

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2003-00433

Response to First Data Request of Commission Staff Dated December 19, 2003

Question No. 56

Responding Witness: Valerie L. Scott

Q-56. Provide complete details of LG&E's financial reporting and rate-making treatment of SFAS No. 143, including:

- a. The date that LG&E adopted SFAS No. 143.
- b. All accounting entries made at the date of adoption.
- c. All studies and other documents used to determine the level of SFAS No. 143 cost recorded by LG&E.
- d. A schedule comparing the depreciation rates utilized by LG&E prior to and after the adoption of SFAS No. 143. The schedule should identify the assets corresponding to the affected depreciation rates.

- A-56.
- a. LG&E adopted SFAS No. 143 as of January 1, 2003.
 - b. See attached for accounting entries made to adopt SFAS 143.
 - c. See attached for documents used to determine the level of SFAS No. 143 cost recorded by LG&E. Please note that information protected from disclosure by the attorney-client privilege has been redacted.
 - d. See LG&E Exhibit 56-D for a schedule comparing the depreciation rates utilized by LG&E prior to and after the adoption of SFAS No. 143. For underlying assets LG&E utilized the depreciation rates approved by the Commission in Case No. 2001-141 both prior to and after the adoption of SFAS No 143. For ARO assets set up pursuant to SFAS No. 143, LG&E utilized the rates approved by the Commission in Case No. 2001-141 excluding the net salvage component.

LG&E Energy Corp.
Supporting Papers
SFAS 143 Implementation

December 30, 2002

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Executive Summary

In June 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 143, Accounting for Asset Retirement Obligations. LG&E Energy Corp. and associated Companies (the Company) intend to adopt Statement 143 as of January 1, 2003.

Statement 143 results in significant accounting change for the Company and its regulated utilities. The standard changes the way companies recognize and measure legal retirement obligations that result from the acquisition, construction and normal operation of tangible long-lived assets. A legal obligation is an obligation that a party is required to settle as a result of an existing or enacted law, statute, ordinance, or contract.

Prior to Statement 143, the Company's regulated utilities accrued retirement and removal costs as a component of depreciation expense. SFAS 143 prohibits this approach for assets within its scope. Asset retirement obligations (AROs) must now be recognized as a liability and measured at fair value. The cost associated with the recognition of the asset retirement obligation is capitalized as part of the related asset's book cost and is depreciated over the expected life of the asset.

The asset retirement obligation is initially recorded at fair value. In each subsequent period, the liability is increased through the recognition of accretion expense. Much as depreciation expense allocates the cost of installing an asset over its useful life, accretion expense allocates the cost of removing an asset over its useful life. Accretion expense appears as an operating expense in the income statement.

At adoption the Company must recognize the cumulative effect of applying the statement as a change in accounting principle. The amount reported as a cumulative effect adjustment in the statement of operations is the difference between the amounts recognized in the statement of financial position prior to the application of Statement 143 and the net amount that is recognized in the financial statements by applying the standard. Asset retirement obligations that are currently recorded by the regulated utilities as part of accumulated depreciation will be reversed as part of the cumulative effect adjustment.

The Company expects to book significant ARO assets and liabilities related to its regulated utilities. However the Company expects the standard to be revenue neutral for its utility operations through the application of SFAS 71, Accounting for the effects of Certain Types of Regulation. (See Appendix H, pg. 21)

Planning

The Company began planning for SFAS 143 in the 4th quarter of 2001. A four-stage implementation timeline was developed consisting of analysis, planning, implementation and adoption stages.

The planning stage involved developing the proper approach, reactions and strategies. It also involved communication with regulators, outside auditors and industry members and associations to evaluate consistency with the industry.

During 2001 and 2002 the Company participated in numerous industry and regulatory forums to gain an understanding of the standard and to ensure consistency with the industry. These forums included:

EEI Asset Retirement Obligations Seminar – October 2001

EEI Roundtable Discussion on Accounting for AROs – March 2002

EEI – FERC Accounting Liaison meeting April 2002

FERC Technical Conference – May 2002

AGA/EEI ARO Seminar – July 2002

EEI – FERC Accounting Liaison meeting October 2002

Through its participation in these forums the Company has developed an understanding of the standards' technical requirements consistent with the industry. The Company advocated this understanding before the Federal Energy Regulatory Commission at the EEI – FERC Accounting Liaison meetings in April and October 2002. On April 9, 2003 the FERC issued Final Order No.631 'Accounting Reporting and Rate Filing Requirements for Asset Retirement Obligations" in Docket No. RMO2-7-000. The Final rule was consistent in all material respects with the company's understanding of SFAS 143.

The Final Rule in effect revises the FERC chart of accounts to accommodate FAS 143 accounting. Specifically it establishes new balance sheet accounts for the ARO assets and liabilities. It also establishes new income statement accounts for accretion and depreciation expense. In addition, the NOPR grants utilities the authority to transfer removal costs previously accrued under regulatory accounting practices to the new liability accounts. Thus, all ARO assets within the scope of SFAS 143 will be subject to the new FERC accounting procedures. Current regulatory depreciation practices remain in place for all non-ARO assets. Because the Final Rule provides for the establishment of regulatory assets and liabilities when companies meet the requirements of SFAS 71, the Company expects SFAS 143 to be revenue neutral for its regulated entities.

Analysis

The analysis stage, which also began in first quarter 2002, was a coordinated effort of accounting, legal, environmental, operations and senior management personnel. The determination of whether assets are within the scope of Statement 143 is essentially a review of legal documents past and present that relate to the purchase, construction, development, or normal operation of the asset. The Company has numerous tangible long-lived assets that were constructed over many decades. Thus, significant effort and resources were required to identify the legal obligations associated with plant assets.

The Company addressed the analysis stage from both a legal and operations perspective. First, a working group was assembled representing legal, accounting, environmental and operating personnel. This group was trained on the standard, including what qualified as an ARO and how to identify qualifying AROs, prior to the identification process

The legal department was then asked to perform a review of legal documents including laws, statutes, contracts, permits, certificates of need and right of way agreements. Operations personnel were asked to identify and quantify known retirement and removal activities undertaken within their group for review as a potential ARO. The environmental group was asked to identify any environmental regulation that obligated the company upon disposal of an asset.

Through this process, a preliminary inventory of ARO assets was quantified for each functional group and the relevant legal requirement was documented. Preliminary results by functional group are as follows.

Generation

Neither LG&E nor KU identified a legal obligation to demolish steam generating plants or restore the land to "green field condition" when a power plant is decommissioned. The utilities' past practice has been to secure retired generating sites in a safe manner and abandon the plant in place. Although no legal obligation exists for the generating units as a whole, both utilities identified AROs associated with component assets when a generating plant is decommissioned. These AROs primarily arise from environmental regulation.

The preliminary inventory of steam generation obligations were identified, in part, based on the Company's recent experience with the retirement of its Pineville generating unit. The Pineville generating unit failed in early 2002 and was retired from the Company's books. Because the failure and retirement occurred prior to the implementation of SFAS 143 it was not within the scope of the statement. However, based on that experience, operating personnel developed an inventory of potential AROs and actual third party decommissioning costs related to steam generating assets. Potential AROs identified included:

Holding pond remediation
Coal and limestone storage pile remediation
Boiler water remediation
Oil storage tank remediation
Removal and disposal of underground storage tanks
Empty and remediate all above ground hazardous material storage
Remove and remediate all mercury sources
Drain generation step up transformers and wrap in nitrogen blanket
Ground water monitoring

In addition to the potential AROs suggested by the Pineville experience, the evaluation included a search for potential AROs that were not pertinent to Pineville, but might relate to another facility. Each power plant manager was asked to evaluate the retirement activities necessary at their location to identify potential AROs specific to that location.

Once generation personnel developed the inventory of potential AROs, the Environmental Department was asked to document the regulatory requirement giving rise to the obligation. When no environmental obligation was found the legal department was asked to review the potential ARO to determine if any legal obligation existed. Through this process, the Company was able to establish a definitive legal/regulatory obligation for each ARO included in the final inventory.

The Company's findings based on actual experience at Pineville and the input of power plant managers are consistent with the industry white paper published by the Edison Electric Institute (EEI) in August 2002.

Hydro Generation

LG&E operates its Ohio Falls plant under a 30-year licensing agreement with the U.S. Army Corps of Engineers. This agreement requires the dam to be restored to the Corps' specifications upon abandonment of the plant. The cost of this restoration is estimated at \$8 million. The Company has renewed the licensing agreement with the Corps of Engineers continually since the plants' construction and expects to renew the agreement continually at each expiration date. Therefore, because the hydro plant has an indeterminate retirement date no ARO liability is being established at this time.

KU owns two hydro facilities, Dix Dam and Lock 7. Estimated decommissioning costs for these plants are \$1.3 million and \$3.4 million respectively. However, a legal review the hydro licenses found no specific legal obligation upon the final decommissioning of these plants. It should be noted, however, that permitting authorities, particularly FERC, have significant inherent discretion in setting conditions to permit a surrender of a permit. These conditions are based upon the specific facts, issues and concerns at the time of

decommissioning. In the case of Lock 7, a study determined that it was likely that surrender of the FERC permit would involve both removal of generation equipment and demolition of station down to water line. Because no specific legal liability was identified and the retirement date is indeterminate no ARO liability is being established at this time.

Electric Transmission and Distribution Plant

In general, the Company and the industry operate its transmission and distribution (T&D) lines as if the assets will be operated into perpetuity. Even if the utility were to cease business, it is more likely than not that another energy company would simply takeover the lines.

LG&E and KU own transmission and distribution lines that operate under perpetual property easement agreements. These easements do not generally require restoration of the right of way or removal of the property. If an easement were to be released, the company would retire the equipment in place and maintain it in a safe manner.

However, there are components of T&D that have retirement obligations associated with them due to environmental or other contractual agreements. KU and LG&E have certain electrical equipment containing PCBs, such as transformers and capacitors, which require special disposal. Both companies undertook a program in the 1980's to replace this PCB impaired equipment. Thus the companies have few if any obligations related to PCB contamination. The retirements related to these assets were addressed for frequency and materiality to determine if the interim retirement would fall within the scope of SFAS 143 as described below.

Per Mike Toll Manager Transmission Planning and Substations, there are no legal or environmental requirements for disposal of station transformers. Other substation equipment such as bushings may have some obligation related to PCB contaminants. If so, this equipment must be disposed of per EPA regulation. However the cost, less than \$20K per year, is immaterial. In 2002, the Company disposed of four assets at a cost of \$17K. The 2002 activity was higher than normal according to Mike Toll. In addition, specific assets impacted are not identifiable until failure or replacement.

Per Andre Johnson, Team Leader Environmental and Transformer Services, PCB contaminated line transformers must be disposed of per environmental regulation. The company disposes of PCB contaminated line transformers through a third party vendor. LG&E costs were approximately \$10K in 2002. KU costs were approximately \$42K in 2002. Based on 2002 disposals the cost of this activity on an annual basis is immaterial. In addition, specific assets impacted are not identifiable until failure or replacement.

Both utilities determined that the retirement of T&D generation step up transformers are within the scope of SFAS 143 since a final retirement date and decommissioning costs could be reasonably estimated. These transformers are located at the generating stations and subject to certain environmental requirements upon final retirement of the generating units. No other AROs were identified related to interim T&D retirements.

In summary, LG&E and KU have identified certain T&D obligations related to the final retirement of generating units. No other material retirement obligations were identified for Electric Transmission and Distribution. In addition, the Company's T&D system as a whole is being operated as a perpetual asset. Therefore, the retirement date is indeterminate and no ARO can be calculated. This position is consistent with both the EEI white paper and industry practice.

Gas Transmission and Distribution Plant

LG&E owns a gas transmission and distribution system that operates under perpetual property easement agreements. If an easement were to be released, the Company does not have an obligation to remove the system but retires it in place. The Company operates the gas transmission and distribution system as if the assets will be operated into perpetuity. Even if the utility were to cease business, it is more likely than not that another energy company would takeover the lines.

However, LG&E operates wells in its gas storage system that must be plugged if abandoned, per Kentucky mines & minerals law/regulations. Because LG&E intends to operate the wells perpetually and the retirement date is indeterminate, no ARO has been established. The estimated cost of plugging the 546 wells is \$17 thousand per well or \$9.2 million in total.

LG&E also operates 4 above ground gas compressor stations under perpetual lease agreements. The ground leases for the Muldraugh KY, Cedar Fields IN, and Brandenburg KY (Riggs and Doe Run sites) were reviewed for contractual obligations. A 1946 letter of agreement to the Brandenburg KY (Riggs site) lease requires LG&E to "return it to lessor on the expiration of the this lease in approximately the same condition as found at the present time." The estimated cost to dismantle and remove the Brandenburg station is \$48 thousand.

Beyond the above, the leases did not contain any required actions upon abandonment except an obligation to pay \$1 to terminate the lease itself. (Additionally, under the Muldraugh lease, LG&E is permitted, but not required to remove equipment. Facilities left after termination become government property.)

Because the review of the agreements revealed no legal obligations, other than for the Brandenburg/Riggs site, no AROs are being established. In addition because the Brandenburg/Riggs site is operated as a perpetual asset with an indeterminate retirement date no ARO is being established for that site. However the estimated costs of the Brandenburg/Riggs contractual obligation is being disclosed in the footnotes to the financial statements.

In summary, LG&E has identified certain immaterial obligations related to the abandonment of its gas storage wells and the Brandenburg compressor station. No other AROs have been identified for Gas Transmission and Distribution. Because the system is being operated as a perpetual asset and the retirement date is indeterminate no AROs are being established. The amount of the potential obligation at the Brandenburg site is being disclosed in the footnotes to the financial statements. This position is consistent with both the EEI white paper and industry practice.

Cash Flow Modeling

Concurrent with the identification of potential AROs, the company has developed a cash flow model to calculate and comply with the various recognition and measurement provisions of the standard. (See Appendix A) The model calculates:

1. The amount of the ARO asset and liability to be established as of the original in service date
2. Annual accretion expense from the original in service date
3. The cumulative ARO liability at the transition date
4. Depreciation expense on ARO asset from the original in service date
5. Cumulative depreciation on ARO asset at the transition date
6. Depreciation and Removal cost related to underlying asset from the original in service date
7. Regulatory asset/liability due to the difference between regulatory and GAAP accounting methods

Inputs to the model are as follows:

1. Asset original cost – Original installation costs per company fixed asset records. This is the basis for determining removal costs previously accrued through regulatory depreciation.
2. Regulatory depreciation rate- Depreciation rate established in Company's most recent depreciation study.
3. Salvage rate- Calculated rate based on net salvage data from Company's most recent depreciation study. This represents the removal cost component of regulatory depreciation rates.
4. GAAP depreciation rate- the regulatory depreciation rate less the salvage rate. This represents depreciation allowable under SFAS 143. This rate is applied to the ARO asset and the underlying tangible asset going forward.
5. In service date- Original asset in service date per company fixed asset records.
6. Retirement date- Estimated retirement date based on Company's most recent depreciation study.
7. Discount rate-Current corporate utility bond index rate for A rated issuers as reported by Bloomberg. 6.61 % as of December 2002.
8. Inflation rate- 30-year Treasury bond rate less 30-year inflation adjusted bond rate as reported by Bloomberg. 2.1% as of November 2002.

9. ARO in Current \$- Estimated fair market cost to settle obligation today

Accounting Systems

Based on the guidance issued in the FERC Final Order, the Company believes that significant software modifications are not necessary to implement SFAS 143. Because the number of AROs is limited, the company expects to track AROs with its current accounting system and spreadsheet applications. The Company's chart of accounts and accounting systems were modified to reflect the new income statement and balance sheet accounts established in the FERC NOPR.

Accounting Procedures

The FERC Final Order on SFAS 143 requires that the Company keep subsidiary records and supporting documentation for each asset retirement obligation. The Company must record the identity and nature of the legal obligation, the year incurred, the underlying asset giving rise to the obligation and supporting computations related to the measurement of the obligation. The Company has revised its accounting procedures to comply with the FERC requirements as follows.

Initial ARO Establishment-

1. ARO Asset-Upon establishment of an ARO, an asset equivalent to the present value of the retirement obligation is established in the appropriate FERC plant account of the ORACLE fixed asset module. The fixed asset records shall include a description of the ARO asset including the underlying tangible asset #, the amount of the asset, the FERC plant account, the location code, the original in service date and the estimated retirement date
2. Underlying Tangible Asset-The ARO asset is linked to the underlying tangible asset in existing records by referencing the asset number of the underlying asset in the description field of the ARO asset.
3. ARO Liability-An offsetting liability is established in account 230 by creating a distinct and separate project for each ARO liability in the ORACLE project accounting module. The project accounting records shall include a description of the ARO liability, the related ARO asset #, the underlying tangible asset #, the amount of the original liability, the location code, the ARO inception date and the expected settlement date

Depreciation

1. ARO Asset - Depreciation expense related to the intangible ARO asset is charged to account 403.1, "Depreciation for Asset Retirement Costs". A corresponding credit is charged to Account 108.1 "Accumulated Reserve for Depreciation of ARO Assets"
2. Underlying Tangible Asset - Depreciation expense related to the underlying tangible asset is charged to account 403 "Depreciation Expense." A corresponding credit is charged to Account 108 "Accumulated Provision for Depreciation of Electric Utility Plant".

3. Depreciation rates – The depreciation rate approved by the Public Service Commission for regulatory accounting purposes is applied to the underlying asset. However, because SFAS No. 143 does not allow the accrual of removal costs through depreciation for assets within its scope and because the Company qualifies for SFAS 71 treatment, a regulatory asset or liability will be established to record the difference between depreciation allowed by regulators and that allowed by GAAP.

The depreciation rate allowed by GAAP is applied to the ARO asset going forward. The GAAP rate is the rate approved in the Company's most recent depreciation study less the net salvage component.

Accretion

1. Accretion expense – Accretion expense is charged to account 411.10, "Accretion Expense". A corresponding credit is charged to Account 230 "Asset Retirement Obligations"

Cumulative Effect adjustment

1. The cumulative effect adjustment is established by a debit to account 435 "Extraordinary Deductions". Offsetting credits are charged to account 230, "Asset Retirement Obligations" for the accumulated accretion and to Account 108.1, "Accumulated Reserve for Depreciation of ARO Assets" for accumulated depreciation. (The cumulative effect adjust is equivalent to the total accumulated accretion and depreciation expense that would have been accrued if the liability had been established at the time the liability was originally incurred, less any removal costs accrued through regulatory depreciation)

Regulatory Assets and Liabilities

1. Regulatory Assets –Pursuant to SFAS 71, depreciation and accretion expense related to the ARO asset and liability is offset with a regulatory asset. The regulatory asset is established by a debit to account 182.3, "Regulatory Assets". A corresponding regulatory credit is established in account 407.4 "Other Regulatory Credits". (See Appendix I)
2. Regulatory Liabilities – Pursuant to SFAS 71 previously accrued removal costs in excess of that allowed under SFAS 143 is offset with a regulatory liability. The regulatory liability is established by a credit to account 254, "Regulatory Liabilities". A corresponding debit is established in account 407.3 "Other Regulatory Debits"

Settlement

1. Gain on Settlement – Gains resulting from the settlement of an asset retirement obligation are charged to account 411.6, "Gains from Disposition of Utility Plant"
2. Loss on Settlement - Losses resulting from the settlement of an asset retirement obligation are charged to account 411.7, "Losses from Disposition of Utility Plant"(see Appendix H)

Identifying Removal Costs Currently Recorded

The Company estimated the amount of removal costs related to AROs recorded in its accumulated reserve. The estimate is based on data from the Company's most recent depreciation study. Based on that study the Company determined the removal cost component inherent in each depreciate rate. That removal cost component is applied to the original cost and in-service date of the underlying asset to estimate the removal cost accrued for the specific asset. The estimated removal costs related to ARO assets was removed from the accumulated reserve pursuant to the FERC Final Order No.631 'Accounting Reporting and Rate Filing Requirements for Asset Retirement Obligations'.

Subsequent to the Company's implementation of SFAS 143 the FERC issued its Final Order No. 631. The order required Companies to estimate the cost of removal embedded in the accumulated reserve for non-ARO assets and to segregate those cost within Account 108 for reporting purposes.

Pursuant to that Order, the Company contracted for an independent analysis of non-ARO removal costs to be performed in conjunction with its 2003 depreciation study. That analysis was completed and in December 2003 a journal entry was prepared segregating those removal costs within FERC Account 108 "Accumulated Provision for Depreciation of Electric Utility Plant".

Implementation

In the implementation stage which began in the 3rd quarter 2002, t the company;

1. Identified removal cost previously accrued
2. Determined ARO asset write-ups
3. Quantified regulatory assets/liabilities
4. Modified accounting Systems
5. Revised Accounting Policies
6. Communicated with Regulatory Agencies
7. Discussed implications with the Tax Department
8. Drafted required financial footnotes and disclosures
9. Obtained final management approval
10. Obtained final verification that all regulatory requirements have been identified
11. Verified consistent application across all assets
12. Verified that all obligations identified are included in the calculations
13. Verified that obligations exist for all assets included
14. Ensured compliance with the final FERC order
15. Reviewed final product with PriceWaterhouseCoopers

Adoption

The company adopted SFAS 143 effective January 1, 2003.

