

ORIGINAL

STATE OF FLORIDA

COMMISSIONERS:  
LILA A. JABER, CHAIRMAN  
J. TERRY DEASON  
BRAULIO L. BAEZ  
RUDOLPH "RUDY" BRADLEY  
CHARLES M. DAVIDSON



OFFICE OF THE GENERAL COUNSEL  
HAROLD A. MCLEAN  
GENERAL COUNSEL  
(850) 413-6199

COMMISSION  
CLERK

JUL 29 PM 4:42

RECEIVED-D-PPSC

Public Service Commission

July 29, 2003

Mr. Carroll Webb  
Joint Administrative Procedures Committee  
Room 120 Holland Building  
Tallahassee, FL 32399-1300

Hand Deliver

Dear Mr. Webb:

RE: Docket No. 030304-PU - Proposed Adoption of Rule 25-14.014, F.A.C., Accounting for Asset Retirement Obligations Under SFAS 143

Dear Mr. Webb:

The Commission has approved adoption of new Rule 25-14.014 without changes.

We plan to file the rule for adoption on August 6, 2003.

Sincerely,

*Marlene K. Stern*

Marlene K. Stern  
Associate General Counsel

adt14014.mks

Enclosure

cc: Division of the Commission Clerk  
and Administrative Services

DOCUMENT NO.  
06842-03  
7/29/03

AUS  
CAF  
CMP  
COM  
CTR  
ECR  
GCL  
OPC  
MMS  
SEC  
OTH

1 25-14.014 Accounting for Asset Retirement Obligations Under SFAS  
2 143.

3 (1) The Financial Accounting Standards Board issued Statement  
4 No. 143, Accounting for Asset Retirement Obligations (SFAS 143) in  
5 June 2001. The statement applies to legal obligations associated  
6 with the retirement of tangible, long-lived assets that result  
7 from the acquisition, construction, development or normal operation  
8 of a long-lived asset. For utilities required to implement SFAS  
9 143, it shall be implemented in a manner such that the assets,  
10 liabilities and expenses created by SFAS 143 and the application of  
11 SFAS 143 shall be revenue neutral in the rate making process.

12 (2) Definitions. For purposes of this rule, the following  
13 definitions apply:

14 (a) "Accretion Expense." The concurrent cost that is recorded  
15 as an operating item in the statement of income to account for the  
16 passage of time and the resulting period-to-period increase in the  
17 Asset Retirement Obligation.

18 (b) "Asset Retirement Cost." The amount capitalized that  
19 increases the carrying amount of the long-lived asset when a  
20 liability for an Asset Retirement Obligation is recognized.

21 (c) "Asset Retirement Obligation." An obligation associated  
22 with the retirement of a tangible long-lived asset.

23 (3) Pursuant to SFAS 143, each utility shall recognize the  
24 fair value of a liability for an Asset Retirement Obligation in the  
25 period in which it is incurred if a reasonable estimate of the fair

CODING: Words underlined are additions; words in ~~struck~~  
~~through~~ type are deletions from existing law.

1 value can be made. If a reasonable estimate of fair value cannot  
2 be made in the period the Asset Retirement Obligation is incurred,  
3 the liability shall be recognized when the reasonable estimate of  
4 fair value can be made. The fair value of the liability for an  
5 Asset Retirement Obligation is the amount at which that liability  
6 could be settled in a current transaction between willing parties,  
7 that is, other than in a forced or liquidation transaction. If  
8 quoted market prices are not available, the estimate of fair value  
9 shall be based on the best information available in the  
10 circumstances including prices for similar liabilities and the  
11 result of present value or other valuation techniques. The Asset  
12 Retirement Obligations shall be kept by function and recorded in  
13 separate subaccounts.

14 (4) Upon initial recognition of a liability for an Asset  
15 Retirement Obligation, the utility shall capitalize an Asset  
16 Retirement Cost by increasing the carrying amount of the long-lived  
17 assets by the same amount as the liability. The Asset Retirement  
18 Cost shall be kept by function and recorded in a separate  
19 subaccount as intangible plant. The utility shall subsequently  
20 allocate that Asset Retirement Cost to expense over its useful  
21 life. The expense shall be recorded in a separate subaccount.

22 (5) Asset Retirement Costs do not qualify for Allowance for  
23 Funds Used During Construction.

24 (6) Pursuant to SFAS 143, in periods subsequent to the initial  
25 measurement, a utility shall recognize period-to-period changes in

CODING: Words underlined are additions; words in ~~struck~~  
~~through~~ type are deletions from existing law.

1 the liability for an Asset Retirement Obligation resulting from  
2 accretion or revisions to either the timing or the amount of the  
3 original estimate of undiscounted cash flows.

4 (a) A utility shall measure the accretion cost in the  
5 liability for an Asset Retirement Obligation due to passage of time  
6 by applying the interest method of allocation to the amount of the  
7 liability at the beginning of the period. This amount shall be  
8 recognized as an increase in the carrying amount of the liability.

9 (b) The accretion expense shall be recorded in a separate  
10 subaccount.

11 (c) Revisions to a previously recorded Asset Retirement  
12 Obligation will result from changes in the assumptions used to  
13 estimate the cash flows required to settle the Asset Retirement  
14 Obligation, including changes in estimated probabilities, amounts,  
15 and timing of the settlement of the Asset Retirement Obligation, as  
16 well as changes in the legal requirements of an obligation. Upward  
17 revisions to the undiscounted estimated cash flows shall be treated  
18 as a new liability and discounted at the current rate. Downward  
19 revisions will result in a reduction of the Asset Retirement  
20 Obligation. The amount of the liability to be removed shall be  
21 discounted at the rate that was used at the time the obligation was  
22 originally recorded. The concurrent debit or credit shall be made  
23 to the Asset Retirement Cost.

24 (7) Differences between amounts prescribed by the Commission  
25 and those used in the application of SFAS 143 shall be recorded as

CODING: Words underlined are additions; words in ~~struck~~  
through type are deletions from existing law.

1 Regulatory Liabilities or Regulatory Assets in separate  
2 subaccounts.

3 (8) The Regulatory Debit and Regulatory Credit accounts shall  
4 be used to record the differences between the Commission prescribed  
5 amounts and the amounts which are reported as expense under SFAS  
6 143.

7 (9) Each utility shall keep records supporting the calculation  
8 and the assumptions used in the determination of the Asset  
9 Retirement Obligation and the related Asset Retirement Cost and the  
10 related Regulatory Assets and Regulatory Liabilities established in  
11 accordance with this rule and the implementation of SFAS 143.

12 (10) If a utility is not required to establish an Asset  
13 Retirement Obligation for an asset or group of assets, the cost of  
14 removal shall continue to be included in the calculation of the  
15 depreciation expense and accumulated depreciation.

16 Specific Authority: 350.127(2) F.S.

17 Law Implemented: 364.03, 364.035, 366.05(1), 367.121(1)(a) F.S.

18 History: New .

19  
20  
21 Rule14-014.mks  
22  
23  
24  
25

CODING: Words underlined are additions; words in ~~struck~~  
~~through~~ type are deletions from existing law.