

DEPARTMENT OF ENERGY**Federal Energy Regulatory Commission****18 CFR Parts 35, 101, 154, 201, 346, and 352****[Docket No. RM02-7-000, Order No. 631]****Accounting, Financial Reporting, and Rate Filing Requirements for Asset Retirement Obligations**

Issued April 9, 2003.

AGENCY: Federal Energy Regulatory Commission, DOE.**ACTION:** Final rule.

SUMMARY: The Federal Energy Regulatory Commission (Commission) is amending its regulations to update the accounting and financial reporting requirements for asset retirement obligations under its Uniform Systems of Accounts for public utilities and licensees, natural gas and oil pipeline companies.

The Commission is establishing uniform accounting and financial reporting for the recognition and measurement of liabilities arising from retirement and decommissioning obligations of tangible long-lived assets, and related costs. More specifically, the Commission is adding new balance sheet accounts to record the liability and the related asset, new income statement accounts to record the accretion of the liability and the depreciation of the related asset, adding and revising as necessary the definitions, general and plant instructions contained in the Uniform Systems of Accounts. The Commission is also revising the following Annual Reports: FERC Form Nos. 1, 1-F, 2, 2-A, and 6 to include the new accounts contained in the Final Rule. Finally, the Commission is revising its rate filing requirements to address the above-mentioned changes.

An important objective of the rule is to provide sound and uniform accounting and financial reporting for the above types of transactions and events. The new accounts and changes to the FERC Forms will add visibility, completeness and consistency of the accounting and reporting of liabilities for asset retirement obligations and the related asset retirement costs, the accretion expense on the liability and the depreciation expense on the capitalized asset retirement costs.

EFFECTIVE DATE: The rule will become effective May 21, 2003.

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1. The Federal Energy Regulatory Commission (Commission) is revising its regulations to update the accounting, reporting and rate filing requirements.

In a Notice of Proposed Rulemaking (NOPR) issued on October 30, 2002,¹ the Commission proposed to revise its Uniform Systems of Accounts² for public utilities and licensees,³ natural gas companies⁴ and oil pipeline companies⁵ by establishing uniform accounting requirements for the recognition of liabilities for legal obligations associated with the retirement of tangible long-lived assets and the associated capitalization of these amounts as part of the cost of the asset giving rise to the obligation.

2. An asset retirement obligation is a liability resulting from a legal obligation to retire or decommission a plant asset. The types of work activities typically include removing or dismantling the asset. For example, public utilities have a legal liability to decommission nuclear plants under certain Nuclear Regulatory Commission (NRC) regulations. The type of activities may include the dismantlement and removal of the reactor vessel and the related contaminated facilities.

3. After carefully considering the comments received, the Commission has determined that a Final Rule revising its accounting regulations, Annual Report Forms (FERC Form Nos. 1, 1-F, 2, 2-A and 6), and rate filing requirements for asset retirement obligations should be issued.

4. The purpose of this Final Rule is to improve the usefulness and transparency of financial information provided to the Commission and other users of the FERC Forms by establishing uniform accounting and reporting requirements for legal obligations associated with the retirement of tangible long-lived assets. The Commission is of the view that such

¹ 67 FR 69816 (Nov. 19, 2002) and 67 FR 70890 (Nov. 27, 2002), IV FERC Stats. & Regs. ¶ 32,565 (Oct. 30, 2002).

² Section 301(a) of the Federal Power Act (FPA), 16 U.S.C. 825(a), section 8 of the Natural Gas Act (NGA), 15 U.S.C. 717g and section 20 of the Interstate Commerce Act (ICA) 49 App.U.S.C. 20 (1988), authorize the Commission to prescribe rules and regulations concerning accounts, records and memoranda as necessary or appropriate for the purposes of administering the FPA, NGA and the ICA. The Commission may prescribe a system of accounts for jurisdictional entities and, after notice and opportunity for hearing, may determine the accounts in which particular outlays and receipts will be entered, charged or credited.

³ Part 101 Uniform System of Accounts Prescribed for Public Utilities and Licensees Subject to the Provisions of the Federal Power Act. See 18 CFR part 101 (2002).

⁴ Part 201 Uniform System of Accounts Prescribed for Natural Gas Companies Subject to the Provisions of the Natural Gas Act. See 18 CFR part 201 (2002).

⁵ Part 352 Uniform System of Accounts Prescribed for Oil Pipeline Companies Subject to the Provisions of the Interstate Commerce Act. See 18 CFR part 352 (2002).