Appendix A

SFAS 143 Cash Flow Model Summary (See cash flow binder for detail by location)

CALCULATION OF FAS' RETIREMENT OBLIGATION
as at 01/01/2003

Total Liabilities

Estimated Settlement Cost Current \$ 54,154
PV Estimated Settlement Cost at 2.0% Inflation 87,604
PV Settlement Cost at 6.61% Discount Rate 10,043

Transition Journal Entries @ 01/01/03

| | Dr | Cr |
|------------------|-----------|-----------|
| ARO Asset | 10,045 | - |
| Reg Credits | 11,290 | 11,290 |
| ARO Liabilities | 11,290 | 1,970 |
| Acc Depreciation | 4,283 | 2,433 |
| ARO Liabilities | | 21,255 |
| | 35,908.17 | 35,908.17 |

2003 Post Implementation Journal Entries

| | Dr | Cr |
|----------------------|----------|----------|
| Accrual Expense | 1,152.5 | - |
| Depreciation Expense | 230.1 | - |
| Reg Credits | 1,382.5 | 210.1 |
| ARO Liabilities | | 1,152.5 |
| Reg Credits | | 1,382.5 |
| | 2,765.09 | 2,765.09 |

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|--------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Accrual | 1,152 | 1,229 | 1,310 | 1,396 | 1,489 | 1,587 | 1,692 | 1,804 | 1,923 | 2,050 | 2,186 | 2,330 | 2,483 | 2,635 | 2,810 | 2,975 | 3,148 | 3,320 | 3,491 | 3,661 | 3,830 | 4,000 | 4,168 |
| Depreciation | 230 | 230 | 230 | 230 | 230 | 230 | 230 | 230 | 230 | 230 | 230 | 230 | 230 | 230 | 230 | 230 | 230 | 230 | 230 | 230 | 230 | 230 | 230 |
| Total Utility Dep/Accrnt | 1,383 | 1,459 | 1,540 | 1,627 | 1,718 | 1,817 | 1,922 | 2,034 | 2,153 | 2,280 | 2,416 | 2,560 | 2,714 | 2,865 | 3,040 | 3,205 | 3,378 | 3,550 | 3,721 | 3,891 | 4,061 | 4,231 | 4,400 |
| Regulatory Credits | | | | | | | | | | | | | | | | | | | | | | | |
| Total US Effect-LGE | 1,383 | 1,459 | 1,540 | 1,627 | 1,719 | 1,817 | 1,922 | 2,034 | 2,153 | 2,280 | 2,416 | 2,560 | 2,714 | 2,865 | 3,040 | 3,205 | 3,378 | 3,550 | 3,721 | 3,891 | 4,061 | 4,231 | 4,400 |

Appendix B
Transition and Post implementation Journal entries

Total Utility Operations
ARO Journal Entries
(\$000's)

| DESCRIPTION | Annual Amount | |
|---|---------------|--------|
| | DEBIT | CREDIT |
| JOURNAL ENTRIES REQUIRED AT IMPLEMENTATION | | |
| Long Lived Assets - ARO - (New Account) | 10,045 | |
| COR Liability Accrued to Date | 4,283 | |
| Regulatory Asset | 11,290 | |
| Cumulative effect | 11,290 | |
| Regulatory Credits | | 11,290 |
| Regulatory Liability (New Account) | | 1,930 |
| Accumulated Depreciation of ARO Asset - (New Account) | | 2,433 |
| ARO Liability - (New Account) | | 21,255 |
| | 36,908 | 36,908 |
| <i>To record the implementation of FAS 143</i> | | |
| Long Lived Assets - ARO - BS Account 317 | 10,045 | |
| ARO Liability - BS Account 230 | | 10,045 |
| <i>To record the initial present value of ARO liability</i> | | |
| <p>Upon implementation of FAS 143, the ARO liability (in current dollars) must be future valued at the anticipated inflation rate. The ARO liability must then be present valued back to when the liability was incurred using risk free rate plus risk premium at the time the liability was incurred.</p> <p>The ARO asset is valued at the present value of the liability at the time the liability is incurred.</p> | | |
| Cumulative Effect Adjustment - IS Account 435 | 2,433 | |
| Accumulated Depreciation of ARO Asset - BS Account 108 | | 2,433 |
| <i>To record accumulated depreciation on ARO assets</i> | | |
| <p>Assumes the ARO Asset is depreciated over the same life and method as the asset for which the ARO is attached.</p> <p>The cumulative affect adjustment is offset by a credit to other regulatory credits (Account 407) and a debit to Regulatory assets (Account 182.3)</p> | | |
| Cumulative Effect Adjustment - IS Account 435 | 11,210 | |
| ARO Liability - BS Account 230 | | 11,210 |
| <i>To record accumulated accretion on ARO liability</i> | | |
| <p>The total accretion expense that would have been incurred if the liability was accreted from the time the liability was incurred to date.</p> <p>The cumulative affect adjustment is offset by a credit to other regulatory credits (Account 407) and a debit to Regulatory assets (Account 182.3)</p> | | |
| Accumulated Deprecation- BS Account 108 | 4,283 | |
| Regulatory Liability - BS Account 254 | | 1,930 |
| Cumulative Effect Adjustment - IS Account 435 | | 2,352 |
| <i>To reclassify existing Cost of Removal</i> | | |
| <p>The COR liability currently reflected on the Balance Sheet must be fully reversed from the reserve.</p> <p>The cumulative affect adjustment is offset by a credit to other regulatory credits (Account 407) and a debit to Regulatory assets (Account 182.3)</p> | | |
| Regulatory Assets - BS Account 182.3 | 11,290 | |
| Regulatory Credits - IS Account 407 | | 11,290 |
| <i>Because ARO costs qualify for SFAS 71 treatment The cumulative affect adjustment is offset by a credit to other regulatory credits (Account 407) and a debit to Regulatory assets (Account 182.3)</i> | | |

Louisville Gas and Electric Company
ARO Journal Entries
(\$000's)

| DESCRIPTION | Annual Amount | |
|---|---------------|--------|
| | DEBIT | CREDIT |
| JOURNAL ENTRIES REQUIRED AT IMPLEMENTATION | | |
| Long Lived Assets - ARO - (New Account) | 2,746 | |
| COR Liability Accrued to Date | 631 | |
| Regulatory Asset | 5,064 | |
| Cumulative effect | 5,064 | |
| Regulatory Credits | | 5,064 |
| Regulatory Liability (New Account) | | 104 |
| Accumulated Depreciation of ARO Asset - (New Account) | | 861 |
| ARO Liability - (New Account) | | 7,475 |
| | 13,503 | 13,603 |
| <i>To record the implementation of FAS 143</i> | | |

| | | |
|---|-------|-------|
| Long Lived Assets - ARO - BS Account 317 | 2,746 | |
| ARO Liability - BS Account 230 | | 2,746 |
| <i>To record the initial present value of ARO liability</i> | | |
| <p>Upon implementation of FAS 143, the ARO liability (in current dollars) must be future valued at the anticipated inflation rate. The ARO liability must then be present valued back to when the liability was incurred using risk free rate plus risk premium at the time the liability was incurred.</p> <p>The ARO asset is valued at the present value of the liability at the time the liability is incurred.</p> | | |

| | | |
|--|-----|-----|
| Cumulative Effect Adjustment - IS Account 435 | 861 | |
| Accumulated Depreciation of ARO Asset - BS Account 108 | | 861 |
| <i>To record accumulated depreciation on ARO assets</i> | | |
| <p>Assumes the ARO Asset is depreciated over the same life and method as the asset for which the ARO is attached.</p> <p>The cumulative affect adjustment is offset by a credit to other regulatory credits (Account 407) and a debit to Regulatory assets (Account 182.3)</p> | | |

| | | |
|---|-------|-------|
| Cumulative Effect Adjustment - IS Account 435 | 4,729 | |
| ARO Liability - BS Account 230 | | 4,729 |
| <i>To record accumulated accretion on ARO liability</i> | | |
| <p>The total accretion expense that would have been incurred if the liability was accreted from the time the liability was incurred to date.</p> <p>The cumulative affect adjustment is offset by a credit to other regulatory credits (Account 407) and a debit to Regulatory assets (Account 182.3)</p> | | |

| | | |
|---|-----|-----|
| Accumulated Deprecation- BS Account 108 | 631 | |
| Regulatory Liability - BS Account 264 | | 104 |
| Cumulative Effect Adjustment - IS Account 435 | | 527 |
| <i>To reclassify existing Cost of Removal</i> | | |
| <p>The COR liability currently reflected on the Balance Sheet must be fully reversed from the reserve.</p> <p>The cumulative affect adjustment is offset by a credit to other regulatory credits (Account 407) and a debit to Regulatory assets (Account 182.3)</p> | | |

| | | |
|--|-------|-------|
| Regulatory Assets - BS Account 182.3 | 5,064 | |
| Regulatory Credits - IS Account 407 | | 5,064 |
| <i>Because ARO costs qualify for SFAS 71 treatment The cumulative affect adjustment is offset by a credit to other regulatory credits (Account 407) and a debit to Regulatory assets (Account 182.3)</i> | | |

Louisville Gas and Electric Company
ARO Journal Entries
(\$000's)

| DESCRIPTION | Annual Amounts | |
|---|----------------|--------|
| | DEBIT | CREDIT |
| JOURNAL ENTRIES SUBSEQUENT TO IMPLEMENTATION | | |
| Depreciation Expense - IS Account 403.1 Accumulated Depreciation of ARO Asset - BS Account 108.1 <u>To record monthly depreciation expense</u> Assumes the ARO Asset is depreciated over the same life and method as the asset for which the ARO is attached. | 42.35 | 42.35 |
| Regulatory Asset Account- BS Account 182.3 Regulatory Credits - IS Account 407 <u>To reverse monthly depreciation to regulatory asset/liability (Utility is I/S Neutral)</u> The monthly depreciation expense must be reflected against a Regulatory Asset so that all effects of FAS 143 are Income Statement neutral. | 42.35 | 42.35 |
| Accretion Expense - IS Account 411.1 ARO Liability - BS Account 230 <u>To record monthly accretion expense on ARO liability</u> The liability at implementation must be accreted to the anticipated cash outlay. | 366.49 | 366.49 |
| Regulatory Asset Account- BS Account 182.3 Regulatory Credits - IS Account 407 <u>To reverse monthly accretion expense to regulatory asset/liability (Utility is I/S neutral)</u> The monthly depreciation expense must be reflected against a Regulatory Asset so that all effects of FAS 143 are Income Statement neutral. | 366.49 | 366.49 |
| Depreciation Expense Accumulated Depreciation <u>To record monthly depreciation expense on underlying asset to which ARO related</u> The underlying asset to which the ARO is attached is already in G/L systems and is shown for illustrative purposes. The original asset must somehow be linked to the ARO asset, the ARO Liability and the Regulatory Asset / Liability. | XXXX | XXXX |

Kentucky Utilities Company
ARO Journal Entries
(\$000's)

| DESCRIPTION | Annual Amount | |
|---|---------------|--------|
| | DEBIT | CREDIT |
| JOURNAL ENTRIES REQUIRED AT IMPLEMENTATION | | |
| Long Lived Assets - ARO - (New Account) | 7,299 | |
| COR Liability Accrued to Date | 3,662 | |
| Regulatory Asset | 6,227 | |
| Cumulative effect | 6,227 | |
| Regulatory Credits | | 6,227 |
| Regulatory Liability (New Account) | | 1,826 |
| Accumulated Depreciation of ARO Asset - (New Account) | | 1,672 |
| ARO Liability - (New Account) | | 13,780 |
| | 23,405 | 23,405 |
| <i>To record the implementation of FAS 143</i> | | |
| Long Lived Assets - ARO - BS Account 317 | 7,299 | |
| ARO Liability - BS Account 230 | | 7,299 |
| <i>To record the initial present value of ARO liability</i> | | |
| <p>Upon implementation of FAS 143, the ARO liability (in current dollars) must be future valued at the anticipated inflation rate. The ARO liability must then be present valued back to when the liability was incurred using risk free rate plus risk premium at the time the liability was incurred.</p> <p>The ARO asset is valued at the present value of the liability at the time the liability is incurred.</p> | | |
| Cumulative Effect Adjustment - IS Account 435 | 1,572 | |
| Accumulated Depreciation of ARO Asset - BS Account 108 | | 1,572 |
| <i>To record accumulated depreciation on ARO assets</i> | | |
| <p>Assumes the ARO Asset is depreciated over the same life and method as the asset for which the ARO is attached.</p> <p>The cumulative affect adjustment is offset by a credit to other regulatory credits (Account 407) and a debit to Regulatory assets (Account 182.3)</p> | | |
| Cumulative Effect Adjustment - IS Account 435 | 6,480 | |
| ARO Liability - BS Account 230 | | 6,480 |
| <i>To record accumulated accretion on ARO liability</i> | | |
| <p>The total accretion expense that would have been incurred if the liability was accreted from the time the liability was incurred to date.</p> <p>The cumulative affect adjustment is offset by a credit to other regulatory credits (Account 407) and a debit to Regulatory assets (Account 182.3)</p> | | |
| Accumulated Deprecation- BS Account 108 | 3,662 | |
| Regulatory Liability - BS Account 254 | | 1,826 |
| Cumulative Effect Adjustment - IS Account 435 | | 1,826 |
| <i>To reclassify existing Cost of Removal</i> | | |
| <p>The COR liability currently reflected on the Balance Sheet must be fully reversed from the reserve.</p> <p>The cumulative affect adjustment is offset by a credit to other regulatory credits (Account 407) and a debit to Regulatory assets (Account 182.3)</p> | | |
| Regulatory Assets - BS Account 182.3 | 6,227 | |
| Regulatory Credits - IS Account 407 | | 6,227 |
| <i>Because ARO costs qualify for SFAS 71 treatment The cumulative affect adjustment is offset by a credit to other regulatory credits (Account 407) and a debit to Regulatory assets (Account 182.3)</i> | | |

Kentucky Utilities Company
ARO Journal Entries
(\$000's)

| DESCRIPTION | Annual Amounts | |
|---|----------------|--------|
| | DEBIT | CREDIT |
| PART II JOURNAL ENTRIES SUBSEQUENT TO IMPLEMENTATION | | |
| Depreciation Expense - IS Account 403.1 Accumulated Depreciation of ARO Asset - BS Account 108.1 <u>To record monthly depreciation expense</u> Assumes the ARO Asset is depreciated over the same life and method as the asset for which the ARO is attached. | 188 | 188 |
| Regulatory Asset Account- BS Account 182.3 Regulatory Credits - IS Account 407 <u>To reverse monthly depreciation to regulatory asset/liability (Utility is I/S Neutral)</u> The monthly depreciation expense must be reflected against a Regulatory Asset so that all effects of FAS 143 are Income Statement neutral. | 188 | 188 |
| Accretion Expense - IS Account 411.1 ARO Liability - BS Account 230 <u>To record monthly accretion expense on ARO liability</u> The liability at implementation must be accreted to the anticipated cash outlay. | 786 | 786 |
| Regulatory Asset Account- BS Account 182.3 Regulatory Credits - IS Account 407 <u>To reverse monthly accretion expense to regulatory asset/liability (Utility is I/S neutral)</u> The monthly depreciation expense must be reflected against a Regulatory Asset so that all effects of FAS 143 are Income Statement neutral. | 786 | 786 |
| Depreciation Expense Accumulated Depreciation <u>To record monthly depreciation expense on underlying asset to which ARO related</u> The underlying asset to which the ARO is attached is already in G/L systems and is shown for illustrative purposes. The original asset must somehow be linked to the ARO asset, the ARO Liability and the Regulatory Asset / Liability. | XXXX | XXXX |

Louisville Gas and Electric Company
Probability Weighted Estimated Remaining Life
Generating Units

| Probability of occurrence | Current Depreciation Study | | Optimistic Assumption | Probability Weighted Remaining Life | Current Depreciation Study Retirement Date | Probability Weighted Retirement Date | In-Service Date | Current Age | Pessimistic Age Projection | Current Depreciation Study Age Projection | Optimistic Age Projection |
|---------------------------|----------------------------|--------|-----------------------|-------------------------------------|--|--------------------------------------|-----------------|-------------|----------------------------|---|---------------------------|
| | Pessimistic Assumption | 80.00% | | | | | | | | | |
| Cane Run 4 | 4.0 | 19.0 | 24.0 | 18 | 2018 | 2017 | May-62 | 41 | 45 | 60 | 65 |
| Cane Run 5 | 4.0 | 19.0 | 24.0 | 18 | 2018 | 2017 | May-66 | 37 | 41 | 58 | 61 |
| Cane Run 6 | 4.3 | 19.3 | 24.3 | 18.3 | 2018 | 2017 | May-69 | 34 | 38 | 53 | 58 |
| CR SDRS 4 | 4 | 13.0 | 24 | 15.2 | 2012 | 2012 | | | | | |
| CR SDRS 5 | 4 | 13.0 | 24 | 13.2 | 2012 | 2012 | | | | | |
| CR SDRS 6 | 4.3 | 12.9 | 24.3 | 13.18 | 2012 | 2012 | | | | | |
| Mill Creek 1 | 4.9 | 19.9 | 24.9 | 18.9 | 2019 | 2018 | Oct-72 | 31 | 36 | 51 | 56 |
| Mill Creek 2 | 8.0 | 21.0 | 26.0 | 20 | 2020 | 2019 | Jul-74 | 29 | 35 | 50 | 55 |
| Mill Creek 3 | 10.3 | 25.3 | 30.3 | 24.3 | 2024 | 2023 | Aug-78 | 25 | 35 | 50 | 55 |
| Mill Creek 4 | 14.7 | 29.7 | 34.7 | 28.7 | 2029 | 2028 | Sep-82 | 21 | 36 | 51 | 56 |
| MC SDRS 1 | 4.9 | 13.4 | 24.9 | 13.7 | 2012 | 2013 | | | | | |
| MC SDRS 2 | 6 | 13.5 | 26 | 14 | 2013 | 2013 | | | | | |
| MC SDRS 3 | 10.3 | 13.5 | 30.3 | 14.86 | 2013 | 2014 | | | | | |
| MC SDRS 4 | 14.7 | 15.8 | 34.7 | 17.58 | 2015 | 2017 | | | | | |
| Trimble County 1 | 24.3 | 34.3 | 44.3 | 34.3 | 2033 | 2033 | Oct-90 | 13 | 37 | 47 | 57 |
| Trimble County SDRS | 24.3 | 17.1 | 44.3 | 20.54 | 2016 | 2020 | | | | | |
| System Averages | | | | | 2018 | 2018 | | | | | |

Kentucky Utilities Company
Probability Weighted Estimated Remaining Life
Generating Units

| Probability of occurrence | Current Depreciation Study | | Optimistic Assumption | Probability Weighted Remaining Life | Current Depreciation Study Retirement Date | Probability Weighted Retirement Date | In-Service Date | Current Age | Pessimistic Age Projection | Current Depreciation Study Age Projection | Optimistic Age Projection |
|---------------------------|----------------------------|--------|-----------------------|-------------------------------------|--|--------------------------------------|-----------------|-------------|----------------------------|---|---------------------------|
| | Pessimistic Assumption | 80.00% | | | | | | | | | |
| E. W. BROWN UNIT #1 | 4.5 | 19.5 | 24.5 | 18.5 | 2019 | 2018 | May-57 | 46 | 51 | 66 | 71 |
| E. W. BROWN UNIT #2 | 9.4 | 19.4 | 29.4 | 19.4 | 2018 | 2018 | Jun-63 | 40 | 49 | 59 | 69 |
| E. W. BROWN UNIT #3 | 9.6 | 19.6 | 28.6 | 19.6 | 2019 | 2019 | Jul-71 | 32 | 42 | 52 | 62 |
| GHEAT UNIT #1 | 11.4 | 21.4 | 31.4 | 21.4 | 2020 | 2020 | Feb-74 | 29 | 40 | 50 | 60 |
| GHEAT UNIT #2 | 14.5 | 24.5 | 34.5 | 24.5 | 2024 | 2024 | Apr-77 | 26 | 41 | 51 | 61 |
| GHEAT UNIT #3 | 18.7 | 28.7 | 38.7 | 28.7 | 2028 | 2028 | May-81 | 22 | 41 | 51 | 61 |
| GHEAT UNIT #4 | 21.9 | 31.9 | 41.9 | 31.9 | 2031 | 2031 | Aug-84 | 19 | 41 | 51 | 61 |
| GHEAT UNIT #1 Scrubber | 21.9 | 19.0 | 41.9 | 19.18 | 2015 | 2018 | | | | | |
| GREEN RIVER UNITS #1 & #2 | 3.2 | 18.2 | 23.2 | 17.2 | 2017 | 2016 | Mar-50 | 53 | 56 | 71 | 76 |
| GREEN RIVER UNIT #3 | 3.4 | 18.4 | 23.4 | 17.4 | 2017 | 2016 | Apr-54 | 49 | 52 | 67 | 72 |
| GREEN RIVER UNIT #4 | 4.3 | 19.3 | 24.3 | 18.3 | 2016 | 2017 | Jul-59 | 44 | 48 | 63 | 68 |
| TYRONE UNIT #3 | 3.2 | 18.2 | 23.2 | 17.2 | 2017 | 2016 | Jul-53 | 50 | 53 | 68 | 73 |
| DIX DAM | 7.5 | 22.5 | 27.5 | 21.5 | 2022 | 2021 | Nov-25 | 78 | 86 | 101 | 106 |
| LOCK 7 | 7.5 | 22.5 | 27.5 | 21.5 | 2022 | 2021 | Apr-27 | 76 | 84 | 99 | 104 |
| E. W. BROWN #6 | 23.5 | 28.5 | 38.5 | 28 | 2028 | 2028 | Jun-01 | 2 | 26 | 31 | 41 |
| E. W. BROWN #7 | 24.5 | 29.5 | 39.5 | 30 | 2029 | 2029 | Jun-01 | 2 | 27 | 32 | 42 |
| E. W. BROWN #8 | 19.5 | 24.5 | 34.5 | 25 | 2024 | 2024 | Feb-95 | 8 | 28 | 33 | 43 |
| E. W. BROWN #9 | 19.5 | 24.5 | 34.5 | 25 | 2024 | 2024 | Aug-94 | 9 | 29 | 34 | 44 |
| E. W. BROWN #10 | 19.5 | 24.5 | 34.5 | 25 | 2024 | 2024 | Dec-95 | 8 | 28 | 33 | 43 |
| E. W. BROWN #11 | 20.5 | 25.5 | 35.5 | 26 | 2025 | 2025 | May-96 | 7 | 28 | 33 | 43 |

