in an income statement. However, that paragraph also states that unless the charge to income resulting from amortization of assets recorded under capital leases is included by the lessee with depreciation expense and the fact that it is so included is disclosed, the amortization charge shall be separately disclosed by the lessee in the financial statements or notes thereto. For example, the amounts of amortization of capitalized leased nuclear fuel and interest on the related lease obligation could be combined with other costs and displayed as fuel cost. However, in that circumstance, the disclosure of total interest cost incurred, required by Subtopic 835-20, would include the interest on that lease obligation; and the disclosure of the total amortization charge, required by paragraph 840-30-45-3, would include amortization of that leased asset.

Pending Content

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

Editor's Note: Paragraph 980-840-55-1 will be superseded upon transition, together with its headings.

> Implementation Guidance

> > Income Statement Classification

Paragraph superseded by Accounting Standards Update No. 2016-02

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



Amortization of Nuclear Fuel Lease {2}



Element Name: AmortizationOfNuclearFuelLease



Paragraphs Referenced by the above XBRL element

- 230 Statement of Cash Flows>10 Overall>45 Other Presentation>General, 45-28(b)
- 840 Leases>30 Capital Leases>45 Other Presentation>Lessees, 45-3
- 980 Regulated Operations>840 Leases>45 Other Presentation>General, 45-4

Capital Leases, Income Statement, Amortization Expense {119}



Element Name: CapitalLeasesIncomeStatementAmortizationExpense



Paragraphs Referenced by the above XBRL element

- 840 Leases>30 Capital Leases>45 Other Presentation>Lessees, 45-3
- 980 Regulated Operations>840 Leases>55 Implementation >General, 55-1

Leases

100

00 Status

05 Overview and Background

15 Scope and Scope Exceptions

20 Glossary

25 Recognition

35 Subsequent Measurement

45 Other Presentation Matters

55 Implementation Guidance and Illustrations

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
<u>Allowable Costs</u>	Added	Accounting Standards Update No. 2016-02	02/25/2016
<u>Phase-In Plan</u>	Added	Accounting Standards Update No. 2016-02	02/25/2016
980-842-05-1	Added	Accounting Standards Update No. 2016-02	02/25/2016
980-842-15-1	Added	Accounting Standards Update No. 2016-02	02/25/2016
980-842-25-1 through 25-3	Added	Accounting Standards Update No. 2016-02	02/25/2016

980-842-35-1	Added	Accounting Standards Update No. 2016-02	02/25/2016
980-842-45-1 through 45-4	Added	Accounting Standards Update No. 2016-02	02/25/2016
980-842-55-1	Added	Accounting Standards Update No. 2016-02	02/25/2016

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

Pending Content

Transition Date: (P) December 16, 2018; (N) December 16, 2019 | **Transition Guidance:** 342-10-65-1

This Subtopic provides guidance on accounting for leases for entities with regulated operations.

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

Pending Content

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

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

20 Glossary

General Note

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

Allowable Costs

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

Phase-In Plan

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

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

25 Recognition

General Note

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

General

Sale and Leaseback Transactions

25-1

Pending Content

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

Accounting for sale and leaseback transactions in accordance with the guidance in Subtopic 842-40 may result in a difference between the timing of income and expense recognition required by that Subtopic and the timing of income and expense recognition for rate-making purposes.

25-2

Pending Content

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

That difference shall be accounted for as follows:

- a If the difference in timing of income and expense recognition constitutes all or a part of a phase-in plan, it shall be accounted for in accordance with Subtopic 980-340.
- b Otherwise, the timing of income and expense recognition related to the sale and leaseback transaction shall be modified as necessary to conform to the Regulated Operations Topic. That modification required for a transaction that is accounted for as a financing is further described in the following paragraph and paragraphs 980-840-35-1 through 35-2.

25-3

Pending Content

Transition Date:*(P) December 16, 2018; (N) December 16, 2019* | **Transition Guidance:**342-10-65-1

The difference between the amount of income or expense recognized for a transaction that is not part of a phase-in plan and that is accounted for as a financing under Subtopic 342-40 and the amount of income or expense included in allowable cost for rate-making purposes shall be capitalized or accrued as a separate regulatory-created asset or liability, as appropriate, if that difference meets the criteria of the Regulated Operations Topic.

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

Sale and Leaseback Transactions

35-1

Pending Content

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

If the sale and leaseback transaction is accounted for as a financing and the sale is recognized for rate-making purposes, the total of interest imputed under the interest method for the financing and the depreciation of the underlying asset shall be modified to equal the total lease expense and the gain or loss allowable for rate-making purposes.

45 Other Presentation Matters

General Note

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

General

Treatment of Leases for Rate-Making Purposes

45-1



Pending Content

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

Topic 842 specifies criteria for classification of leases and the method of accounting for each type of lease. For rate-making purposes, a lease may be treated as an operating lease even though the lease would be classified as a finance lease under those criteria. In effect, the amount of the lease payment is included in allowable costs as rental expense in the period it covers.

45-2



Pending Content

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

For financial reporting purposes, the classification of the lease is not affected by the regulator's actions. The regulator cannot eliminate an obligation that was not imposed by the regulator (see paragraph 980-405-40-1). Also, by including the lease payments as allowable costs, the regulator sets rates that will provide revenue approximately equal to the combined amount of the right-of-use asset and interest on the lease liability over the term of the lease and, thus, provides reasonable assurance of the existence of an asset (see paragraph 980-340-25-1). Accordingly, regulated entities shall classify leases in accordance with Topic 842.

45-3



Pending Content

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

The nature of the expense elements related to a finance lease (amortization of the right-of-use asset and interest on the lease liability) is not changed by the regulator's action; however, the timing of expense recognition related to the lease would be modified to conform to the rate treatment. Thus, amortization of the right-of-use asset shall be modified so that the total of interest on the lease liability and amortization of the right-of-use asset shall equal the lease expense that was allowed for rate-making purposes. For newly completed plants such regulatory treatment could result in a phase-in plan as defined in Subtopic 980-340.

45-4

Pending Content

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

Paragraph 842-20-45-4 states that an entity is not required to classify the interest expense and amortization of the right-of-use asset in a finance lease as separate items in an income statement. For example, the amounts of amortization of the right-of-use asset and interest on the related lease liability could each be combined with other costs and presented in a manner consistent with how the entity presents depreciation or amortization of similar assets and other interest expense. However, the disclosure of total interest cost incurred, required by Subtopic 835-20, shall include the interest on that lease liability, and the disclosure of the total amortization of the entity's right-of-use assets arising under a finance lease and interest on finance lease liabilities, required by Section 842-20-50, shall include amortization of that right-of-use asset and interest on that lease liability.

55 Implementation Guidance and Illustrations

General Note

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

General

Implementation Guidance

Income Statement Classification

55-1

Pending Content

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

Paragraph 842-20-45-4 states that an entity is not required to classify the interest expense and amortization of the right-of-use asset in a finance lease as separate items in an income statement. However, that paragraph also states that the interest expense and the amortization of the right-of-use asset in a finance lease should be presented in a manner consistent with how the entity presents depreciation or amortization of similar assets and other interest expense. For example, the amounts of amortization of the right-of-use asset and interest on the related lease liability could each be combined with other costs and presented in a manner consistent with how the entity presents depreciation or amortization of similar assets and other interest expense. However, in that circumstance, the disclosure of total interest cost incurred, required by Subtopic 835-20, would include the interest on that lease liability, and the disclosure of the total amortization of the entity's right-of-use assets arising under a finance lease and interest on finance lease liabilities, required by Section 842-20-50, would include amortization of that right-of-use asset and interest on that lease liability.