

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Proposed adoption of Rule
25-14.014, F.A.C., Accounting
for Asset Retirement Obligations
under SFAS 143.

DOCKET NO. 030304-PU
ORDER NO. PSC-03-0906-FOF-PU
ISSUED: August 7, 2003

The following Commissioners participated in the disposition of
this matter:

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

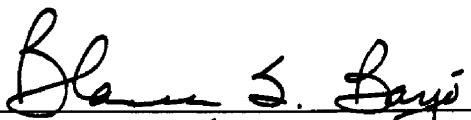
NOTICE OF ADOPTION OF RULE

NOTICE is hereby given that the Florida Public Service
Commission, pursuant to Section 120.54, Florida Statutes, has
adopted Rule 25-14.014, Florida Administrative Code, relating to
accounting for asset retirement obligations under SFAS 143, without
changes.

The rule was filed with the Department of State on August 6,
2003 and will be effective on August 26, 2003. A copy of the rule
as filed with the Department is attached to this Notice.

This docket is closed upon issuance of this notice.

By ORDER of the Florida Public Service Commission, this 7th
day of August, 2003.



BLANCA S. BAYÓ, Director
Division of the Commission Clerk
and Administrative Services

(S E A L)

MKS

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

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

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

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

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

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

(3) Pursuant to SFAS 143, each utility shall recognize the fair value of a liability for an Asset Retirement Obligation in the period in which it is incurred if a reasonable estimate of the fair value can be made. If a reasonable estimate of fair value cannot be made in the period the Asset Retirement Obligation is incurred, the liability shall be recognized when the reasonable estimate of fair value can be made. The fair value of the liability for an Asset Retirement Obligation is the amount at which that liability could be settled in a current transaction between willing parties, that is, other than in a forced or liquidation transaction. If quoted market prices are not available, the estimate of fair value shall be based on the best information available in the circumstances including prices for similar liabilities and the result of present value or other valuation techniques. The Asset Retirement Obligations shall be kept by function and recorded in separate subaccounts.

(4) Upon initial recognition of a liability for an Asset Retirement Obligation, the utility shall capitalize an Asset Retirement Cost by increasing the carrying amount of the long-lived

assets by the same amount as the liability. The Asset Retirement Cost shall be kept by function and recorded in a separate subaccount as intangible plant. The utility shall subsequently allocate that Asset Retirement Cost to expense over its useful life. The expense shall be recorded in a separate subaccount.

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

(6) Pursuant to SFAS 143, in periods subsequent to the initial measurement, a utility shall recognize period-to-period changes in the liability for an Asset Retirement Obligation resulting from accretion or revisions to either the timing or the amount of the original estimate of undiscounted cash flows.

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

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

(c) Revisions to a previously recorded Asset Retirement Obligation will result from changes in the assumptions used to

estimate the cash flows required to settle the Asset Retirement Obligation, including changes in estimated probabilities, amounts, and timing of the settlement of the Asset Retirement Obligation, as well as changes in the legal requirements of an obligation. Upward revisions to the undiscounted estimated cash flows shall be treated as a new liability and discounted at the current rate. Downward revisions will result in a reduction of the Asset Retirement Obligation. The amount of the liability to be removed shall be discounted at the rate that was used at the time the obligation was originally recorded. The concurrent debit or credit shall be made to the Asset Retirement Cost.

(7) Differences between amounts prescribed by the Commission and those used in the application of SFAS 143 shall be recorded as Regulatory Liabilities or Regulatory Assets in separate subaccounts.

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

(9) Each utility shall keep records supporting the calculation and the assumptions used in the determination of the

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Asset Retirement Obligation and the related Asset Retirement Cost and the related Regulatory Assets and Regulatory Liabilities established in accordance with this rule and the implementation of SFAS 143.

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

Specific Authority: 350.127(2) F.S.

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

History: New 08/26/03.