System Averages

2022

2022

2022

2022

Asset Retirement Obligation
Probability Weighted Settlement Estimates

| Probability of Occurrence | Location | Description | Legal Requirement | Cost (\$000s) | | | Weighted Cost | Comment | Support |
|---------------------------|--|---|---|------------------|----------|----------|------------------|--|--|
| | | | | 5.00% | 85% | 10% | | | |
| MC | Ash Pond | Resource Conservation and Recovery Act | Resource Conservation and Recovery Act | \$ 4,034 | \$ 4,482 | \$ 4,930 | \$ 4,504 | 54 acres @ \$83k per acre - not unit specific. Acreage verified by Paul Puckett-Environmental Dept. | Based on Pineville \$83k/acre estimate from FMSM engineering study |
| MC | Landfill | Resource Conservation and Recovery Act | Resource Conservation and Recovery Act | \$ 7,321 | \$ 8,134 | \$ 8,947 | \$ 8,175 | 98 acres @ \$83k per acre - not unit specific. Acreage verified by Paul Puckett-Environmental Dept. | Based on Pineville \$83k/acre estimate from FMSM engineering study |
| MC | Storage Pile Remediation (Coal Pile) | Clean Water Act | Clean Water Act | \$ 270 | \$ 300 | \$ 330 | \$ 302 | Assumes maximum fuel utilization (zero tons of usable coal) - not unit specific 20 acres Acreage verified by Delbert Ellinger-Fuels Dept. | Based on Pineville \$15k/acre from PMR Construction invoice |
| MC | Drain all oil storage tanks | Clean Water Act | Clean Water Act | \$ 15 | \$ 17 | \$ 19 | \$ 17 | 15 tanks - Allocate evenly across units | Supported by engineering estimate based on hourly rates provided by American Enviro Services Inc. |
| MC | Empty & Remediate above ground haz mat storage | Clean Water Act | Clean Water Act | \$ 27 | \$ 30 | \$ 33 | \$ 30 | Asbestos, mercury, used oil, chemicals - allocate evenly across units. This is a building which contains waste material that has already been removed for disposal. This is not associated with an asset. The cost is for disposal of the material, not the building | Supported by engineering estimate based on hourly rates provided by American Enviro Services Inc. |
| MC | Mercury Switch Removal | Resource Conservation and Recovery Act | Resource Conservation and Recovery Act | \$ - | \$ - | \$ - | \$ - | Due to immaterial costs of \$ 288 no ARO is being established | Supported by ENSCO quote provided by Mike WinMier |
| MC | Drain transformers | Clean Water Act Toxic Substances Control Act | Clean Water Act Toxic Substances Control Act | \$ 14 | \$ 15 | \$ 17 | \$ 15 | Including OCB (oil current breaker) - 28 transformers - Allocate evenly across units | Supported by engineering estimate based on hourly rates provided by American Enviro Services Inc. |
| MC | Lab Chemical disposal | Resource Conservation and Recovery Act | Resource Conservation and Recovery Act | \$ 3 | \$ 3 | \$ 3 | \$ 3 | Not unit specific | 40 man hours at internal burdened labor rate of \$75 per hour. Supported by Shannon Charnas email. |
| MC | Chemical Tank clean up | Clean Water Act | Clean Water Act | \$ 5 | \$ 6 | \$ 7 | \$ 6 | Not unit specific | 80 man hours at internal burdened labor rate of \$75 per hour. Supported by Shannon Charnas email. |
| MC | Radiation Sources | The Cabinet for Human Resources - KRS 211.844, regulation 902 KAR Chapter 100 | The Cabinet for Human Resources - KRS 211.844, regulation 902 KAR Chapter 100 | \$ 22 | \$ 24 | \$ 26 | \$ 24 | Allocate evenly across units | 40 sources at \$870. Supported by OHMART email |
| Total | | | | \$ 13,011 | | | \$ 13,076 | | |

| Probability of Occurrence | Location Description | Legal Requirement | Asset Retirement Obligation Probability Weighted Settlement Estimates | | | Weighted Cost | Comment | Support |
|---------------------------|---|---|--|-----------------|-----------|-----------------|--|--|
| | | | 5.00% | 85% | 10% | | | |
| CR | Ash Pond Closure | Resource Conservation and Recovery Act | \$ 3,212 | \$ 3,569 | \$ 3,926 | \$ 3,587 | 43 acres @ \$83k per acre - not unit specific. Acreage verified by Paul Puckett-Environmental Dept. | Based on Pineville \$83k/acre estimate from FMSM engineering study |
| CR | Landfill Closure | Resource Conservation and Recovery Act | \$ 1,078 | \$ 1,198 | \$ 1,318 | \$ 1,204 | 110 acres Acreage verified by Paul Puckett-Environmental Dept. | Based on Permit Consultant detailed estimate. See attached. |
| CR | Coal Pile | Clean Water Act | \$ 230 | \$ 255 | \$ 281 | \$ 256 | \$15/acre at 17 acres. Acreage verified by Delbert Billifier-Fuels Dept. | Based on Pineville \$15/acre from PMR Construction Invoice |
| CR | Mercury Removal | Resource Conservation and Recovery Act | \$ 5 | \$ 5 | \$ 6 | \$ 5 | Allocate evenly across 3 units | Based on Pineville estimate increased due to size of plant. Estimate provided from Mike Winkler based on ENSCO price per lb. |
| CR | Nuclear Source Removal | The Cabinet for Human Resources - KRS 211.844, regulation 902 KAR Chapter 100 | \$ 40 | \$ 44 | \$ 48 | \$ 44 | 50 casing sources - allocate evenly across 3 units - \$870/source | Current telephone estimate from nuclear disposal company (Chimart called by Ghent 12/02) Supported by email from CHMART |
| CR | Station Oil Reservoirs (including transformers) | Clean Water Act Toxic Substances Control Act | \$ 11 | \$ 12 | \$ 13 | \$ 12 | 420,000 gallons on site - Cost of \$0.60 per gallon for 20,000 gallons of contaminated oils at the time of closure. Allocate evenly across 3 units (there will likely be some contaminated oils on site that will require a charge). Most oil will be recycled at no cost. | American Enviro Services Invoice for similar work. AES will reclaim some oils at \$0.60 per gallon if contaminated, including up to 50 ppm of PCB (based on work performed in Dec. 2002 & confirming telephone interview). For uncontaminated oil there is no charge. We have estimated a portion of the oils will be contaminated, some with non-PCB oil at < 50 ppm. |
| CR | Sewage Treatment Plant | Clean Water Act | \$ 5 | \$ 5 | \$ 6 | \$ 5 | Estimated cost to pump out tank, fill tank with soil, and grade land. | Based on PMR Invoice for Pineville. Pineville estimate of \$1k for 50 people, assumed \$3k for 150 people and additional fee for equipment use. |
| Total | | | \$ | \$ 5,068 | \$ | \$ 6,113 | | |

Asset Retirement Obligation
 Probability Weighted Settlement Estimates

| Probability of Occurrence | Location | Description | Legal Requirement | 5.00% | 8.5% | 10% | Weighted Cost | Comment | Support |
|---------------------------|--------------|---|---|-----------------|-----------------|-----------------|-----------------|---|---|
| | TC1 | Ash Pond Closure | Resource Conservation and Recovery Act | \$ 6,443 | \$ 7,159 | \$ 7,875 | \$ 7,195 | \$63/acre at 115 acres * 75% Acreage verified by Paul Puckett-Environmental Dept | FSMS estimate of \$63/acre per study during Pineville retirement |
| | TC1 | Coal storage area | Clean Water Act | \$ 223 | \$ 248 | \$ 273 | \$ 249 | \$15/acre at 22 acres * 75% Acreage verified by Deibert Billiar-Fuels Dept. | Pineville estimate of \$15/acre |
| | TC1 | Mercury Removal - Level Instrumentation | Resource Conservation and Recovery Act | \$ - | \$ - | \$ - | \$ - | Since the \$ 80 estimate is immaterial no ato will be established | Per Mike Winkler in Environmental \$4,50/lb. Supported by ENSCO quote. |
| | TC1 | Nuclear Source Removal - Coal Flow indicators | The Cabinet for Human Resources - KRS 211.844, regulation 902 KAR Chapter 300 | \$ 15 | \$ 17 | \$ 19 | \$ 17 | Cesium source removal - 25 boxes attached to outside of ductwork and above coal feeders. Tie to conveyors on TC1. | Used estimate of \$900 * 75% per source baseu on Chen's estimate from call to Ohmart 12/02. Supported by OHMART email |
| | TC1 | Sewage Treatment Plant | Clean Water Act | \$ 3 | \$ 4 | \$ 4 | \$ 4 | Estimated cost to pump out tank, fill tank with soil, and grade land. | Supported by PMR Invoice |
| | TC1 | Hazardous Material Disposal | Toxic Substances Control Act | \$ 2 | \$ 2 | \$ 2 | \$ 2 | \$480 per drum for 6 drums | Supported by faxed estimate provided by ENSCO Inc. |
| | TC CTs | Transformer Oil | Clean Water Act Toxic Substances Control Act | \$ - | \$ - | \$ - | \$ - | Marketable - no PCBs | |
| | Total | | | \$ 7,430 | \$ 7,430 | \$ 7,430 | \$ 7,457 | | |

Asset Retirement Obligation
Probability Weighted Settlement Estimates

| Probability of Occurrence | Asset Retirement Obligation Probability Weighted Settlement Estimates | | | | Weighted Cost | Comment | Support |
|---------------------------|--|-----------|-----------|-----------|---------------|--|---|
| | 5.00% | 85% | 10% | 10% | | | |
| GH | Ash Pond ATB I & II | \$ 20,617 | \$ 22,908 | \$ 25,199 | \$ 23,073 | \$83K/acre at 276 acres Acreage verified by Paul Puckett-Environmental Dept | FSMS estimate of \$83K/acre per study during Pineville retirement |
| GH | Gypsum Stack | \$ 747 | \$ 630 | \$ 913 | \$ 834 | Assume closure similar to ash pond - \$83K/acre at 10 acres Acreage verified by Paul Puckett-Environmental Dept | FSMS estimate of \$83K/acre per study during Pineville retirement |
| GH | Radiation Sources - Cesium Resources - KRS 211.844, regulation 901 KAR Chapter 100 | \$ 121 | \$ 134 | \$ 147 | \$ 135 | Cesium Sources - 154 - Cesium sources - 154, Unit 1 - 15%, Unit 2 - 24%, Unit 3 - 18%; Unit 4 - 19%, Scrubber - 9%, Coal Yard - 17%. | Cost based on phone conversations with vendors (Ohmart 12/02) and physical counts. Supported by email from OHMART. |
| GH | Radiation Sources - Radium Resources - KRS 211.844, regulation 902 KAR Chapter 100 | \$ 44 | \$ 49 | \$ 54 | \$ 49 | Radium Sources - 42, Unit 1 - 6; Unit 2 - 12; Unit 3 - 12; Unit 4 - 12 | Cost based on phone conversations with vendors (Ohmart 12/02) and physical counts. Supported by email from OHMART. |
| GH | Removal of 10,000 Gallon underground tank | \$ 12 | \$ 13 | \$ 14 | \$ 13 | Common to the plant in the Coal Yard. | Supported by email from Evergreen USA |
| GH | Remediation of underground fuel oil piping | \$ 4 | \$ 4 | \$ 4 | \$ 4 | Common to the plant or divide equally among the 4 units | Supported by email from Evergreen USA |
| GH | Station Oil Reservoirs (including transformers) | \$ 11 | \$ 12 | \$ 13 | \$ 12 | Allocate evenly across all units (there will likely be some contaminated oils on site that will require a charge). Most oil will be recycled at no cost. | American Enviro Services will reclaim some oils at \$0.60 per gallon if contaminated, including up to 50 ppm of PCB (based on work performed in 12/02 & confirming phone interview). There is no charge for uncontaminated oil. It is estimated a portion of the oils will be contaminated, some with non-PCB oil at <50 ppm. Supported by Enviro-Services Invoice. |
| GH | Mercury Removal | \$ - | \$ - | \$ - | \$ - | Since the \$214 estimate is immaterial no air will be established | Supported by ENSCO quote provided by Mike Winkler |
| GH | Chemical Tank clean up | \$ 12 | \$ 13 | \$ 14 | \$ 13 | Anticipate needing to work with 1 40,000 gallon acid tank and 2 10,000 gallon caustic tanks. | Supported by email from Evergreen USA |
| GH | Sewage Plant | \$ 9 | \$ 10 | \$ 11 | \$ 10 | Estimated cost to pump out tank, fill tank with soil, and grade land. | Based on Pineville estimate of \$1k for 50 people, assumed \$4k for 200 people and additional fee for equipment use. Supported by PMR invoice |
| GH | Coal Yard covering | \$ 608 | \$ 675 | \$ 743 | \$ 678 | Not unit specific | Based on Pineville estimate - \$15K/acre for 45 acres. Acreage verified by Delbert Billiter-Pulis Dept. |
| Total | | \$ 24,648 | \$ 24,648 | \$ 24,648 | \$ 24,771 | | |

Asset Retirement Obligation
Probability Weighted Settlement Estimates

| Probability of Occurrence Location Description | Legal Requirement | Cost (\$000s) | | | Weighted Cost | Comment | Support |
|--|---|---------------|------------------|----------|------------------|--|---|
| | | 5% | 85% | 10% | | | |
| BR ST Ash Pond | Resource Conservation and Recovery Act | \$ 8,591 | \$ 9,545 | \$ 9,628 | \$ 9,508 | Not unit specific - Steam units only 1,2,3 | \$83/vacre for 116 acres Acreage verified by Paul Puckett-Environmental Dept |
| BR3 Radiation Sources - BR3 | The Cabinet for Human Resources - KRS 211.844, regulation 202 KAR Chapter 100 | \$ 14 | \$ 16 | \$ 18 | \$ 16 | Sources located with the following 10 assets w/UOP 5676: 3-1,3-2,3-3,4,6,3-5 Feeders Upper & Lower. Also, the assets with UOP 5025- Hoppers A28, A22, A25, A21, A24, A20, A23, A19, B26, B22, B25, B21, B24, B20, B23, B19 | Radiation Sources at \$870 per 16 sources. Cost based on conversations with vendors (Secol, contract supplier of radion sources, 12/02) and physical counts Supported by OHMART email |
| BR ST GSI, transformer oil, lubricating oils, etc fluid | Clean Water Act Toxic Substances Control Act | \$ - | \$ - | \$ - | \$ - | Not unit specific - include BR 1, 2, 3, Transformers only. This oil has no PCBs (non-hazardous). Should be able to sell for reuse. Tie to BR3 | Supported by internal email from Shannon Charnas, American Enviro Services will take oil at no cost |
| BR CT GSI, transformer oil, lubricating oils, etc fluid | Clean Water Act Toxic Substances Control Act | \$ - | \$ - | \$ - | \$ - | Not unit specific - include BR 5, 6, 7, 8, 9, 10, 11, Transformers only. This oil has no PCBs (non-hazardous). Should be able to at no cost sell for reuse. Tie to BR 7. | Supported by internal email from Shannon Charnas, American Enviro Services will take oil at no cost |
| BR ST Removal of Fuel Oil Tanks - BR Steam units 1, 2, 3 | Clean Water Act, Comprehensive Emergency Response and Liability Act | \$ 126 | \$ 140 | \$ 154 | \$ 141 | Tanks are not unit specific - for BR 1, 2, 3 - flat fee paid to contractor for removal. | Supported by email from Somerset Environmental |
| BR CT Removal of Fuel Oil Tanks - BR CIs | Clean Water Act | \$ 252 | \$ 280 | \$ 308 | \$ 281 | Tanks are not unit specific - include BR 5, 6, 7, 8, 9, 10, 11 - flat fee paid to contractor for removal. ESTIMATE | Supported by email from Somerset Environmental |
| BR ST Remediation of underground fuel oil piping - Steam | Clean Water Act, Comprehensive Emergency Response and Liability Act | \$ 15 | \$ 17 | \$ 19 | \$ 17 | Estimate - Net unit specific - include BR 1, 2, 3. | Supported by engineering estimate provided by Barry Currens |
| BR CT Remediation of underground fuel oil piping - CIs | Clean Water Act | \$ 29 | \$ 32 | \$ 35 | \$ 32 | Not unit specific - include BR 5, 6, 7, 8, 9, 10, 11. | Supported by engineering estimate provided by Barry Currens |
| BR ST/CT Mercury Removal | Resource Conservation and Recovery Act | \$ - | \$ - | \$ - | \$ - | Due to immaterial costs of \$305 no ARO is being established | Per Mike Winkler in Environmental \$4.50/lb Supported by EHSCO quote. 15 bs per Shannon Charnas email |
| BR Lab Chemical disposal | Resource Conservation and Recovery Act | \$ 16 | \$ 18 | \$ 20 | \$ 18 | BR1 - Lab Equipment UOP 5369. | Supported by estimate from GE Betz Inc. |
| BR Sewage Plant | Clean Water Act | \$ 9 | \$ 10 | \$ 11 | \$ 10 | Estimated cost to pump out tank, fill tank with soil, and grade land. | Based on Pineville estimate of \$1k for 50 people, assumed \$4k for 200 people and additional fee for equipment use. Supported by BMR Invoice |
| BR ST Coal Yard covering | Clean Water Act | \$ 54 | \$ 60 | \$ 66 | \$ 60 | Not unit specific - Steam units 1, 2, 3. | Based on Pineville estimate - \$15/vacre for 4 acres. Acreage verified by Delbart Blittler-Fuels Dept. |
| BR ST Coal pile retention pond closing | Clean Water Act | \$ 166 | \$ 184 | \$ 202 | \$ 185 | Estimate - Not unit specific - Steam units 1, 2, 3. | Supported by engineering estimate provided by Barry Currens |
| Total | | | \$ 10,302 | | \$ 10,268 | | |

Asset Retirement Obligation
Probability Weighted Settlement Estimates

| Probability of Occurrence | Asset Retirement Obligation Probability Weighted Settlement Estimates | | | | Weighted Cost | Comment | Support |
|---------------------------|---|---------------|---------------|---------------|---------------|---|---|
| | 5% | 85% | 10% | 751 | | | |
| Location | Legal Requirement | Cost (\$000s) | Cost (\$000s) | Cost (\$000s) | Weighted Cost | Comment | Support |
| TY | Ash Pond Resource Conservation and Recovery Act | \$ 672 | \$ 747 | \$ 822 | \$ 751 | Not unit specific. | \$03/acre at 9 acres based on Pineville estimate Acreage verified by Paul Puokelt-Environmental Dept |
| TY | Demolition Service Water Pump structures Corps of Engineers | \$ 162 | \$ 180 | \$ 198 | \$ 181 | 2 structures which have asbestos and lead paint issues - Not unit specific. | Flat fee for contractor removal. Supported by estimate from Evans Construction Co |
| TY | GSSU, transformer oil, lubricating oils, etc fluid Clean Water Act Toxic Substances Control Act | \$. | \$. | \$. | \$. | Not unit specific - Tie to transformer on TY3. This oil has no PCBs (non-hazardous). Should be able to sell for reuse. One underground and one above ground - Not unit specific. | 8 oil-field transformers at \$5,000. Based upon estimate from Somerset Environmental (contractor) received on 12/23/02. |
| TY | Removal of Fuel Oil Tanks Clean Water Act, Comprehensive Emergency Response and Liability Act | \$ 90 | \$ 100 | \$ 110 | \$ 101 | Not unit specific. | Flat fee for contractor removal. Based upon estimate from Somerset Environmental (contractor) received on 12/23/02. |
| TY | Remediation of underground fuel oil piping Clean Water Act, Comprehensive Emergency Response and Liability Act | \$ 13 | \$ 14 | \$ 15 | \$ 14 | Not unit specific. | Engineering estimate provided by Barry Currens |
| TY | Mercury Removal Resource Conservation and Recovery Act | \$ 2 | \$ 3 | \$ 3 | \$ 3 | Not unit specific - allocable among units UOP 5373 - instrument or measuring device (instrumentation). Tie to TY3 | Supported by ENSCO quote provided by Mike Winkler |
| TY | Sewage Plant Clean Water Act | \$ 5 | \$ 5 | \$ 6 | \$ 5 | Estimated cost to pump out tank, fill tank with soil, and grade land. | Based on Pineville estimate of \$1k for 50 people and additional fee for equipment use. Supported by PMR Invoice |
| TY | Coal Yard covering Clean Water Act | \$ 27 | \$ 30 | \$ 33 | \$ 30 | Assuming that we would be required to close similar to the ash pond - Not unit specific | 2 acres at \$15k per acre Pineville estimate Acreage verified by Delbert Billiter-Fuels Dept. |
| Total | | \$ 1,079 | \$ 1,079 | \$ 1,084 | \$ 1,084 | | |

