

obligations, and on how a jurisdictional entity should estimate a credit-adjusted risk-free rate where an entity has not found a need to obtain a credit rating.⁴⁰

57. The Commission will not make policy calls in this final rule concerning the above matters. These matters are better resolved on a case-by-case basis based on the facts and circumstances of each jurisdictional entity. Additionally, jurisdictional entities may seek clarification from the Commission's Chief Accountant concerning the proper application or implementation of any accounting standard under the Commission's regulations.⁴¹

58. Finally, one commenter suggests that the NOPR does not address the current accounting for realized earnings from trust funds that have been established for the purpose of ultimately discharging the liability for asset retirement obligations.⁴² The commenter notes that jurisdictional entities currently account for realized earnings on trust funds by crediting account 419, Interest and dividend income. The commenter recommends that the realized earnings on trust funds should be recorded to an appropriate above-the-line account.

59. The Commission notes that under certain circumstances jurisdictional entities have placed in a special fund amounts deposited with a trustee for future activities such as the decommissioning of a nuclear plant. Amounts placed in a special fund for this type of activity are recorded in account 128, Other special funds. Additionally, under the requirements of the Uniform Systems of Accounts, interest revenues on securities, special deposits, and all other interest bearing assets included in other special fund accounts are recorded in Account 419, Interest and dividend income. Realized earnings on trust funds are nonoperating in nature and are properly included in account 419. Therefore, the Commission declines to amend the Uniform Systems of Accounts.

J. Tariff Filing Requirements

1. Tariff Filing Requirements Under 18 CFR Part 35 and 18 CFR Part 154

60. In the NOPR, the Commission stated that the proposed rule will require public utilities, licensees or natural gas companies for accounting

purposes to recognize asset retirement obligations. The Commission is not requiring jurisdictional entities with stated rate tariffs to make any tariff filings with the Commission due to this final rule at this time. However, public utilities, licensees and natural gas companies with formula rate tariffs must not include any cost components related to asset retirement obligations in their formula rate billing tariffs for automatic recovery in their billing determinations without obtaining Commission approval.

61. Various commenters have expressed support and concerns or asked for Commission decisions with respect to issues concerning the possible rate impact of the proposed rule. Two commenters state their support for the Commission's proposed rate treatment of asset retirement obligations.⁴³ Other commenters raised concerns or seek Commission policy calls concerning regulatory certainty for disposition of transition costs, external funds for amounts collected in rates for asset retirement obligations, adjustments to book depreciation rates for companies collecting cost of removal through current depreciation rates, the exclusion of accumulated depreciation and accretion for asset retirement obligations from rate base, recognizing previously established negative salvage allowances whether or not these retirement costs are recognized as asset retirement obligations, and the requirement of a detailed study in support of tariff filings reflecting asset retirement obligations.⁴⁴

62. The Commission finds that the issue of whether, and to what extent, a particular asset retirement cost must be recovered through jurisdictional rates should be addressed on a case-by-case basis in the individual rate change filed by public utilities, licensees, and natural gas companies. To ensure that all rate base amounts related to asset retirement obligations can be identified and excluded from the rate base calculation in a rate change filing, the Commission adds §§ 35.18 and 154.315 to its rate change filing requirements. These new regulations require that public utilities, licensees, and natural gas companies who have recorded an asset retirement obligation on their books in accordance with this rule must, as part of any initial rate filing or general rate change filing, provide a schedule identifying all cost components related to the asset retirement obligation that are included

in the book balances of all accounts reflected in the cost of service computation supporting the proposed rates. In addition, the regulations require that all asset retirement obligations related rate base items be removed from the rate base computation through an adjustment. If the public utility, licensee or natural gas company is seeking recovery of an asset retirement obligation in rates, it must also provide a detailed study supporting the amounts proposed to be collected in rates. If the public utility, licensee or natural gas company is not seeking recovery of the asset retirement obligation in rates, then it must remove all asset retirement obligation related cost components from its cost of service.

63. For natural gas companies currently collecting a negative salvage allowance in jurisdictional rates, negative salvage allowances that are not established due to an asset retirement obligation must be identified for rate making purposes separately from asset retirement obligation allowances. The current rate change filing requirement for natural gas companies at § 154.312(d), Statement D, requires that any authorized negative salvage must be maintained in a separate subaccount of account 108, Accumulated provision for depreciation of gas utility plant. The Commission is amending this section to ensure that this subaccount does not include any amounts related to asset retirement obligations.

64. The Commission will decline to make policy calls concerning regulatory certainty for disposition of transition costs, external funds for amounts collected in rates for asset retirement obligations, adjustments to book depreciation rates, and the exclusion of accumulated depreciation and accretion for asset retirement obligations from rate base are matters that are not subject to a one size fits all approach and are better resolved on a case-by-case basis in rate proceedings. The Commission is of the view that utilities will have the opportunity to seek recovery of qualified costs for asset retirement obligations in individual rate proceedings. This rule should not be construed as pregranted authority for rate recovery in a rate proceeding.

65. Finally this rule requires nothing new and nothing more with respect to the requirement for a detailed study. Complex depreciation and negative salvage studies are routinely filed or otherwise made available for review in rate proceedings. When utilities perform depreciation studies, a certain amount of detail is expected. It is incumbent upon the utility to provide sufficient detail to support depreciation rates, cost

⁴⁰ See Ferguson at p. 5 and NRECA at p. 6.

⁴¹ See General Instruction 5, Submittal of Questions, in 18 CFR part 101 (Public Utilities and Licensees), General Instruction 5, Submittal of Questions, in 18 CFR part 201 (Natural Gas Companies), and General Instruction 1–11, Interpretation of rules, in 18 CFR part 352 (Oil Pipeline Companies).

⁴² See EEI at p. 5.

⁴³ See MoPSC at p. 4 and NRECA at p. 7.

⁴⁴ See Northern Natural at pp. 1–2, MoPSC at p. 5, Deloitte & Touche at pp. 1–2, EEI at p. 9, Southern at pp. 2–3, and Ferguson at pp. 5 and 8.