Asset Retirement Obligation
Probability Weighted Settlement Estimates

| Probability of Occurrence | Asset Retirement Obligation Probability Weighted Settlement Estimates | | | Weighted Cost | Comment | Support |
|--|---|-----------------|----------|---------------|-----------------|---|
| | 5% | 85% | 10% | | | |
| Location | Legal Requirement | Cost (\$000s) | | | | |
| GR Ash Pond Remediation | Clean Water Act | \$ 8,740 | \$ 9,711 | \$ 10,682 | \$ 9,760 | \$83/acre at 117 acres. Acreage verified by Paul Puckett-Environmental Dept Pineville retirement |
| GR Coal Storage Pile Remediation | Clean Water Act | \$ 81 | \$ 90 | \$ 99 | \$ 90 | Coal pile is 6 acres. Common to the plant divide evenly among the units. Acreage verified by Deibert Biller-Fuels Dept. |
| GR Oil Storage Tanks | Clean Water Act | \$ 8 | \$ 10 | \$ 11 | \$ 10 | Based on \$0.22 gallon (41,700 gallons) plus removal of underground line \$1K/100 feet. |
| GR Underground Storage Tanks | Comprehensive Emergency Response and Liability Act | \$ 12 | \$ 13 | \$ 14 | \$ 13 | Based on Ghent estimate. |
| GR 1/2 Mercury Switches - All Units | Resource Conservation and Recovery Act | \$ 2 | \$ 2 | \$ 2 | \$ 2 | Based on approx. 100 mercury sources (total) and some pre-existing on-site mercury storage from years past. |
| GR Sewage Treatment Plant | Clean Water Act | \$ 5 | \$ 5 | \$ 6 | \$ 5 | Common - divide evenly among the units. Estimated cost to pump out tank, fill tank with soil, and grade land. |
| GR Switchyard transformers, OCBs, etc. | Clean Water Act Toxic Substances Control Act | \$ 23 | \$ 25 | \$ 28 | \$ 25 | 41,700 gallons at \$0.60 per gallon. Allocate evenly across all units. |
| GR Acid Tank Disposal | Clean Water Act Toxic Substances Control Act | \$ 3 | \$ 3 | \$ 3 | \$ 3 | Common to the plant divide evenly among the units. |
| GR Caustic Tank Disposal | Clean Water Act Toxic Substances Control Act | \$ 3 | \$ 3 | \$ 3 | \$ 3 | Common to the plant divide evenly among the units. |
| GR Lime Storage Silo | Clean Water Act | \$ 5 | \$ 6 | \$ 7 | \$ 6 | \$75/hr company employee to neutralize chemicals and dispose of in ash pond. (\$3,000) Tank removal for scrap \$0. Supported by Shannon Charnas email |
| GR Nuclear Source | The Cabinet for Human Resources - KRS 211.844, regulation 902 KAR Chapter 100 | \$ 1 | \$ 1 | \$ 1 | \$ 1 | \$75/hr company employee to neutralize chemicals and dispose of in ash pond. (\$3,000) Tank removal for scrap \$0. Supported by Shannon Charnas email Shannon Charnas email 80 manhours at \$75 per hour Internal burdened labor rate. Supported by Shannon Charnas email \$1K/nuclear source based on Ghent's 12/02 phone estimate from nuclear disposal co. Supported by email from OHMART |
| Total | | \$ 9,869 | | | \$ 9,818 | |

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Appendix C
ARO Asset Inventory

Utility
Asset Retirement Obligations
Underlying Asset Inventory

| Asset Retirement Obligation Summary | | | | | | |
|-------------------------------------|--|---------------|-----------------|--------------|--|---|
| Location | Description | Original Cost | In Service Date | Asset Number | Notes | Legal/Regulatory Requirement |
| CR6 | Ash Pond Closure | 580,956.24 | 1973 | 1138412 | Combined assets for ARO assumption with in service date of 1973 | Resource Conservation and Recovery Act |
| CR6 | Ash Pond | 1,034,853.61 | 1978 | 1149033 | See above | Resource Conservation and Recovery Act |
| CR6 | Landfill Closure | 766,897.47 | 1992 | 1134814 | | Resource Conservation and Recovery Act |
| CR1 | Coal Pile | 5,430.86 | 1955 | 1131509 | | Clean Water Act |
| CR6 | Mercury Removal | na | 1969 | na | Not related to specific asset # used in service date for unit 6 | Resource Conservation and Recovery Act |
| CR6 | Nuclear Source Removal | na | 1969 | na | | Resource Conservation and Recovery Act |
| CR | Station Oil Reservoir/GSU | | | | | The Cabinet for Human Resources - KRS 211.844, regulation 902 KAR Chapter 100 |
| | Cane Run 4 | 355,520.97 | 1964 | 1108207 | 500K/4 | |
| | Cane Run 5 | 234,861.80 | 1967 | 1108207 | 500K/5 | |
| | Cane Run 6 | 1,350,388.52 | 1999 | | 500K/6 | |
| | Cane Run Spare | 1,449,356.01 | 1996 | 1142644 | 500K/7 | |
| CR6 | Sewage Treatment Plant | 38,052.60 | 1977 | 1132399 | 3 Sewage treatment assets combined into single ARO w in service date of 1977 | Clean Water Act |
| CR6 | | 14,481.54 | 1977 | 1132404 | See above | |
| CR6 | | 52,270.95 | 1998 | 1141767 | See above | |
| MC3 | Ash Pond & Landfill | 827,214.41 | 1982 | 1127657 | | Resource Conservation and Recovery Act |
| MC3 | | 1,136,032.92 | 2001 | 1755793 | | Clean Water Act |
| MC1 | Storage Pits Remediation | 137,187.57 | 1985 | 1126686 | 25% of asset per Greg Jones. Need to separate asset in FA books | Clean Water Act |
| MC3 | Drain all oil storage tanks | 299,504.80 | 1982 | 1127837 | | Clean Water Act |
| MC | Empty & Remediate above ground haz mat storage | na | 1982 | na | Not related to specific asset # used in service date for unit 4 | Clean Water Act |
| MC | Mercury Switch Removal | na | 1982 | na | Not related to specific asset # used in service date for unit 4 | Resource Conservation and Recovery Act |
| MC | Drain Transformers | na | 1982 | na | Not related to specific asset # used in service date for unit 4 GSU's | Clean Water Act |
| | Mill Creek 1 | 619,763.01 | 1974 | 1121129 | | Resource Conservation and Recovery Act |
| | Mill Creek 2 | 610,264.79 | 1975 | 1121561 | 1650 Transformer costs spread evenly over GSUs | Clean Water Act |
| | Mill Creek 3 | 1,304,057.10 | 1982 | 1127277 | | Toxic Substances Control Act |
| | Mill Creek 4 | 2,134,007.29 | 1984 | 1123008 | | |
| | Mill Creek Spare | 974,142.85 | 1975 | 1135331 | | |
| MC | Lab Chemical disposal | na | 1982 | na | Not related to specific asset # used in service date for unit 4 | Resource Conservation and Recovery Act |
| MC-4a02 | Chemical Tank clean up | 339,428.92 | 1984 | 1127093 | | Clean Water Act |
| MC | Radiation Sources | na | 1982 | na | Not related to specific asset # used in service date for unit 4 | The Cabinet for Human Resources - KRS 211.844, regulation 902 KAR Chapter 100 |

Utility
 Asset Retirement Obligations
 Underlying Asset Inventory

| Asset Retirement Obligation Summary | | Original Cost | In Service Date | Asset Number | Notes | Legal/Regulatory Requirement |
|-------------------------------------|---|---------------|-----------------|--------------|---------------------------------|---|
| TC1 | Ash Pond Closure | 2,269,000.51 | 1990 | 1130302 | | Resource Conservation and Recovery Act |
| TC1 | Coal storage area | 2,294,960.32 | 1990 | 1130206 | | Clean Water Act |
| TC1 | Mercury Removal - Level Instrumentation | na | 1990 | na | Not related to specific asset # | Resource Conservation and Recovery Act |
| TC1 | Nuclear Source Removal - Coal Flow Indicators | na | 1990 | na | Not related to specific asset # | The Cabinet for Human Resources - KRS 211.844, regulation 902 KAR Chapter 100 |
| TC1 | Sewage Treatment Plant | 236,060.08 | 1990 | 1132257 | | Clean Water Act |
| TC1 | Generation Step Up Transformer | 3,061,000.00 | 1997 | 1119143 | | Clean Water Act Toxic Substances Control Act |

Utility
Asset Retirement Obligations
Underlying Asset Inventory

| Asset Retirement Obligation Summary | | Original Cost | In Service Date | Asset Number | Notes | Legal/Regulatory Requirement |
|-------------------------------------|--|---------------|-----------------|--------------|---|---|
| GH4 | Ash Pond ATB I & II | 16,544,368.66 | 1994 | 133391 | | Resource Conservation and Recovery Act |
| GH | Gypsum Stack | 9,792,715.17 | 1994 | 133299 | | Clean Water Act |
| GH | Radiation Sources | na | 1984 | na | Not related to specific asset # used in service date for unit 4 | The Cabinet for Human Resources - KRS 211.844, regulation 902 KAR Chapter 100 |
| GH | Radiation Sources | na | 1984 | na | Not related to specific asset # used in service date for unit 4 | The Cabinet for Human Resources - KRS 211.844, regulation 902 KAR Chapter 100 |
| GH | GSSU, transformer oil, lubricating oils, etc fluid | | | | | Clean Water Act |
| | Chemt 1 | 639,635.42 | 1976 | 064114 | 6005=120 | Toxic Substances Control Act |
| | Chemt 2 | 869,693.72 | 1978 | 064115 | 6005=120 | |
| | Chemt 3 | 4,301,009.46 | 2000 | 1732740 | 6005=120 | |
| | Chemt 4 | 2,109,842.77 | 1984 | 063991 | 6005=120 | |
| | Chemt Spare | 2,481,837.47 | 2000 | 1732720 | 6005=120 | |
| GH1 | Removal of 10,000 Gallon underground tank | 99,090.42 | 1974 | 104400 | | Comprehensive Emergency Response and Liability Act |
| GH2 | Removal of underground fuel oil piping | 185,151.21 | 1977 | 104873 | | Comprehensive Emergency Response and Liability Act |
| GH4 | Chemical Tank clean up | 48,018.91 | 1984 | 105544 | | Clean Water Act |
| GH1 | Sewage Plant | 23,299.41 | 1974 | 104352 | | Clean Water Act |
| GH1 | Coal Yard covering | 74,967.80 | 1994 | 104329 | | Clean Water Act |

Utility
 Asset Retirement Obligations
 Underlying Asset Inventory

| Location | Asset Retirement Obligation Summary | Original Cost | In Service Date | Asset Number | Notes | Legal/Regulatory Requirement |
|----------|--|---------------|-----------------|--------------|---|---|
| BR ST1 | Asn Pond | 13,208,176.67 | 1995 | 114424 | | Resource Conservation and Recovery Act |
| BR3 | Radiation Sources - BR3 | na | 1971 | na | Not related to specific asset # used in service date for unit 3 | The Cabinet for Human Resources - KRS 211.844, regulation 902 KAR Chapter 100 |
| BR ST | GSU, transformer oil, lubricating oils, etc fluid | | | | | Clean Water Act |
| | Brown 1 | 283,272.59 | 1958 | 088941 | | Toxic Substances Control Act |
| | Brown 2 | 231,171.50 | 1963 | 059009 | | |
| | Brown 3 | 600,432.47 | 1972 | 062433 | | |
| BR CT | GSU, transformer oil, lubricating oils, etc fluid | | | | | Clean Water Act |
| | Brown 5 | 933,475.00 | 2001 | 1763547 | | Toxic Substances Control Act |
| | Brown 6 | 575,465.31 | 1999 | 142246 | | |
| | Brown 7 | 572,445.86 | 1999 | 142247 | | |
| | Brown 8 | 821,294.17 | 1993 | 137839 | | |
| | Brown 9 | 340,073.23 | 1993 | 137940 | | |
| | Brown 10 | 875,400.43 | 1995 | 114913 | | |
| | Brown 11 | 946,728.87 | 1996 | 123128 | | |
| BR ST3 | Removal of Fuel Oil Tanks - BR Steam units 1, 2, 3 | 9,047.51 | 1972 | 102462 | | Clean Water Act, Comprehensive Emergency Response and Liability Act |
| BR CT9 | Removal of Fuel Oil Tanks - BR CTs | 424,021.64 | 1995 | 114355 | | Clean Water Act |
| BR ST | Remediation of underground fuel oil piping - Steam | na | 1971 | na | Not related to specific asset # used in service date for unit 3 | Clean Water Act, Comprehensive Emergency Response and Liability Act |
| BR CT | Remediation of underground fuel oil piping - CTs | na | 1999 | na | Not related to specific asset # used in service date for unit 6 | Clean Water Act |
| BR | Lab Chemical disposal | na | 1971 | na | Not related to specific asset # used in service date for unit 3 | Resource Conservation and Recovery Act |
| BR3 | Sewage Plant | 85,362.37 | 1997 | 132682 | | Clean Water Act |
| BR ST1 | Coal Yard covering | 75,015.23 | 1956 | 101524 | | Clean Water Act |
| BR ST | Coal pile retention pond closing | na | na | na | | Clean Water Act |

County
Asset Retirement Obligations
Underlying Asset Inventory

| Location | Asset Retirement Obligation Summary | Original Cost | In Service Date | Asset Number | Notes | Legal/Regulatory Requirement |
|----------|---|---------------|-----------------|--------------|---|---|
| TY1&2 | Ash Pond | 575,000.00 | 1977 | 101281 | | Resource Conservation and Recovery Act |
| TY3 | Demolition Service Water Pump structures | 60,940.44 | 1954 | 101356 | | Corps of Engineers Clean Water Act Toxic Substances Control Act |
| TY | GSU, transformer oil, lubricating oils, etc fluid | | | | | |
| | Tyrons 1 | 24,100.71 | 1950 | 051481 | | |
| | Tyrons 2 | 24,100.71 | 1950 | 051482 | | |
| | Tyrons 3 | 24,100.71 | 1950 | 051480 | | |
| | Tyrons 4 | 33,622.07 | 1950 | 051477 | | |
| | Tyrons 5 | 33,622.06 | 1950 | 051476 | | |
| | Tyrons 6 | 33,622.06 | 1950 | 051478 | | |
| | Tyrons 7 | 194,187.16 | 1954 | 051486 | | |
| | Tyrons 8 | 36,468.24 | 1954 | 051487 | | |
| TY | Removal of Fuel Oil Tanks | | | | | Clean Water Act, Comprehensive Emergency Response and Liability Act |
| TY1&2 | Fuel oil Tank | 1,810.73 | 1948 | 100858 | | |
| TY3 | Fuel oil Tank | 2,046.12 | 1996 | 122567 | | |
| TY | Remediation of underground fuel oil piping | na | 1953 | na | Not related to specific asset # used in service date for unit 3 | Clean Water Act, Comprehensive Emergency Response and Liability Act |
| TY | Mercury Removal | na | 1953 | na | Not related to specific asset # used in service date for unit 3 | Resource Conservation and Recovery Act |
| TY3 | Sewage Plant | 1,457.52 | 1973 | 101251 | | Clean Water Act |
| TY3 | Coal Yard covering | 15,060.54 | 1948 | 101197 | | Clean Water Act |

Utility
Asset Retirement Obligations
Underlying Asset Inventory

| Asset Retirement Obligation Summary | | | | | | |
|-------------------------------------|--|-------------------------|-----------------|------------------|--|--|
| Location | Description | Original Cost | In Service Date | Asset Number | Notes | Legal/Regulatory Requirement |
| GR1&2 | Holding Pond Remediation | 152,243.76 | 1975 | 102983 | | Clean Water Act |
| GR1&2 | Coal Storage Pile Remediation | 29,437.83 | 1975 | 103022 | | Clean Water Act |
| GR4 | Oil Storage Tanks | 56,475.33 | 1978 | 103939 | | Clean Water Act |
| GR1&2 | Underground Storage Tanks | 22,796.26 | 2000 | 1709389 | | Comprehensive Emergency Response and Liability Act |
| GR4 | Mercury Switches - Unit 4 | na | na | na | Not related to specific asset # Mercury sources combined used in service date for unit 4 | Resource Conservation and Recovery Act |
| GR4 | Hazardous Material Disposal | na | na | na | Not related to specific asset # used in service date for unit 4 | |
| GR 1-2 | Limestone Silo | 206,000.00 | na | 102234 | | |
| GR4 | Nuclear Sources | na | na | na | | |
| GR 1/2 | Generator Transformers - Units 1/2 | 220,263.33 | 1950 | 045207 | Not related to specific asset # used in service date for unit 4 | |
| GR3 | Generator Transformers - Unit 3 | 219,568.53 | 1954 | 045084 | | Clean Water Act |
| GR4 | Generator Transformers - Unit 4 | 691,268.96 | 1987 | 045281 | | Toxic Substances Control Act |
| | | | | | | Clean Water Act |
| | | | | | | Toxic Substances Control Act |
| GR4 | Grain River Storage Sewage Treatment Plant | 188,758.50 98,051.42 | 1954 1997 | 045085 132673 | | Clean Water Act Toxic Substances Control Act |
| | Total Utility | | | | | Clean Water Act |

RETIREMENT AND ABANDONMENT ESTIMATE RIGGS JUNCTION GAS TRANSMISSION FACILITY

Description:

This estimate is being developed at the request of Property Accounting in compliance with new FERC rules that require the expenses to restore sites after facilities are abandoned be accounted. The lease for the facilities at Riggs Junction requires that LG&E restore the facility to greenspace if the area is ever abandoned.

The Riggs Junction facility contains a valve nest that interconnects two gas transmission pipelines to three Doe Run Upper Storage Field gathering mains and one high-pressure gas distribution main that feeds the City of Brandenburg. The facility also contains two pressure regulating stations; Brandenburg High Pressure Station and Riggs Junction Regulator Assembly. In 1998, a shale recovery compressor, named the Riggs Junction Compressor, was relocated from the site to a new shale recovery site in Laconia, IN. The existing building was demolished, but the building foundation remains. The foundation has not been demolished as it could possibly be used as a foundation for pig traps for the two transmission pipelines.

This estimate is developed solely for the purpose of meeting the new FERC rules. There are no plans to abandon this site to date.

Scope:

1. Demolish existing concrete foundation from Riggs Junction Shale Compressor.
2. Remove existing Brandenburg HP Regulator Station.
3. Remove all of the aboveground piping of the existing valve nest at Riggs Junction. Cap all pipe below grade. The 12" and/or 16" Doe Run Lines, the 3 - 12" Storage Field Gathering Mains, and the 12" Distribution Main will be abandoned in place.
4. The Riggs Junction Regulator Assembly will be removed. The 2" Thin-Mill Steel inlet piping and the 4" PE outlet piping will be capped and abandoned in place.

MATERIALS

| | | | | |
|----|--|----------|----|-------------------------------|
| 50 | lbs, Electrodes, Welding, E6010, 5P, 1/8", SFA 5.1 | \$1.19 | \$ | 59.50 |
| 3 | Anode, 9 lb, Magnesium | \$25.65 | \$ | 76.95 |
| 70 | pkg, Wax Tape | \$11.01 | \$ | 770.70 |
| 24 | gallons, Wax Tape Primer | \$20.22 | \$ | 485.28 |
| 2 | Caps, 2" Forged Steel | \$4.86 | \$ | 9.72 |
| 1 | Caps, 4" PE | \$6.30 | \$ | 6.30 |
| 4 | Caps, 12", Steel | \$56.53 | \$ | 226.12 |
| 2 | Caps, 16", Steel | \$68.28 | \$ | 136.56 |
| 2 | Bags, Seed, 50 lbs | \$85.16 | \$ | 170.32 |
| 25 | Bails, Straw | \$5.67 | \$ | 141.75 |
| 20 | yds, Clean backfill | \$25.00 | \$ | 500.00 |
| 1 | lot, Miscellaneous Materials | \$250.00 | \$ | 250.00 |
| | | | | Subtotal = \$ 2,833.20 |
| | | | | Consumables = \$ 141.66 |
| | | | | Miscellaneous = \$ 141.66 |
| | | | | Subtotal = \$ 3,116.52 |
| | | | | G & A Overheads = \$ 31.17 |
| | | | | KY Sales Tax = \$ 186.99 |
| | | | | Total Materials = \$ 3,334.68 |

COMPANY LABOR

| | | | | |
|----|------------------------------|---------|----|--|
| 80 | hr, Inspector (Assume PG-12) | \$25.67 | \$ | 2,053.60 |
| 4 | hr, Records Coordinator | \$21.53 | \$ | 86.12 |
| 16 | hr, Distribution Mechanic A | \$23.73 | \$ | 379.68 |
| | | | | Unloaded Total Company Labor = \$ 2,519.40 |
| | | | | 97% Co. Labor Loading = \$ 2,443.82 |
| | | | | Total Company Labor = \$ 4,963.22 |

TRANSPORTATION AND EQUIPMENT

Transportation and Equipment Costs = \$ 992.64

Total T & E Expense = \$ 992.64

CONTRACT LABOR

| | | | | |
|-----|---|------------|----|----------|
| 4 | hrs, Supervisor | \$45.34 | \$ | 181.36 |
| 80 | hrs, Foreman | \$35.79 | \$ | 2,863.20 |
| 40 | hrs, Welder | \$36.05 | \$ | 1,442.00 |
| 80 | hrs, Laborer | \$19.55 | \$ | 1,564.00 |
| 80 | hrs, Equipment Operator | \$30.58 | \$ | 2,446.40 |
| 80 | hrs, Dump Truck Driver | \$22.48 | \$ | 1,798.40 |
| 40 | hrs, Equipment Charge, Welding Truck | \$10.00 | \$ | 400.00 |
| 80 | hrs, Equipment Charge, Backhoe | \$17.31 | \$ | 1,384.80 |
| 40 | hrs, Equipment Charge, Excavator with hoe ram | \$180.25 | \$ | 7,210.00 |
| 40 | hrs, Equipment Charge, Compressor | \$54.11 | \$ | 2,164.40 |
| 80 | hrs, Equipment Charge, Dump Truck | \$32.47 | \$ | 2,597.60 |
| 1 | lot, Contractor consumables, safety supplies, misc. materials | \$1,000.00 | \$ | 1,000.00 |
| 16 | crew hrs, NDT Contractor Expense | \$88.00 | \$ | 1,408.00 |
| 500 | miles, NDT Contractor Travel Expense | \$0.70 | \$ | 350.00 |
| 1 | lot, NDT Contractor Material Expense | \$280.00 | \$ | 280.00 |

Subtotal = \$ 27,090.16

G & A Overheads = \$ 270.90

Total Contract Labor = \$ 27,361.06

MISCELLANEOUS

| | | | | |
|-----|-----------------------------------|------------|----|----------|
| 6 | IBEW 2100 Meal Tickets | \$6.00 | \$ | 36.00 |
| 630 | mscf, lost gas during blowdowns | \$4.00 | \$ | 2,520.00 |
| 1 | lot, Construction Debris Disposal | \$500.00 | \$ | 500.00 |
| 1 | lot, PCB Analysis | \$350.00 | \$ | 350.00 |
| 1 | lot, Asbestos Pipe Disposal. | \$1,000.00 | \$ | 1,000.00 |

Subtotal = \$ 4,406.00

G & A Overheads = \$ 44.06

Total Miscellaneous = \$ 4,450.06

- Subtotal = \$ 41,101.66

LOCAL ENGINEERING = \$ 3,288.13

10% CONTINGENCY = \$ 4,110.17

TOTAL PROJECT COSTS = \$ 48,499.96

Assumptions:

1. T&E charges are based upon 20% of Company Labor Charges.
2. Local Engineering will cover LG&E supervision labor and is based upon 8% of the total project subtotal.
3. BU Capital overheads are assumed to be 97% of base labor.
4. Assume that disposal is required for asbestos pipe coating.
5. Assume that there are no disposal costs for PCB contamination or any other hazardous materials.
6. The 12" and 16" Doe Run Lines, the 3 - 12" Storage Field Gathering Mains, and the 12" Distribution Main will be abandoned in place. Ignore all customer service requirement issues. Assume service will be provided via another means.
7. Assume there will be no scrap value from the recovered pipe, valves and fittings.

| Asset Retirement Obligation Summary Gas Distribution Operations | | | | | | |
|--|--|---------------|-----------------|--------------|---------------------|--|
| Location | Description | Original Cost | In Service Date | Asset Number | Cost | Comment |
| Various | <u>Mains</u> | | | | | |
| | Gas Distribution & Transmission Pipelines | Various | Various | Various | \$3,000/ Cut-out | Cutting, Capping, Purging Requirements. Requirement usually involves (2) cutouts per job. Cost estimate provided by P. Stratman. |
| | <u>Services</u> | | | | | |
| Brandenburg, KY | Not aware of any Asset Retirement Obligations. | | | | | |
| | <u>Regulator Stations</u> | | | | | |
| | Not aware of any Asset Retirement Obligations. | | | | | |
| Various Storage Fields | <u>City Gate Stations</u> | | | | | |
| | Not aware of any Asset Retirement Obligations. | | | | | |
| | <u>Storage Operations</u> | | | | | |
| Brandenburg, KY | Rigg's Junction Facility | ? | ? | ? | \$50,000 | Per Legal Dept., legal requirement calls for returning sight to greenspace. Cost estimate provided by S. Beatty. |
| | Capping of Gas Well Heads | Various | Various | Various | \$15,000/ Well | Per Legal Dept., legal requirement. Cost estimate provided by G. Sundheimer. |

Appendix D

Depreciation and Net Salvage Rates

Table 1a - KY

Kentucky Utilities
Electric Division
Kentucky

Calculation of Cost of Removal in Book Depreciation Reserve as of December 31, 2002 Based Upon
Theoretical Depreciation Reserves (By Location and Account) Using Existing Depreciation Parameters

| Account No (a) | Loc. Code | Description (b) | Original Cost 12/31/02 (c) | Total Book Depr Reserve 12/31/02 (d) | Adjustment For Omitted Retirements (k) | Plant Depr Reserve 12/31/02 (f) | Cost of Removal Depr Reserve 12/31/02 |
|----------------------------------|--------------|--|-------------------------------------|---|---|--|---|
| DEPRECIABLE PLANT | | | | | | | |
| STEAM PLANT | | | | | | | |
| KU Generation-Common | | | | | | | |
| 311.00 | 5591 | Structures and Improvements | 805,715.82 | 373,841.85 | | 337,926.85 | 35,915.00 |
| 316.00 | 5591 | Misc. Power Plant Equipment | 1,330,284.07 | 244,560.51 | | 215,132.51 | 29,428.00 |
| | | Total KU Gen.-Common | 2,135,999.89 | 618,402.36 | 0.00 | 553,059.36 | 65,343.00 |
| Tyrone Unit 3 | | | | | | | |
| 311.60 | 5603 | Structures and Improvements | 5,293,882.85 | 5,722,687.36 | | 4,929,429.36 | 793,258.00 |
| 312.00 | 5603 | Boiler Plant Equipment | 8,663,220.42 | 8,867,763.82 | | 7,824,472.82 | 1,043,291.00 |
| 312.00 | 5603 | Mandated NOX Proj.-2004 Closing | 1,502,053.00 | | | 0.00 | 0.00 |
| 314.00 | 5603 | Turbogenerator Units | 2,649,841.16 | 3,039,367.81 | | 2,653,065.81 | 386,302.00 |
| 315.00 | 5603 | Accessory Electric Equipment | 570,736.22 | 635,229.41 | | 548,104.41 | 87,125.00 |
| 316.00 | 5603 | Misc. Power Plant Equipment | 403,549.14 | 245,719.29 | | 214,760.29 | 30,959.00 |
| | | Total Tyrone Unit 3 | 19,083,282.79 | 18,510,767.69 | 0.00 | 16,169,832.69 | 2,340,935.00 |
| Tyrone Units 1 & 2 | | | | | | | |
| 311.60 | 5604 | Structures and Improvements | 589,405.14 | 676,047.70 | | 566,941.70 | 109,106.00 |
| 312.00 | 5604 | Boiler Plant Equipment | 3,549,368.50 | 4,048,571.36 | | 3,306,109.36 | 742,462.00 |
| 314.00 | 5604 | Turbogenerator Units | 1,592,029.04 | 1,813,795.27 | | 1,478,911.27 | 334,884.00 |
| 315.00 | 5604 | Accessory Electric Equipment | 828,016.44 | 881,009.49 | | 707,589.49 | 173,420.00 |
| 316.00 | 5604 | Misc. Power Plant Equipment | 47,552.54 | 49,787.51 | | 39,804.51 | 9,983.00 |
| | | Total Tyrone Units 1 & 2 | 6,606,371.66 | 7,469,211.32 | 0.00 | 6,099,356.32 | 1,369,855.00 |
| Green River Unit 3 | | | | | | | |
| 311.40 | 5613 | Structures and Improvements | 2,809,804.71 | 3,228,465.61 | | 2,945,216.61 | 283,249.00 |
| 312.00 | 5613 | Boiler Plant Equipment | 9,061,059.76 | 8,870,130.27 | | 8,096,688.27 | 773,442.00 |
| 312.00 | 5613 | Mandated NOX Proj.-2004 Closing | 1,731,984.00 | | | 0.00 | 0.00 |
| 314.00 | 5613 | Turbogenerator Units | 2,651,645.58 | 3,041,437.48 | | 2,755,705.48 | 285,732.00 |
| 315.00 | 5613 | Accessory Electric Equipment | 696,352.89 | 761,113.71 | | 697,348.71 | 63,767.00 |
| 316.00 | 5613 | Misc. Power Plant Equipment | 70,833.53 | 53,321.13 | | 48,341.13 | 4,980.00 |
| | | Total Green River Unit 3 | 17,021,680.47 | 15,954,468.20 | 0.00 | 14,543,298.20 | 1,411,170.00 |
| Green River Unit 4 | | | | | | | |
| 311.40 | 5614 | Structures and Improvements | 4,099,390.94 | 3,630,655.71 | | 3,381,760.71 | 248,895.00 |
| 312.00 | 5614 | Boiler Plant Equipment | 18,776,499.07 | 14,845,967.78 | | 13,624,266.78 | 1,221,701.00 |
| 314.00 | 5614 | Turbogenerator Units | 8,323,622.30 | 6,365,139.77 | | 5,843,012.77 | 522,127.00 |
| 315.00 | 5614 | Accessory Electric Equipment | 809,269.35 | 907,190.94 | | 834,325.94 | 72,865.00 |
| 316.00 | 5614 | Misc. Power Plant Equipment | 1,961,965.76 | 1,134,997.25 | | 1,034,887.25 | 100,110.00 |
| | | Total Green River Unit 4 | 33,970,747.42 | 26,883,951.46 | 0.00 | 24,718,253.46 | 2,185,698.00 |
| Green River Units 1&2 | | | | | | | |
| 311.40 | 5615 | Structures and Improvements | 3,797,160.20 | 4,226,239.30 | | 3,682,695.30 | 543,544.00 |
| 312.00 | 5615 | Boiler Plant Equipment | 12,249,873.99 | 11,761,983.55 | | 10,164,249.55 | 1,597,734.00 |
| 314.00 | 5615 | Turbogenerator Units | 2,762,747.30 | 2,769,226.60 | | 2,390,366.60 | 378,860.00 |
| 315.00 | 5615 | Accessory Electric Equipment | 584,072.29 | 649,488.39 | | 564,622.39 | 84,866.00 |
| 316.00 | 5615 | Misc. Power Plant Equipment | 190,224.48 | 180,211.55 | | 153,691.55 | 26,520.00 |
| | | Total Green River Units 1&2 | 19,584,078.26 | 19,587,149.39 | 0.00 | 16,955,625.39 | 2,631,524.00 |
| Brown Unit 1 | | | | | | | |
| 311.10 | 5621 | Structures and Improvements | 4,088,137.49 | 4,518,000.24 | | 4,179,478.24 | 338,522.00 |
| 312.00 | 5621 | Boiler Plant Equipment | 32,815,581.55 | 19,517,750.44 | | 17,766,421.44 | 1,751,329.00 |
| 312.00 | 5621 | Mandated NOX Proj.-2004 Closing | 221,421.00 | | | 0.00 | 0.00 |
| 314.00 | 5621 | Turbogenerator Units | 4,694,847.01 | 4,801,992.34 | | 4,372,650.34 | 429,342.00 |
| 315.00 | 5621 | Accessory Electric Equipment | 2,663,640.09 | 2,136,179.18 | | 1,960,528.18 | 175,651.00 |
| 316.00 | 5621 | Misc. Power Plant Equipment | 293,859.48 | 201,466.86 | | 181,882.86 | 19,584.00 |
| | | Total Brown Unit 1 | 44,777,486.62 | 31,175,389.07 | 0.00 | 28,460,961.07 | 2,714,428.00 |

Table 1a - KY

Kentucky Utilities
Electric Division
Kentucky

Calculation of Cost of Removal In Book Depreciation Reserve as of December 31, 2002 Based Upon
Theoretical Depreciation Reserves (By Location and Account) Using Existing Depreciation Parameters

| Account No. (a) | Loc. Code (b) | Description (b) | Original Cost 12/31/02 (c) | Total Book Depr Reserve 12/31/02 (d) | Adjustment For Omitted Retirements (k) | Plant Depr Reserve 12/31/02 (l) | Cost of Removal Depr Reserve 12/31/02 |
|---|------------------|--|----------------------------------|--|---|---------------------------------------|--|
| Brown Unit 2 | | | | | | | |
| 311.10 | 5622 | Structures and Improvements | 1,452,821.22 | 1,885,381.25 | | 1,550,088.25 | 135,293.00 |
| 312.00 | 5622 | Boiler Plant Equipment | 26,010,201.59 | 16,848,811.36 | | 15,229,650.36 | 1,619,161.00 |
| 312.00 | 5622 | Mandated NOX Proj.-2004 Closing | 2,237,589.00 | | | 0.00 | 0.00 |
| 314.00 | 5622 | Turbogenerator Units | 8,729,916.37 | 6,056,772.92 | | 5,476,396.92 | 580,378.00 |
| 315.00 | 5622 | Accessory Electric Equipment | 970,596.10 | 912,287.58 | | 832,032.58 | 80,255.00 |
| 316.00 | 5622 | Misc. Power Plant Equipment | 85,647.82 | 69,823.47 | | 62,557.47 | 7,266.00 |
| | | Total Brown Unit 2 | 39,486,772.10 | 25,573,076.58 | 0.00 | 23,150,725.58 | 2,422,351.00 |
| Brown Unit 3 | | | | | | | |
| 311.10 | 5623 | Structures and Improvements | 12,078,731.61 | 11,558,765.60 | | 10,589,507.60 | 969,258.00 |
| 312.00 | 5623 | Boiler Plant Equipment | 71,536,455.78 | 49,316,382.34 | | 44,368,891.34 | 4,947,491.00 |
| 312.00 | 5623 | Mandated NOX Proj.-2004 Closing | 1,305,198.00 | | | 0.00 | 0.00 |
| 312.00 | 5623 | Mandated NOX Proj.-2005 Closing | 4,004,000.00 | | | 0.00 | 0.00 |
| 314.00 | 5623 | Turbogenerator Units | 22,985,210.48 | 13,723,542.56 | | 12,349,015.56 | 1,374,527.00 |
| 315.00 | 5623 | Accessory Electric Equipment | 5,076,639.52 | 4,577,463.36 | | 4,156,038.36 | 421,425.00 |
| 316.00 | 5623 | Misc. Power Plant Equipment | 3,695,436.94 | 1,904,428.84 | | 1,699,247.84 | 205,181.00 |
| | | Total Brown Unit 3 | 120,681,672.33 | 81,080,582.70 | 0.00 | 73,162,700.70 | 7,917,882.00 |
| Pineville Unit 3 | | | | | | | |
| 311.50 | 5643 | Structures and Improvements | 0.00 | 0.00 | | 0.00 | 0.00 |
| 312.00 | 5643 | Boiler Plant Equipment | 226,832.50 | 1,782,011.42 | | 1,750,876.42 | 31,135.00 |
| 314.00 | 5643 | Turbogenerator Units | 0.00 | 0.00 | | 0.00 | 0.00 |
| 315.00 | 5643 | Accessory Electric Equipment | 0.00 | 0.00 | | 0.00 | 0.00 |
| 316.00 | 5643 | Misc. Power Plant Equipment | 0.00 | 0.00 | | 0.00 | 0.00 |
| | | Total Pineville Unit 3 | 226,832.50 | 1,782,011.42 | 0.00 | 1,750,876.42 | 31,135.00 |
| Pineville Units 1 & 2 | | | | | | | |
| 311.50 | 5644 | Structures and Improvements | 0.00 | 0.00 | | 0.00 | 0.00 |
| 312.00 | 5644 | Boiler Plant Equipment | 0.00 | 254,230.51 | | 254,230.51 | 0.00 |
| 314.00 | 5644 | Turbogenerator Units | 0.00 | 0.00 | | 0.00 | 0.00 |
| 315.00 | 5644 | Accessory Electric Equipment | 0.00 | 0.00 | | 0.00 | 0.00 |
| 316.00 | 5644 | Misc. Power Plant Equipment | 0.00 | 0.00 | | 0.00 | 0.00 |
| | | Total Pineville Units 1 & 2 | 0.00 | 254,230.51 | 0.00 | 254,230.51 | 0.00 |
| Ghent 1 Pollution Control Equip. | | | | | | | |
| 311.30 | 5650 | Structures and Improvements | 24,352,142.19 | 10,966,983.04 | | 10,274,287.04 | 692,696.00 |
| 312.00 | 5650 | Boiler Plant Equipment | 86,308,756.05 | 34,816,239.80 | | 32,375,570.80 | 2,440,669.00 |
| 315.00 | 5650 | Turbogenerator Units | 3,016,784.27 | 1,319,776.32 | | 1,234,173.32 | 85,603.00 |
| 316.00 | 5650 | Accessory Electric Equipment | 985,410.01 | 371,392.72 | | 343,404.72 | 27,988.00 |
| | | Total Ghent 1 Pollution Control Equip. | 114,663,092.52 | 47,474,391.89 | 0.00 | 44,227,435.89 | 3,246,956.00 |
| Ghent Unit 1 | | | | | | | |
| 311.20 | 5651 | Structures and Improvements | 16,838,431.28 | 16,551,200.35 | | 15,670,282.35 | 880,918.00 |
| 312.00 | 5651 | Boiler Plant Equipment | 88,268,090.96 | 58,633,236.77 | | 54,906,380.77 | 3,726,856.00 |
| 312.00 | 5623 | Mandated NOX Proj.-2004 Closing | 38,235,757.00 | | | 0.00 | 0.00 |
| 312.00 | 5623 | Mandated NOX Proj.-2005 Closing | 38,980,000.00 | | | 0.00 | 0.00 |
| 314.00 | 5651 | Turbogenerator Units | 22,672,666.15 | 17,547,331.79 | | 16,436,757.79 | 1,110,574.00 |
| 315.00 | 5651 | Accessory Electric Equipment | 7,456,587.14 | 6,385,744.31 | | 6,385,744.31 | 0.00 |
| 316.00 | 5651 | Misc. Power Plant Equipment | 1,683,635.89 | 1,107,233.96 | | 1,031,489.96 | 75,744.00 |
| | | Total Ghent Unit 1 | | 100,224,747.18 | 0.00 | 94,430,655.18 | 5,794,092.00 |

Table 1a - KY

**Kentucky Utilities
Electric Division
Kentucky**

Calculation of Cost of Removal in Book Depreciation Reserve as of December 31, 2002 Based Upon
Theoretical Depreciation Reserves (By Location and Account) Using Existing Depreciation Parameters

| Account No. (a) | Loc. Code (b) | Description (c) | Original Cost 12/31/02 (c) | Total Book Depr Reserve 12/31/02 (d) | Adjustment For Omitted Retirements (k) | Plant Depr Reserve 12/31/02 (f) | Cost of Removal Depr Reserve 12/31/02 |
|--------------------------|------------------|-------------------------------------|----------------------------------|--|---|---------------------------------------|--|
| Ghent Unit 2 | | | | | | | |
| 311.20 | 5652 | Structures and Improvements | 16,012,536.37 | 14,520,990.15 | | 13,763,216.15 | 757,774.00 |
| 312.00 | 5652 | Boiler Plant Equipment | 86,733,989.30 | 58,712,497.52 | | 55,065,177.52 | 3,647,320.00 |
| 312.00 | 5652 | Mandated NOX Proj.-2004 Closing | 4,735.00 | | | 0.00 | 0.00 |
| 312.00 | 5652 | Mandated NOX Proj.-2005 Closing | 3,016,000.00 | | | 0.00 | 0.00 |
| 314.00 | 5652 | Turbogenerator Units | 28,358,360.55 | 18,546,227.18 | | 17,401,567.18 | 1,144,660.00 |
| 315.00 | 5652 | Accessory Electric Equipment | 10,785,959.50 | 8,840,614.25 | | 8,840,614.25 | 0.00 |
| 316.00 | 5652 | Misc. Power Plant Equipment | 1,478,017.69 | 1,038,436.36 | | 969,123.36 | 69,313.00 |
| | | Total Ghent Unit 2 | 146,389,598.41 | 101,658,765.45 | 0.00 | 96,039,698.45 | 5,619,067.00 |
| Ghent Unit 3 | | | | | | | |
| 311.20 | 5653 | Structures and Improvements | 40,539,913.20 | 29,396,596.88 | | 27,779,408.88 | 1,617,188.00 |
| 312.00 | 5653 | Boiler Plant Equipment | 169,648,430.42 | 102,664,063.36 | | 95,978,667.36 | 6,685,396.00 |
| 312.00 | 5653 | Mandated NOX Proj.-2004 Closing | 73,887,596.00 | | | 0.00 | 0.00 |
| 312.00 | 5653 | Mandated NOX Proj.-2005 Closing | 1,976,000.00 | | | 0.00 | 0.00 |
| 314.00 | 5653 | Turbogenerator Units | 38,111,389.85 | 23,633,415.76 | | 22,109,025.76 | 1,524,390.00 |
| 315.00 | 5653 | Accessory Electric Equipment | 25,961,221.84 | 17,808,728.79 | | 17,808,728.79 | 0.00 |
| 316.00 | 5653 | Misc. Power Plant Equipment | 3,135,971.64 | 1,849,696.44 | | 1,720,838.44 | 128,858.00 |
| | | Total Ghent Unit 3 | 353,260,522.95 | 175,352,501.24 | 0.00 | 165,396,669.24 | 9,955,832.00 |
| Ghent Unit 4 | | | | | | | |
| 311.20 | 5654 | Structures and Improvements | 21,953,259.20 | 12,923,736.93 | | 12,202,326.93 | 721,410.00 |
| 312.00 | 5654 | Boiler Plant Equipment | 168,701,912.41 | 83,355,028.86 | | 77,875,705.86 | 5,479,323.00 |
| 312.00 | 5654 | Mandated NOX Proj.-2004 Closing | 52,148,251.00 | | | 0.00 | 0.00 |
| 312.00 | 5654 | Mandated NOX Proj.-2005 Closing | 15,424,000.00 | | | 0.00 | 0.00 |
| 314.00 | 5654 | Turbogenerator Units | 48,190,569.27 | 26,306,716.71 | | 24,595,210.71 | 1,711,506.00 |
| 315.00 | 5654 | Accessory Electric Equipment | 21,869,238.82 | 12,749,802.99 | | 12,749,802.99 | 0.00 |
| 316.00 | 5654 | Misc. Power Plant Equipment | 5,356,692.15 | 1,998,833.97 | | 1,859,015.97 | 139,818.00 |
| | | Total Ghent Unit 4 | 333,643,922.85 | 137,334,119.46 | 0.00 | 129,282,062.46 | 8,052,057.00 |
| Ghent 4 Rail Cars | | | | | | | |
| 312.20 | 5659 | Boiler Plant Equipment | 7,647,232.19 | 3,920,826.86 | | 3,722,898.86 | 197,928.00 |
| | | Total Ghent 4 Rail Cars | 7,647,232.19 | 3,920,826.86 | 0.00 | 3,722,898.86 | 197,928.00 |
| | | Total Steam Production | 1,333,494,917.96 | 794,854,592.77 | 0.00 | 738,918,339.77 | 55,936,253.00 |
| HYDRAULIC PLANT | | | | | | | |
| Dix Dam | | | | | | | |
| 330.10 | 5691 | Land Rights | 879,311.47 | 879,311.47 | | 879,311.47 | 0.00 |
| 331.10 | 5691 | Structures and Improvements | 429,524.71 | 328,160.22 | | 301,863.22 | 26,297.00 |
| 332.10 | 5691 | Reservoirs, Dams and Waterways | 7,818,030.36 | 5,639,672.93 | | 5,129,939.93 | 509,733.00 |
| 333.10 | 5691 | Waterwheel, Turbines and Generators | 418,543.74 | 526,528.02 | | 496,732.02 | 29,796.00 |
| 334.10 | 5691 | Accessory Electric Equipment | 85,383.13 | 69,663.35 | | 63,571.35 | 6,092.00 |
| 335.10 | 5691 | Misc. Power Plant Equipment | 97,031.59 | 50,788.41 | | 46,453.41 | 4,335.00 |
| 336.10 | 5691 | Roads, Railroads and Bridges | 46,976.12 | 41,111.69 | | 37,545.69 | 3,566.00 |
| | | Total Dix Dam | 9,774,801.12 | 7,535,236.10 | 0.00 | 6,955,417.10 | 579,819.00 |
| Lock #7 | | | | | | | |
| 330.10 | 5692 | Land Rights | 0.00 | | | 0.00 | 0.00 |
| 331.20 | 5692 | Structures and Improvements | 67,902.49 | 69,837.66 | | 49,951.66 | 19,886.00 |
| 332.20 | 5692 | Reservoirs, Dams and Waterways | 324,145.88 | 288,220.44 | | 195,327.44 | 92,893.00 |
| 333.20 | 5692 | Waterwheel, Turbines and Generators | 114,085.49 | 126,064.47 | | 92,780.47 | 33,284.00 |
| 334.20 | 5692 | Accessory Electric Equipment | 264,485.91 | 245,974.54 | | 172,287.54 | 73,687.00 |
| 335.20 | 5692 | Misc. Power Plant Equipment | 66,094.89 | 57,509.70 | | 39,348.70 | 18,161.00 |
| 336.20 | 5692 | Roads, Railroads and Bridges | 1,169.79 | 1,061.33 | | 718.33 | 343.00 |
| | | Total Lock #7 | 837,884.45 | 788,668.13 | 0.00 | 550,414.13 | 238,254.00 |
| | | Total Hydraulic Plant | 10,612,685.57 | 8,323,904.23 | 0.00 | 7,505,831.23 | 818,073.00 |

Table 1a - KY

**Kentucky Utilities
Electric Division
Kentucky**
Calculation of Cost of Removal In Book Depreciation Reserve as of December 31, 2002 Based Upon
Theoretical Depreciation Reserves (By Location and Account) Using Existing Depreciation Parameters

| Account No. (a) | Loc. Code | Description (b) | Original Cost 12/31/02 (c) | Total Book Depr Reserve 12/31/02 (d) | Adjustment For Omitted Retirements (k) | Plant Depr Reserve 12/31/02 (f) | Cost of Removal Depr Reserve 12/31/02 |
|-------------------------------|-----------|-------------------------------------|----------------------------------|--|---|---------------------------------------|--|
| OTHER PRODUCTION PLANT | | | | | | | |
| Paddy's Run GT 13 | | | | | | | |
| 341.00 | 0432 | Structures and Improvements | 1,910,327.76 | 92,928.55 | | 92,928.55 | 0.00 |
| 342.00 | 0432 | Fuel Holders, Producers and Access. | 1,975,977.95 | 111,401.17 | | 111,401.17 | 0.00 |
| 343.00 | 0432 | Prime Movers | 17,355,293.47 | 808,034.94 | | 808,034.94 | 0.00 |
| 344.00 | 0432 | Generators | 5,185,636.11 | 307,414.14 | | 307,414.14 | 0.00 |
| 345.00 | 0432 | Accessory Electric Equipment | 2,456,320.01 | 125,405.92 | | 125,405.92 | 0.00 |
| 346.00 | 0432 | Misc. Power Plant Equipment | 1,089,550.03 | 53,681.91 | | 53,681.91 | 0.00 |
| | | Total Paddy's Run GT 13 | 29,973,105.33 | 1,498,866.63 | 0.00 | 1,498,866.63 | 0.00 |
| Trimble Co 5 | | | | | | | |
| 341.00 | 0470 | Structures and Improvements | 3,566,217.06 | 56,544.29 | | 56,544.29 | 0.00 |
| 342.00 | 0470 | Fuel Holders, Producers and Access. | 237,747.79 | 4,376.02 | | 4,376.02 | 0.00 |
| 343.00 | 0470 | Prime Movers | 29,842,502.10 | 452,882.82 | | 452,882.82 | 0.00 |
| 344.00 | 0470 | Generators | 3,734,423.83 | 72,278.13 | | 72,278.13 | 0.00 |
| 345.00 | 0470 | Accessory Electric Equipment | 1,664,234.64 | 27,740.69 | | 27,740.69 | 0.00 |
| | | Total Trimble Co 5 | 39,045,125.42 | 613,821.94 | 0.00 | 613,821.94 | 0.00 |
| Trimble Co 6 | | | | | | | |
| 341.00 | 0471 | Structures and Improvements | 3,564,353.91 | 56,515.17 | | 56,515.17 | 0.00 |
| 342.00 | 0471 | Fuel Holders, Producers and Access. | 237,623.60 | 4,373.11 | | 4,373.11 | 0.00 |
| 343.00 | 0471 | Prime Movers | 29,826,880.91 | 452,646.01 | | 452,646.01 | 0.00 |
| 344.00 | 0471 | Generators | 3,732,468.71 | 72,240.28 | | 72,240.28 | 30,000.00 |
| 345.00 | 0471 | Accessory Electric Equipment | 1,663,365.15 | 27,726.13 | | 27,726.13 | 0.00 |
| | | Total Trimble Co 6 | 39,024,692.28 | 613,500.69 | 0.00 | 583,500.69 | 30,000.00 |
| Trimble Co Pipeline | | | | | | | |
| 342.00 | 0473 | Trimble Co Pipeline | 4,474,853.28 | 95,855.07 | | 95,855.07 | 0.00 |
| | | Trimble Co Pipeline | 4,474,853.28 | 95,855.07 | 0.00 | 95,855.07 | 0.00 |
| Brown 5 | | | | | | | |
| 341.00 | 5635 | Structures and Improvements | 755,148.65 | 37,043.69 | | 37,043.69 | 0.00 |
| 342.00 | 5635 | Fuel Holders, Producers and Access. | 727,929.28 | 41,384.06 | | 41,384.06 | 0.00 |
| 343.00 | 5635 | Prime Movers | 12,440,942.32 | 584,099.27 | | 584,099.27 | 0.00 |
| 344.00 | 5635 | Generators | 2,831,528.33 | 169,269.40 | | 169,269.40 | 0.00 |
| 345.00 | 5635 | Accessory Electric Equipment | 2,265,166.84 | 116,618.79 | | 116,618.79 | 0.00 |
| 346.00 | 5635 | Misc. Power Plant Equipment | 2,085,163.17 | 103,598.68 | | 103,598.68 | 0.00 |
| | | Total Brown 5 | 21,105,878.59 | 1,052,013.88 | 0.00 | 1,052,013.88 | 0.00 |
| Brown 6 | | | | | | | |
| 341.00 | 5636 | Structures and Improvements | 133,678.33 | 15,683.87 | | 15,683.87 | 0.00 |
| 342.00 | 5636 | Fuel Holders, Producers and Access. | 146,514.66 | 19,731.26 | | 19,731.26 | 0.00 |
| 343.00 | 5636 | Prime Movers | 31,591,711.55 | 3,471,602.03 | | 3,471,602.03 | 0.00 |
| 344.00 | 5636 | Generators | 3,712,619.52 | 526,458.34 | | 526,458.34 | 0.00 |
| 345.00 | 5636 | Accessory Electric Equipment | 1,354,816.11 | 165,517.84 | | 165,517.84 | 0.00 |
| 346.00 | 5636 | Misc. Power Plant Equipment | 18,003.82 | 1,852.51 | | 1,852.51 | 0.00 |
| | | Total Brown 6 | 36,957,343.99 | 4,200,845.85 | 0.00 | 4,200,845.85 | 0.00 |
| Brown 7 | | | | | | | |
| 341.00 | 5637 | Structures and Improvements | 488,353.77 | 54,782.80 | | 54,782.80 | 0.00 |
| 342.00 | 5637 | Fuel Holders, Producers and Access. | 145,745.15 | 18,790.39 | | 18,790.39 | 0.00 |
| 343.00 | 5637 | Prime Movers | 39,071,447.54 | 3,762,389.64 | | 3,762,389.64 | 0.00 |
| 344.00 | 5637 | Generators | 3,722,788.46 | 506,168.50 | | 506,168.50 | 0.00 |
| 345.00 | 5637 | Accessory Electric Equipment | 1,347,700.35 | 157,809.63 | | 157,809.63 | 0.00 |
| 346.00 | 5637 | Misc. Power Plant Equipment | 15,776.54 | 1,774.61 | | 1,774.61 | 0.00 |
| | | Total Brown 7 | 44,791,811.81 | 4,501,715.56 | 0.00 | 4,501,715.56 | 0.00 |

Table 1a - KY

**Kentucky Utilities
Electric Division
Kentucky**

Calculation of Cost of Removal in Book Depreciation Reserve as of December 31, 2002 Based Upon
Theoretical Depreciation Reserves (By Location and Account) Using Existing Depreciation Parameters

| Account No. (a) | Loc. Code | Description (b) | Original Cost 12/31/02 (c) | Total Book Depr Reserve 12/31/02 (d) | Adjustment For Omitted Retirements (k) | Plant Depr Reserve 12/31/02 (l) | Cost of Removal Depr Reserve 12/31/02 |
|-------------------------------------|--------------|--|-------------------------------------|---|---|--|---|
| Brown 8 | | | | | | | |
| 341.00 | 5638 | Structures and Improvements | 2,012,654.95 | 551,147.81 | | 551,147.81 | 0.00 |
| 342.00 | 5638 | Fuel Holders, Producers and Access. | 19,612.88 | 6,197.13 | | 6,197.13 | 0.00 |
| 343.00 | 5638 | Prime Movers | 18,625,319.58 | 4,649,763.68 | | 4,649,763.68 | 0.00 |
| 344.00 | 5638 | Generators | 4,953,960.72 | 1,657,115.05 | | 1,657,115.05 | 0.00 |
| 345.00 | 5638 | Accessory Electric Equipment | 1,797,053.82 | 516,223.20 | | 516,223.20 | 0.00 |
| 346.00 | 5638 | Misc. Power Plant Equipment | 230,068.72 | 63,080.90 | | 63,080.90 | 0.00 |
| | | Total Brown 8 | 27,638,670.67 | 7,443,527.78 | 0.00 | 7,443,527.78 | 0.00 |
| Brown 9 | | | | | | | |
| 341.00 | 5639 | Structures and Improvements | 4,641,054.86 | 1,283,383.52 | | 1,283,383.52 | 0.00 |
| 342.00 | 5639 | Fuel Holders, Producers and Access. | 1,943,454.44 | 587,787.17 | | 587,787.17 | 0.00 |
| 343.00 | 5639 | Prime Movers | 20,674,801.66 | 5,251,127.97 | | 5,251,127.97 | 0.00 |
| 344.00 | 5639 | Generators | 5,452,040.97 | 1,849,282.53 | | 1,849,282.53 | 0.00 |
| 345.00 | 5639 | Accessory Electric Equipment | 3,226,186.26 | 926,881.86 | | 926,881.86 | 0.00 |
| 346.00 | 5639 | Misc. Power Plant Equipment | 760,255.37 | 208,250.52 | | 208,250.52 | 0.00 |
| | | Total Brown 9 | 36,697,793.56 | 10,106,713.57 | 0.00 | 10,106,713.57 | 0.00 |
| Brown 10 | | | | | | | |
| 341.00 | 5640 | Structures and Improvements | 1,865,718.20 | 450,116.53 | | 450,116.53 | 0.00 |
| 342.00 | 5640 | Fuel Holders, Producers and Access. | 31,737.96 | 8,861.24 | | 8,861.24 | 0.00 |
| 343.00 | 5640 | Prime Movers | 18,800,096.69 | 4,229,904.20 | | 4,229,904.20 | 0.00 |
| 344.00 | 5640 | Generators | 4,944,422.71 | 1,447,725.28 | | 1,447,725.28 | 0.00 |
| 345.00 | 5640 | Accessory Electric Equipment | 1,804,419.47 | 455,008.19 | | 455,008.19 | 0.00 |
| 346.00 | 5640 | Misc. Power Plant Equipment | 241,523.31 | 54,067.02 | | 54,067.02 | 0.00 |
| | | Total Brown 10 | 27,687,918.34 | 6,645,682.47 | 0.00 | 6,645,682.47 | 0.00 |
| Brown 11 | | | | | | | |
| 341.00 | 5641 | Structures and Improvements | 1,802,595.65 | 381,497.12 | | 381,497.12 | 0.00 |
| 342.00 | 5641 | Fuel Holders, Producers and Access. | 52,429.84 | 12,597.47 | | 12,597.47 | 0.00 |
| 343.00 | 5641 | Prime Movers | 33,050,028.28 | 5,018,851.36 | | 5,018,851.36 | 0.00 |
| 344.00 | 5641 | Generators | 5,187,040.30 | 1,365,544.57 | | 1,365,544.57 | 0.00 |
| 345.00 | 5641 | Accessory Electric Equipment | 916,326.28 | 207,761.39 | | 207,761.39 | 0.00 |
| 346.00 | 5641 | Misc. Power Plant Equipment | 204,854.53 | 39,269.61 | | 39,269.61 | 0.00 |
| | | Total Brown 11 | 41,213,274.88 | 7,025,521.52 | 0.00 | 7,025,521.52 | 0.00 |
| Brown 9 Pipeline | | | | | | | |
| 340.10 | 5645 | Land Rights | 176,409.31 | 49,181.12 | | 49,181.12 | 0.00 |
| 342.00 | 5645 | Fuel Holders, Producers and Access. | 8,151,131.81 | 2,181,651.65 | | 2,181,651.65 | 0.00 |
| | | Total Brown 9 Pipeline | 8,327,541.12 | 2,230,832.77 | 0.00 | 2,230,832.77 | 0.00 |
| Hafeling | | | | | | | |
| 341.00 | 5696 | Structures and Improvements | 434,853.46 | 109,355.00 | | 109,355.00 | 0.00 |
| 342.00 | 5696 | Fuel Holders, Producers and Access. | 181,132.61 | 160,069.45 | | 160,069.45 | 0.00 |
| 344.00 | 5696 | Generators | 4,023,002.37 | 3,495,007.49 | | 3,495,007.49 | 0.00 |
| 345.00 | 5696 | Accessory Electric Equipment | 621,206.80 | 492,390.44 | | 492,390.44 | 0.00 |
| 346.00 | 5696 | Misc. Power Plant Equipment | 35,805.20 | 27,184.63 | | 27,184.63 | 0.00 |
| | | Total Hafeling | 23,432,497.79 | 4,284,007.02 | 0.00 | 4,284,007.02 | 0.00 |
| Total Other Production Plant | | | 380,370,507.06 | 50,312,904.75 | 0.00 | 50,282,904.75 | 30,000.00 |
| Total Production Plant | | | 1,724,478,110.59 | 853,491,401.75 | 0.00 | 796,707,075.75 | 56,784,326.00 |
| TRANSMISSION PLANT | | | | | | | |
| 350.10 | | Land Rights | 22,991,433.46 | 11,658,723.90 | | 11,658,723.90 | 0.00 |
| Structures and Improvements | | | | | | | |
| 352.10 | | Struct. and Improve. - Non Sys. Control/Com. | 6,426,546.76 | 2,832,052.15 | | 1,983,470.72 | 848,581.43 |
| 352.20 | | Struct. and Improve. - Sys. Control/Com. | 1,166,434.25 | 711,936.94 | 17,975.03 | 586,774.60 | 107,187.31 |
| | | Total Account 352 | 7,592,981.01 | | 17,975.03 | 2,570,245.32 | 955,768.74 |

Table 1a - KY

Kentucky Utilities
Electric Division
Kentucky

Calculation of Cost of Removal in Book Depreciation Reserve as of December 31, 2002 Based Upon
Theoretical Depreciation Reserves (By Location and Account) Using Existing Depreciation Parameters

| Account No. (a) | Loc. Code | Description (b) | Original Cost 12/31/02 (c) | Total Book Depr Reserve 12/31/02 (d) | Adjustment For Omitted Retirements (k) | Plant Depr Reserve 12/31/02 (l) | Cost of Removal Depr Reserve 12/31/02 |
|---------------------------------------|-----------|---|----------------------------------|--|---|---------------------------------------|--|
| Station Equipment | | | | | | | |
| 353.10 | | Station Equipment - Non Sys. Control/Com. | 146,527,337.37 | 50,453,773.27 | | 45,266,416.75 | 5,187,356.52 |
| 353.20 | | Station Equip - Sys. Control/Com. (Microwave) | 14,284,914.20 | 8,038,391.66 | | 7,295,042.92 | 743,348.74 |
| | | Total Account 353 | 160,812,251.57 | | 0.00 | 52,561,459.67 | 5,930,705.26 |
| 354.00 | | Towers and Fixtures | 60,533,459.11 | 35,842,997.16 | | 11,870,207.08 | 23,972,790.08 |
| 355.00 | | Poles and Fixtures | 74,915,940.37 | 39,080,978.14 | | 17,254,044.30 | 21,826,933.84 |
| 356.00 | | Overhead Conductors and Devices | 122,030,093.52 | 80,292,060.35 | | 50,843,072.07 | 29,448,988.28 |
| 357.00 | | Underground Conduit | 435,926.80 | 87,891.34 | | 79,267.50 | 8,623.84 |
| 358.00 | | Underground Conductors and Devices | 1,114,761.90 | 610,385.26 | | 585,756.22 | 24,629.04 |
| | | Total Transmission Plant | 588,247,665.85 | 229,609,190.17 | 17,975.03 | 147,422,776.06 | 82,168,439.08 |
| DISTRIBUTION PLANT | | | | | | | |
| 360.10 | | Land Rights | 1,423,182.13 | 871,665.37 | | 871,665.37 | 0.00 |
| 361.00 | | Structures and Improvements | 3,798,329.41 | 1,297,363.29 | | 1,100,515.13 | 196,848.16 |
| 362.00 | | Station Equipment | 92,514,069.32 | 26,913,724.72 | | 21,992,348.35 | 4,921,376.37 |
| 364.00 | | Poles, Towers and Fixtures | 167,558,546.62 | 71,525,016.94 | | 47,259,930.85 | 24,265,086.09 |
| 365.00 | | Overhead Conductors and Devices | 160,511,631.53 | 79,079,691.18 | | 42,030,013.30 | 37,049,677.88 |
| 366.00 | | Underground Conduit | 1,551,966.69 | 790,660.29 | | 730,114.37 | 60,545.92 |
| 367.00 | | Underground Conductors and Devices | 49,804,065.26 | 11,589,403.43 | | 10,870,627.02 | 718,776.41 |
| 368.00 | | Line Transformers | 209,705,230.76 | 66,818,337.52 | | 55,871,009.35 | 11,147,328.17 |
| 369.00 | | Services | 81,680,930.54 | 46,743,901.54 | | 34,607,411.07 | 12,136,490.47 |
| 370.00 | | Meters | 61,133,035.49 | 17,892,318.35 | 1,456,792.77 | 13,832,427.00 | 2,603,098.58 |
| 371.00 | | Installations on customers' Premises | 18,270,303.32 | 6,925,709.76 | | 6,925,709.76 | 0.00 |
| 373.00 | | Street Lighting and Signal Systems | 45,406,623.49 | 13,863,494.93 | | 10,782,787.90 | 3,080,707.03 |
| | | Total Distribution Plant | 893,357,914.56 | 344,311,287.31 | 1,456,792.77 | 246,674,559.46 | 96,179,935.08 |
| GENERAL PLANT | | | | | | | |
| Structures and Improvements | | | | | | | |
| 390.10 | | Struct. And Improve. To Owned Property | 28,987,368.24 | 10,718,145.14 | | 10,718,145.14 | 0.00 |
| 390.20 | | Improvements to Leased Property | 694,489.17 | 427,336.62 | | 427,336.62 | 0.00 |
| | | Total Account 390 | 29,681,857.41 | | 0.00 | 11,145,481.77 | 0.00 |
| Office Furniture and Equipment | | | | | | | |
| 391.10 | | Office Equipment | 6,168,471.98 | 2,154,796.89 | | 2,154,796.89 | 0.00 |
| 391.30 | | Cash Processing Equipment | 369,383.94 | 250,365.99 | | 250,365.99 | 0.00 |
| | | Total Account 391 | 6,537,855.92 | | 0.00 | 2,405,162.88 | 0.00 |
| 393.00 | | Stores Equipment | 571,858.05 | 347,614.14 | | 347,614.14 | 0.00 |
| 394.00 | | Tools, Shop and Garage Equipment | 3,700,720.83 | 1,499,979.76 | | 1,499,979.76 | 0.00 |
| 395.00 | | Laboratory Equipment | 3,306,885.77 | 1,752,921.21 | | 1,752,921.21 | 0.00 |
| 396.00 | | Power Operated Equipment | 200,677.14 | 126,436.76 | | 126,436.76 | 0.00 |
| Communication Equipment | | | | | | | |
| 397.10 | | Carrier Communication Equipment | 3,093,194.70 | 1,276,444.53 | | 1,276,444.53 | 0.00 |
| 397.20 | | Remote Control Communication Equipment | 3,889,910.58 | 1,237,153.86 | | 1,237,153.86 | 0.00 |
| 397.30 | | Mobile Communication Equipment | 4,579,895.62 | 1,132,687.81 | | 1,132,687.81 | 0.00 |
| | | Total Account 397 | 11,563,000.90 | | 0.00 | 3,646,286.21 | 0.00 |
| 398.00 | | Miscellaneous Equipment | 457,348.94 | 213,335.55 | | 213,335.55 | 0.00 |
| | | Total General Plant | 56,020,204.96 | 47,579,179.53 | 0.00 | 21,137,218.27 | 0.00 |
| | | Sub-Total Depreciable Plant | 3,262,103,895.96 | 1,474,991,058.76 | 1,474,767.80 | 1,211,941,629.54 | 235,132,700.16 |
| Other Plant (Not Studied) | | | | | | | |
| 391.20 | | Non PC Computer Equipment | 9,611,731.44 | 3,963,686.38 | | 3,963,686.38 | 0.00 |
| 391.40 | | Personal Computers | 9,814,322.00 | 8,735,674.86 | | 8,735,674.86 | 0.00 |
| 392.00 | | Transportation Equipment - Cars & Trucks | 23,749,238.51 | 13,742,600.02 | | 13,742,600.02 | 0.00 |
| | | Total Other Plant (Not Studied) | 43,175,291.95 | 0.00 | 0.00 | 26,441,961.26 | |
| | | Total Depreciable Plant | 3,305,279,187.91 | 1,474,991,058.76 | 1,474,767.80 | 1,238,383,590.80 | 235,132,700.16 |

Table 1a - KY

Kentucky Utilities
Electric Division
Kentucky

Calculation of Cost of Removal In Book Depreciation Reserve as of December 31, 2002 Based Upon
Theoretical Depreciation Reserves (By Location and Account) Using Existing Depreciation Parameters

| Account No. (a) | Loc. Code | Description (b) | Original Cost 12/31/02 (c) | Total Book Depr Reserve 12/31/02 (i) | Adjustment For Omitted Retirements (k) | Plant Depr Reserve 12/31/02 (j) | Cost of Removal Depr Reserve 12/31/02 |
|-------------------------------|--------------|---------------------------------|-------------------------------------|---|---|--|---|
| NON-DEPRECIABLE PLANT | | | | | | | |
| INTANGIBLE PLANT | | | | | | | |
| 301.00 | | Organization | 44,455.58 | 0.00 | | 0.00 | |
| 302.00 | | Franchises and Consents | 81,350.32 | 0.00 | | 0.00 | |
| 303.00 | | Miscellaneous Intangible Plant | 17,297,387.08 | 0.00 | | 0.00 | |
| | | Total Intangible Plant | 17,423,192.98 | 0.00 | 0.00 | 0.00 | |
| LAND & LAND RIGHTS | | | | | | | |
| 310.20 | | Production Land | 10,478,524.55 | 0.00 | | 0.00 | |
| 330.20 | | Hydraulic Plant | 13,479.47 | 0.00 | | 0.00 | |
| 340.20 | | Other Production Land | 98,602.74 | 0.00 | | 0.00 | |
| 350.20 | | Transmission Land | 1,162,528.04 | 0.00 | | 0.00 | |
| 360.20 | | Distribution Land | 1,584,825.82 | 0.00 | | 0.00 | |
| 389.20 | | Land | 2,826,347.43 | 0.00 | | 0.00 | |
| | | Total Land | 16,164,308.05 | 0.00 | 0.00 | 0.00 | |
| | | Total Non-Depreciable Plant | 33,587,501.03 | 0.00 | 0.00 | 0.00 | |
| | | Total Electric Plant In Service | 3,338,866,688.94 | 1,474,991,058.76 | 1,474,767.80 | 1,238,383,590.80 | |

(1) Life Span Method Utilized. Interim Retirement Rate. Service Lives Vary.

| Summary | | % of Adj'd Resv Depr Reserve | |
|---|---------------------|---|--|
| Total Book Depr Reserve 12-31-02 | \$1,474,991,058.76 | | |
| Adjustment for Omitted Retirements | <u>1,474,767.80</u> | | |
| Adjusted Book Depr Reserve 12-31-02 | 1,473,516,290.96 | | |
| Plant & Gross Salvage Depr Reserve 12-31-02 | 1,238,383,590.80 | 84.0% | |
| Cost of Removal Depr Reserve 12-31-02 | 235,132,700.16 | 18.0% | |

Table 1a - VA

**Kentucky Utilities
Electric Division
Virginia**

**Calculation of Cost of Removal In Book Depreciation Reserve as of December 31, 2002 Based Upon
Theoretical Depreciation Reserves (By Location and Account) Using Existing Depreciation Parameters**

| Account No. (a) | Description (b) | Original Cost 12/31/02 (c) | Total Book Depr Reserve 12/31/02 (g) | Plant Depr Reserve 12/31/02 | Cost of Removal Depr Reserve 12/31/02 |
|---------------------------------|--|-------------------------------------|---|-----------------------------------|---|
| <u>DEPRECIABLE PLANT</u> | | | | | |
| TRANSMISSION PLANT | | | | | |
| 350.10 | Land Rights | 1,782,030.88 | 1,282,804.80 | 1,282,804.80 | 0.00 |
| Structures and Improvements | | | | | |
| 352.10 | Struct. and Improve. - Non Sys. Control/Com. | 1,050,280.78 | 501,590.05 | 360,507.47 | 141,082.58 |
| 352.20 | Struct. and Improve. - Sys. Control/Com. | 0.00 | 0.00 | 0.00 | 0.00 |
| | Total Account 352 | 1,050,280.78 | | 360,507.47 | 141,082.58 |
| Station Equipment | | | | | |
| 353.10 | Station Equipment - Non Sys. Control/Com. | 13,943,172.45 | 4,808,386.94 | 4,346,731.70 | 461,655.24 |
| 353.20 | Station Equip - Sys.Control/Com. (Microwave) | 0.00 | 0.00 | 0.00 | 0.00 |
| | Total Account 353 | 13,943,172.45 | | 4,346,731.70 | 461,655.24 |
| 354.00 | Towers and Fixtures | 6,739,096.01 | 3,343,877.02 | 1,244,469.45 | 2,099,407.57 |
| 355.00 | Poles and Fixtures | 5,246,663.42 | 2,671,893.76 | 1,266,261.97 | 1,405,631.79 |
| 356.00 | Overhead Conductors and Devices | 11,605,472.16 | 7,164,742.76 | 4,681,186.31 | 2,483,556.45 |
| 357.00 | Underground Conduit | 0.00 | 0.00 | 0.00 | 0.00 |
| 358.00 | Underground Conductors and Devices | 0.00 | 0.00 | 0.00 | 0.00 |
| | Total Transmission Plant | 40,366,715.70 | 19,773,295.33 | 13,181,961.70 | 6,591,333.63 |
| DISTRIBUTION PLANT | | | | | |
| 360.10 | Land Rights | 83,580.13 | 49,087.98 | 49,087.98 | 0.00 |
| 361.00 | Structures and Improvements | 367,467.51 | 138,922.33 | 120,242.43 | 18,679.90 |
| 362.00 | Station Equipment | 6,294,362.38 | 1,857,713.58 | 1,556,161.58 | 301,552.00 |
| 364.00 | Poles, Towers and Fixtures | 12,133,206.90 | 6,062,010.91 | 4,236,660.23 | 1,825,350.68 |
| 365.00 | Overhead Conductors and Devices | 12,306,434.76 | 6,905,462.62 | 4,037,289.81 | 2,868,172.81 |
| 366.00 | Underground Conduit | 0.00 | 0.00 | 0.00 | 0.00 |
| 367.00 | Underground Conductors and Devices | 519,618.44 | 161,218.31 | 152,286.52 | 8,931.79 |
| 368.00 | Line Transformers | 12,035,778.33 | 5,011,031.05 | 4,268,982.75 | 742,048.30 |
| 369.00 | Services | 4,905,735.94 | 3,410,040.37 | 2,622,607.31 | 787,433.06 |
| 370.00 | Meters | 3,616,919.29 | 1,389,229.45 | 1,209,680.65 | 179,548.80 |
| 371.00 | Installations on customers' Premises | 867,302.80 | - 437,931.20 | 437,931.20 | 0.00 |
| 373.00 | Street Lighting and Signal Systems | 1,229,044.76 | 489,084.71 | 392,844.17 | 96,240.54 |
| | Total Distribution Plant | 54,359,451.24 | 25,911,732.50 | 19,083,774.62 | 6,827,957.88 |
| GENERAL PLANT | | | | | |
| Structures and Improvements | | | | | |
| 390.10 | Struct. And Improve. To Owned Property | 643,848.85 | 381,131.81 | 381,131.81 | 0.00 |
| 390.20 | Improvements to Leased Property | 75,980.87 | 65,901.46 | 65,901.46 | 0.00 |
| | Total Account 390 | 719,829.72 | | 447,033.26 | 0.00 |
| Office Furniture and Equipment | | | | | |
| 391.10 | Office Equipment | 39,094.49 | 31,967.61 | 31,967.61 | 0.00 |
| 391.30 | Cash Processing Equipment | 0.00 | 0.00 | 0.00 | 0.00 |
| | Total Account 391 | 39,094.49 | | 31,967.61 | 0.00 |

Table 1a - VA

**Kentucky Utilities
Electric Division
Virginia**

**Calculation of Cost of Removal In Book Depreciation Reserve as of December 31, 2002 Based Upon
Theoretical Depreciation Reserves (By Location and Account) Using Existing Depreciation Parameters**

| Account No. (a) | Description (b) | Original Cost 12/31/02 (c) | Total Book Depr Reserve 12/31/02 (g) | Plant Depr Reserve 12/31/02 | Cost of Removal Depr Reserve 12/31/02 |
|-------------------------------------|--|-------------------------------------|---|-----------------------------------|---|
| 393.00 | Stores Equipment | 8,103.30 | 5,283.48 | 5,283.48 | 0.00 |
| 394.00 | Tools, Shop and Garage Equipment | 275,731.08 | 69,256.48 | 69,256.48 | 0.00 |
| 395.00 | Laboratory Equipment | 37,683.18 | 27,624.58 | 27,624.58 | 0.00 |
| 396.00 | Power Operated Equipment | 0.00 | 0.00 | 0.00 | 0.00 |
| Communication Equipment | | | | | |
| 397.10 | Carrier Communication Equipment | 153,447.99 | 150,248.86 | 150,248.86 | 0.00 |
| 397.20 | Remote Control Communication Equipment | 160,272.74 | 72,452.57 | 72,452.57 | 0.00 |
| 397.30 | Mobile Communication Equipment | 240,853.23 | 58,275.04 | 58,275.04 | 0.00 |
| | Total Account 397 | 554,573.96 | | 280,976.47 | 0.00 |
| 398.00 | Miscellaneous Equipment | 16,363.42 | 11,025.57 | 11,025.57 | 0.00 |
| | Total General Plant | 1,651,379.15 | 1,752,006.96 | 873,167.45 | 0.00 |
| | Sub-Total Depreciable Plant | 96,377,546.09 | 47,437,034.79 | 33,138,903.77 | 13,419,291.51 |
| Other Plant (Not Studied) | | | | | |
| 391.20 | Non PC Computer Equipment | 0.00 | 0.00 | 0.00 | |
| 391.40 | Personal Computers | 0.00 | 0.00 | 0.00 | |
| 392.00 | Transportation Equipment - Cars & Trucks | 1,315,837.37 | 878,839.51 | 878,839.51 | |
| | Total Other Plant (Not Studied) | 1,315,837.37 | 0.00 | 878,839.51 | 0.00 |
| | Total Depreciable Plant | 97,693,383.46 | 47,437,034.79 | 34,017,743.28 | 13,419,291.51 |
| <u>NON-DEPRECIABLE PLANT</u> | | | | | |
| INTANGIBLE PLANT | | | | | |
| 301.00 | Organization | 5,338.69 | 0.00 | | |
| 302.00 | Franchises and Consents | 0.00 | 0.00 | | |
| 303.00 | Miscellaneous Intangible Plant | 0.00 | 0.00 | | |
| | Total Intangible Plant | 5,338.69 | 0.00 | 0.00 | 0.00 |
| LAND & LAND RIGHTS | | | | | |
| 310.20 | Production Land | 0.00 | 0.00 | | |
| 330.20 | Hydraulic Plant | 0.00 | 0.00 | | |
| 340.20 | Other Production Land | 0.00 | 0.00 | | |
| 350.20 | Transmission Land | 68,167.96 | 0.00 | | |
| 360.20 | Distribution Land | 96,439.08 | 0.00 | | |
| 389.20 | Land | 91,571.48 | 0.00 | | |
| | Total Land | 256,178.52 | 0.00 | 0.00 | 0.00 |
| | Total Non-Depreciable Plant | 261,517.21 | 0.00 | 0.00 | 0.00 |
| | Total Electric Plant in Service | 97,954,900.67 | 47,437,034.79 | 34,017,743.28 | 13,419,291.51 |

Table 1a - VA

**Kentucky Utilities
Electric Division
Virginia**

**Calculation of Cost of Removal In Book Depreciation Reserve as of December 31, 2002 Based Upon
Theoretical Depreciation Reserves (By Location and Account) Using Existing Depreciation Parameters**

| Account No. (a) | <u>Description</u> (b) | Original Cost <u>12/31/02</u> (c) | Total Book Depr Reserve <u>12/31/02</u> (g) | Plant Depr Reserve <u>12/31/02</u> | Cost of Removal Depr Reserve <u>12/31/02</u> |
|-----------------------|---|--|--|--|--|
| <u>Summary</u> | | | | | |
| | Total Book Depr Reserve 12-31-02 | \$47,437,034.79 | | | |
| | Adjustment for Omitted Retirements | <u>0.00</u> | | | |
| | Adjusted Book Depr Reserve 12-31-02 | 47,437,034.79 | | | |
| | Plant & Gross Salvage Depr Reserve 12-31-02 | 34,017,743.28 | 71.7% | | |
| | Cost of Removal Depr Reserve 12-31-02 | 13,419,291.51 | 28.3% | | |

Louisville Gas and Electric
Electric Division

Calculation of Cost of Removal In Book Depreciation Reserve as of December 31, 2002 Based Upon
Theoretical Depreciation Reserves (By Location and Account) Using Existing Depreciation Parameters

| Account No. (a) | Description (d) | Cost 12/31/02 (e) | Total Book Depr Reserve 12/31/02 (j) | Cost of Removal Depr Reserve 12/31/02 | Adjusted Book Reserve-w/o COR 12/31/2002 |
|--|---------------------------------------|-------------------------|---|---|--|
| DEPRECIABLE PLANT | | | | | |
| STEAM PRODUCTION PLANT | | | | | |
| Cane Run Locomotive & Rail Cars | | | | | |
| 312.00 | Boiler Plant Equipment | 51,549.42 | 49,217.02 | 3,348.00 | |
| 312.00 | Boiler Plant Equipment | 1,501,772.81 | 767,268.58 | 49,375.00 | |
| | Total Cane Run Locomotive & Rail Cars | 1,553,322.23 | 816,485.60 | 52,723.00 | 763,762.60 |
| Cane Run Unit 1 | | | | | |
| 311.00 | Structures and Improvements | 4,182,197.33 | 5,007,364.88 | 307,040.00 | |
| 312.00 | Boiler Plant Equipment | 1,053,742.53 | 1,212,428.34 | 75,031.00 | |
| 314.00 | Turbogenerator Units | 106,008.55 | 135,990.09 | 7,959.00 | |
| 315.00 | Accessory Electric Equipment | 1,891,012.53 | 2,361,744.12 | 141,923.00 | |
| 316.00 | Misc. Power Plant Equipment | 151,638.76 | 183,908.16 | 8,962.00 | |
| | Total Cane Run Unit 1 | 7,384,599.70 | 8,901,435.58 | 540,915.00 | 8,360,520.58 |
| Cane Run Unit 2 | | | | | |
| 311.00 | Structures and Improvements | 2,102,941.66 | 2,104,456.36 | 152,621.00 | |
| 312.00 | Boiler Plant Equipment | 132,836.82 | 133,304.91 | 9,770.00 | |
| 314.00 | Turbogenerator Units | 19,998.97 | 20,838.93 | 1,483.00 | |
| 315.00 | Accessory Electric Equipment | 1,277,223.20 | 1,340,996.08 | 95,322.00 | |
| | Total Cane Run Unit 2 | 3,533,000.65 | 3,599,596.28 | 259,206.00 | 3,340,390.28 |
| Cane Run Unit 3 | | | | | |
| 311.00 | Structures and Improvements | 3,532,140.77 | 5,863,328.73 | 252,855.00 | |
| 312.00 | Boiler Plant Equipment | 716,616.30 | 1,119,078.61 | 48,495.00 | |
| 314.00 | Turbogenerator Units | 581,177.52 | 1,030,902.17 | 42,526.00 | |
| 315.00 | Accessory Electric Equipment | 767,324.52 | 1,326,714.57 | 56,033.00 | |
| 316.00 | Misc. Power Plant Equipment | 11,664.48 | 20,567.80 | 738.00 | |
| | Total Cane Run Unit 3 | 5,608,923.59 | 9,360,591.88 | 400,647.00 | 8,959,944.88 |
| Cane Run Unit 4 | | | | | |
| 311.00 | Structures and Improvements | 3,547,227.06 | 3,145,648.04 | 230,175.00 | |
| 312.00 | Boiler Plant Equipment | 25,980,016.48 | 14,936,101.51 | 1,059,047.00 | |
| 312.00 | Mandated NOX Proj.-2004 Closing | 2,442,926.00 | | 0.00 | |
| 314.00 | Turbogenerator Units | 8,432,342.78 | 6,415,903.06 | 449,834.00 | |
| 315.00 | Accessory Electric Equipment | 5,490,677.18 | 2,589,321.48 | 182,569.00 | |
| 316.00 | Misc. Power Plant Equipment | 54,253.32 | 17,147.80 | 1,110.00 | |
| | Total Cane Run Unit 4 | 45,947,442.82 | 27,104,121.89 | 1,922,735.00 | 25,181,386.89 |
| Cane Run Unit 4 Scrubber | | | | | |
| 311.00 | Structures and Improvements | 760,360.00 | 1,142,221.25 | 40,775.00 | |
| 312.00 | Boiler Plant Equipment | 16,701,761.03 | 19,987,932.17 | 710,292.00 | |
| 315.00 | Accessory Electric Equipment | 987,949.29 | 1,066,985.23 | 55,200.00 | |
| 316.00 | Misc. Power Plant Equipment | 6,464.30 | 6,464.30 | 375.00 | |
| | Total Cane Run Unit 4 Scrubber | 18,456,534.62 | 22,203,602.95 | 806,642.00 | 21,396,960.95 |
| Cane Run Unit 5 | | | | | |
| 311.00 | Structures and Improvements | 5,416,846.93 | 4,223,751.15 | 319,923.00 | |
| 312.00 | Boiler Plant Equipment | 21,717,140.89 | 11,680,384.07 | 862,365.00 | |
| 312.00 | Mandated NOX Proj.-2004 Closing | 2,318,975.00 | | 0.00 | |
| 314.00 | Turbogenerator Units | 6,985,593.95 | 5,632,062.00 | 409,643.00 | |
| 315.00 | Accessory Electric Equipment | 6,846,848.21 | 3,094,934.16 | 225,458.00 | |
| 316.00 | Misc. Power Plant Equipment | 42,867.49 | 7,894.99 | 537.00 | |
| | Total Cane Run Unit 5 | 43,328,272.47 | 24,639,026.36 | 1,817,926.00 | 22,821,100.36 |
| Cane Run Unit 5 Scrubber | | | | | |
| 311.00 | Structures and Improvements | 1,696,435.28 | 1,705,086.49 | 85,459.00 | |
| 312.00 | Boiler Plant Equipment | 27,928,602.90 | 25,440,779.02 | 1,246,622.00 | |
| 315.00 | Accessory Electric Equipment | 2,173,037.73 | 2,390,465.99 | 115,499.00 | |

**Louisville Gas and Electric
Electric Division**

**Calculation of Cost of Removal in Book Depreciation Reserve as of December 31, 2002 Based Upon
Theoretical Depreciation Reserves (By Location and Account) Using Existing Depreciation Parameters**

| Account No. (a) | Description (d) | Cost 12/31/02 (e) | Total Book Depr Reserve 12/31/02 (i) | Cost of Removal Depr Reserve 12/31/02 | Adjusted Book Reserve-w/o COR 12/31/2002 |
|---|--|-------------------------------|---|---|--|
| 316.00 | Misc. Power Plant Equipment Total Cane Run Unit 5 Scrubber | 47,299.47 31,845,375.38 | 60,158.06 29,596,489.56 | 2,590.00 1,450,170.00 | 28,146,319.56 |
| Cane Run Unit 6 | | | | | |
| 311.00 | Structures and Improvements | 18,149,961.41 | 11,310,161.61 | 915,740.00 | |
| 312.00 | Boiler Plant Equipment | 35,613,831.67 | 18,613,062.65 | 1,474,838.00 | |
| 312.00 | Mandated NOX Proj.-2004 Closing | 384,664.00 | | 0.00 | |
| 314.00 | Turbogenerator Units | 11,274,211.57 | 8,027,114.38 | 626,983.00 | |
| 315.00 | Accessory Electric Equipment | 8,173,345.07 | 3,909,387.88 | 306,596.00 | |
| 316.00 | Misc. Power Plant Equipment Total Cane Run Unit 6 | 1,806,951.04 75,402,964.76 | 915,533.28 42,775,259.80 | 64,548.00 3,388,705.00 | 39,386,554.80 |
| Cane Run Unit 6 Scrubber | | | | | |
| 311.00 | Structures and Improvements | 1,859,591.50 | 1,559,237.99 | 85,926.00 | |
| 312.00 | Boiler Plant Equipment | 30,524,761.84 | 22,372,713.66 | 1,198,527.00 | |
| 315.00 | Accessory Electric Equipment | 2,124,667.29 | 2,144,382.93 | 113,141.00 | |
| 316.00 | Misc. Power Plant Equipment Total Cane Run Unit 6 Scrubber | 31,568.91 34,540,589.54 | 38,278.10 26,114,612.68 | 1,785.00 1,399,379.00 | 24,715,233.68 |
| Mill Creek Locomotive & Rails Cars | | | | | |
| 312.00 | Boiler Plant Equipment | 613,424.43 | 558,573.13 | 30,205.00 | |
| 312.00 | Boiler Plant Equipment Total Mill Creek Locomotive & Rails Cars | 3,631,645.61 4,245,070.04 | 1,862,746.59 2,421,319.72 | 93,830.00 124,035.00 | 2,297,284.72 |
| Mill Creek Unit 1 | | | | | |
| 311.00 | Structures and Improvements | 18,350,957.82 | 15,111,840.28 | 937,617.00 | |
| 312.00 | Boiler Plant Equipment | 40,579,264.08 | 25,156,522.44 | 1,544,604.00 | |
| 312.00 | Mandated NOX Proj.-2004 Closing | 298,528.00 | | 0.00 | |
| 312.00 | Mandated NOX Proj.-2005 Closing | 250,000.00 | | 0.00 | |
| 314.00 | Turbogenerator Units | 13,449,713.81 | 10,984,999.07 | 653,059.00 | |
| 315.00 | Accessory Electric Equipment | 14,520,069.59 | 6,128,517.94 | 368,445.00 | |
| 316.00 | Misc. Power Plant Equipment Total Mill Creek Unit 1 | 654,992.48 88,103,525.78 | 458,697.92 57,840,377.64 | 23,744.00 3,527,469.00 | 54,312,908.64 |
| Mill Creek Unit 1 Scrubber | | | | | |
| 311.00 | Structures and Improvements | 1,697,743.03 | 1,217,072.74 | 64,460.00 | |
| 312.00 | Boiler Plant Equipment | 33,874,404.57 | 21,426,853.04 | 1,107,154.00 | |
| 315.00 | Accessory Electric Equipment Total Mill Creek Unit 1 Scrubber | 5,541,694.53 41,113,842.13 | 4,273,045.26 26,916,971.04 | 218,367.00 1,389,981.00 | 25,526,990.04 |
| Mill Creek Unit 2 | | | | | |
| 311.00 | Structures and Improvements | 10,703,506.13 | 8,178,641.31 | 494,660.00 | |
| 312.00 | Boiler Plant Equipment | 33,397,635.49 | 17,698,958.31 | 1,054,317.00 | |
| 312.00 | Mandated NOX Proj.-2004 Closing | 243,288.00 | | 0.00 | |
| 312.00 | Mandated NOX Proj.-2005 Closing | 250.00 | | 0.00 | |
| 314.00 | Turbogenerator Units | 14,801,053.25 | 10,895,295.62 | 631,471.00 | |
| 315.00 | Accessory Electric Equipment | 7,420,343.06 | 4,450,450.07 | 261,234.00 | |
| 316.00 | Misc. Power Plant Equipment Total Mill Creek Unit 2 | 105,299.47 66,671,375.40 | 82,497.03 41,305,842.35 | 4,145.00 2,445,827.00 | 38,860,015.35 |
| Mill Creek Unit 2 Scrubber | | | | | |
| 311.00 | Structures and Improvements | 1,393,403.67 | 947,198.37 | 49,691.00 | |
| 312.00 | Boiler Plant Equipment | 34,412,558.24 | 17,978,498.46 | 910,681.00 | |
| 315.00 | Accessory Electric Equipment Total Mill Creek Unit 2 Scrubber | 4,451,153.72 40,257,115.63 | 3,467,639.40 22,393,336.23 | 173,338.00 1,133,708.00 | 21,259,628.23 |
| Mill Creek Unit 3 | | | | | |
| 311.00 | Structures and Improvements | 24,487,440.44 | 15,892,174.24 | 860,176.00 | |
| 312.00 | Boiler Plant Equipment | 65,259,053.22 | 41,186,363.84 | 2,209,150.00 | |
| 312.00 | Mandated NOX Proj.-2004 Closing | 65,597,028.00 | | 0.00 | |
| 312.00 | Mandated NOX Proj.-2005 Closing | 3,198,000.00 | | 0.00 | |

Louisville Gas and Electric
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Calculation of Cost of Removal In Book Depreciation Reserve as of December 31, 2002 Based Upon
Theoretical Depreciation Reserves (By Location and Account) Using Existing Depreciation Parameters

| Account No. (a) | Description (d) | Cost 12/31/02 (e) | Total Book Depr Reserve 12/31/02 (j) | Cost of Removal Depr Reserve 12/31/02 | Adjusted Book Reserve-w/o COR 12/31/2002 |
|-----------------------|---|-------------------------|---|---|--|
| 314.00 | Turbogenerator Units | 26,232,206.52 | 17,259,343.05 | 899,415.00 | |
| 315.00 | Accessory Electric Equipment | 13,482,711.35 | 9,003,881.35 | 476,383.00 | |
| 316.00 | Misc. Power Plant Equipment | 318,625.29 | 274,298.72 | 11,945.00 | |
| | Total Mill Creek Unit 3 | 198,575,064.82 | 83,616,061.20 | 4,477,069.00 | 79,138,992.20 |
| | Mill Creek Unit 3 Scrubber | | | | |
| 311.00 | Structures and Improvements | 362,866.58 | 230,008.75 | 12,763.00 | |
| 312.00 | Boiler Plant Equipment | 52,369,621.74 | 21,983,261.31 | 1,180,426.00 | |
| 315.00 | Accessory Electric Equipment | 2,531,772.82 | 1,845,000.66 | 95,297.00 | |
| | Total Mill Creek Unit 3 Scrubber | 55,264,261.14 | 24,058,270.72 | 1,288,486.00 | 22,769,784.72 |
| | Mill Creek Unit 4 | | | | |
| 311.00 | Structures and Improvements | 56,594,172.78 | 26,766,630.73 | 1,650,939.00 | |
| 312.00 | Boiler Plant Equipment | 154,787,100.00 | 62,421,714.83 | 3,674,173.00 | |
| 312.00 | Mandated NOX Proj.-2004 Closing | 63,382,718.00 | | 0.00 | |
| 312.00 | Mandated NOX Proj.-2005 Closing | 1,402,000.00 | | 0.00 | |
| 312.00 | Mandated NOX Proj.-2006 Closing | 3,000,000.00 | | 0.00 | |
| 314.00 | Turbogenerator Units | 40,475,497.49 | 20,964,672.43 | 1,197,214.00 | |
| 315.00 | Accessory Electric Equipment | 21,428,489.73 | 11,328,525.97 | 659,167.00 | |
| 316.00 | Misc. Power Plant Equipment | 3,926,266.27 | 1,564,750.41 | 75,580.00 | |
| | Total Mill Creek Unit 4 | 344,996,244.27 | 123,046,294.36 | 7,257,073.00 | 115,789,221.36 |
| | Mill Creek Unit 4 Scrubber | | | | |
| 311.00 | Structures and Improvements | 5,079,085.65 | 2,164,530.50 | 157,301.00 | |
| 312.00 | Boiler Plant Equipment | 105,450,790.06 | 31,729,807.81 | 2,150,481.00 | |
| 315.00 | Accessory Electric Equipment | 5,811,079.36 | 3,142,825.39 | 205,013.00 | |
| 316.00 | Misc. Power Plant Equipment | 41,441.04 | 26,572.02 | 1,486.00 | |
| | Total Mill Creek Unit 4 Scrubber | 116,382,396.11 | 37,063,735.72 | 2,514,281.00 | 34,549,454.72 |
| | Trimble County Unit 1 | | | | |
| 311.00 | Structures and Improvements | 161,248,919.71 | 47,758,039.32 | 1,424,072.00 | |
| 312.00 | Boiler Plant Equipment | 235,442,385.84 | 62,456,671.60 | 1,737,965.00 | |
| 312.00 | Mandated NOX Proj.-2004 Closing | 2,832,801.00 | | 0.00 | |
| 314.00 | Turbogenerator Units | 66,236,375.14 | 21,515,114.70 | 587,435.00 | |
| 315.00 | Accessory Electric Equipment | 56,332,123.79 | 18,070,820.41 | 500,288.00 | |
| 316.00 | Misc. Power Plant Equipment | 2,332,701.72 | 831,971.41 | 18,544.00 | |
| | Total Trimble County Unit 1 | 524,425,307.20 | 150,632,617.44 | 4,268,304.00 | 146,364,313.44 |
| | Total Trimble County Unit 1 Scrubber | | | | |
| 311.00 | Structures and Improvements | 450,053.78 | 199,877.35 | 4,369.00 | |
| 312.00 | Boiler Plant Equipment | 54,528,851.05 | 30,321,313.03 | 578,706.00 | |
| 315.00 | Accessory Electric Equipment | 2,736,920.21 | 1,557,453.07 | 29,683.00 | |
| | Total Trimble County Unit 1 Scrubber | 57,715,825.04 | 32,078,643.45 | 612,758.00 | 31,465,885.45 |
| | Total Steam Production Plant | 1,805,351,053.32 | 796,484,692.45 | 41,078,039.00 | 755,406,653.45 |
| | HYDRAULIC PLANT Project 289 | | | | |
| | Ohio Falls Plant - Project 289 | | | | |
| 331.10 | Structures and Improvements | 4,995,148.82 | 4,989,034.51 | 341,482.00 | |
| 332.10 | Reservoirs, Dams and Waterways | 303,530.35 | 237,807.60 | 55,773.00 | |
| 333.10 | Waterwheel, Turbines and Generators | 2,316,031.31 | 2,528,445.62 | 214,972.00 | |
| 334.10 | Accessory Electric Equipment | 1,304,908.02 | 1,052,232.67 | 129,905.00 | |
| 335.10 | Miscellaneous Power Plant Equipment | 151,460.96 | 173,144.02 | 27,979.00 | |
| 336.10 | Roads, Railroads and Bridges | 178,846.99 | 169,665.39 | 0.00 | |
| | Total Ohio Falls Plant - Project 289 | 9,249,926.45 | 9,150,329.81 | 770,111.00 | 8,380,218.81 |
| | Other Than Project 289 | | | | |
| | Ohio Falls Plant - Non Project 289 | | | | |

**Louisville Gas and Electric
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**Calculation of Cost of Removal In Book Depreciation Reserve as of December 31, 2002 Based Upon
Theoretical Depreciation Reserves (By Location and Account) Using Existing Depreciation Parameters**

| Account No. (a) | Description (d) | Cost 12/31/02 (e) | Total Book Depr Reserve 12/31/02 (j) | Cost of Removal Depr Reserve 12/31/02 | Adjusted Book Reserve-w/o COR 12/31/2002 |
|-------------------------------|--|-------------------------|---|---|--|
| 331.00 | Structures and Improvements | 65,796.14 | 26,465.65 | 1,596.00 | |
| 335.00 | Miscellaneous Power Plant Equipment | 7,813.67 | 6,014.78 | 1,338.00 | |
| 336.00 | Roads, Railroads and Bridges | 1,133.98 | 592.79 | 0.00 | |
| | Total Ohio Falls Plant - Non Project 289 | 74,743.79 | 33,073.22 | 2,934.00 | 30,139.22 |
| | Total Hydraulic Plant | 9,324,670.24 | 9,183,403.03 | 773,045.00 | 8,410,358.03 |
| OTHER PRODUCTION PLANT | | | | | |
| Cane Run CT's | | | | | |
| 341.00 | Structures and Improvements | 68,931.71 | 59,101.41 | 4,340.00 | |
| 342.00 | Fuel Holders, Producers and Accessory | 123,338.90 | 84,856.13 | 7,458.00 | |
| 344.00 | Generators | 2,492,496.42 | 1,590,838.99 | 120,701.00 | |
| 345.00 | Accessory Electric Equipment | 113,683.82 | 98,154.10 | 3,180.00 | |
| | Cane Run CT's | 2,798,450.85 | 1,832,950.64 | 135,679.00 | 1,697,271.64 |
| Zorn CT's | | | | | |
| 341.00 | Structures and Improvements | 8,241.14 | 8,360.08 | 552.00 | |
| 342.00 | Fuel Holders, Producers and Accessory | 12,801.77 | 13,202.27 | 1,044.00 | |
| 344.00 | Generators | 1,827,580.88 | 1,688,469.30 | 115,203.00 | |
| 345.00 | Accessory Electric Equipment | 40,936.08 | 39,733.30 | 1,158.00 | |
| | Zorn CT's | 1,889,559.87 | 1,749,764.95 | 117,957.00 | 1,631,807.95 |
| Waterside CT's | | | | | |
| 341.00 | Structures and Improvements | 411,977.94 | 392,074.27 | 28,279.00 | |
| 342.00 | Fuel Holders, Producers and Accessory | 124,163.26 | 115,527.66 | 9,974.00 | |
| 343.00 | Prime Movers | 2,671,305.84 | 2,140,319.74 | 62,459.00 | |
| 344.00 | Generators | 451,117.33 | 432,486.53 | 32,232.00 | |
| 345.00 | Accessory Electric Equipment | 342,628.38 | 167,133.97 | 5,319.00 | |
| 346.00 | Misc. Power Plant Equipment | 24,766.29 | 22,894.93 | 708.00 | |
| | Waterside CT's | 4,025,959.04 | 3,270,437.09 | 138,971.00 | 3,131,466.09 |
| Paddys 11 CT | | | | | |
| 342.00 | Fuel Holders, Producers and Accessory | 9,237.57 | 9,613.48 | 753.00 | |
| 344.00 | Generators | 1,523,115.56 | 1,415,850.36 | 95,729.00 | |
| 345.00 | Accessory Electric Equipment | 68,109.35 | 56,264.89 | 1,625.00 | |
| | Paddys 12 CT | 1,600,462.48 | 1,481,728.73 | 98,107.00 | 1,383,621.73 |
| Paddys 12 CT | | | | | |
| 341.00 | Structures and Improvements | 42,864.53 | 45,293.55 | 2,871.00 | |
| 342.00 | Fuel Holders, Producers and Accessory | 12,197.11 | 12,814.41 | 972.00 | |
| 344.00 | Generators | 2,991,745.77 | 2,898,337.55 | 189,838.00 | |
| 345.00 | Accessory Electric Equipment | 114,337.63 | 98,654.90 | 2,759.00 | |
| 346.00 | Accessory Electric Equipment | 1,140.74 | 1,155.82 | 31.00 | |
| | Paddys 12 CT | 3,162,285.78 | 3,056,256.24 | 196,471.00 | 2,859,785.24 |
| Paddys 13 CT | | | | | |
| 341.00 | Structures and Improvements | 2,158,698.12 | 111,886.17 | 9,087.00 | |
| 342.00 | Fuel Holders, Producers and Accessory | 2,233,773.85 | 117,701.76 | 11,443.00 | |
| 343.00 | Prime Movers | 19,627,845.35 | 969,405.90 | 31,854.00 | |
| 344.00 | Generators | 5,859,857.93 | 304,558.38 | 25,558.00 | |
| 345.00 | Accessory Electric Equipment | 2,776,992.60 | 141,142.47 | 5,058.00 | |
| 346.00 | Misc. Power Plant Equipment | 1,260,054.85 | 66,713.68 | 2,324.00 | |
| | Paddys 13 CT | 33,919,222.70 | 1,711,408.36 | 85,324.00 | 1,626,084.36 |
| Brown 5 CT | | | | | |
| 341.00 | Structures and Improvements | 858,538.64 | 44,387.35 | 3,614.00 | |
| 342.00 | Fuel Holders, Producers and Accessory | 822,580.92 | 43,235.24 | 4,214.00 | |
| 343.00 | Prime Movers | 14,126,417.74 | 695,947.72 | 22,926.00 | |
| 344.00 | Generators | 3,219,205.40 | 166,895.19 | 14,041.00 | |

Louisville Gas and Electric
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Calculation of Cost of Removal in Book Depreciation Reserve as of December 31, 2002 Based Upon
Theoretical Depreciation Reserves (By Location and Account) Using Existing Depreciation Parameters

| Account No. (a) | Description (d) | Cost 12/31/02 (e) | Total Book Depr Reserve 12/31/02 (i) | Cost of Removal Depr Reserve 12/31/02 | Adjusted Book Reserve-w/o COR 12/31/2002 |
|--------------------------------|--|-------------------------|---|---|--|
| 345.00 | Accessory Electric Equipment | 2,575,301.42 | 130,470.02 | 4,688.00 | |
| 346.00 | Misc. Power Plant Equipment | 2,370,656.38 | 125,200.80 | 4,374.00 | |
| | Brown 5 CT | 23,972,700.50 | 1,206,136.32 | 53,857.00 | 1,152,279.32 |
| Brown 6 CT | | | | | |
| 341.00 | Structures and Improvements | 69,733.40 | 5,427.49 | 522.00 | |
| 342.00 | Fuel Holders, Producers and Accessory | 363,762.04 | 28,779.79 | 3,313.00 | |
| 343.00 | Prime Movers | 19,890,998.18 | 1,475,064.65 | 57,398.00 | |
| 344.00 | Generators | 2,417,994.54 | 188,695.05 | 18,752.00 | |
| 345.00 | Accessory Electric Equipment | 942,589.47 | 71,661.01 | 3,041.00 | |
| 346.00 | Misc. Power Plant Equipment | 11,034.25 | 866.20 | 36.00 | |
| | Brown 6 CT | 23,696,111.88 | 1,770,494.18 | 83,062.00 | 1,687,432.18 |
| Brown 7 CT | | | | | |
| 341.00 | Structures and Improvements | 105,588.33 | 18,897.37 | 764.00 | |
| 342.00 | Fuel Holders, Producers and Accessory | 102,065.03 | 18,571.39 | 899.00 | |
| 343.00 | Prime Movers | 20,023,957.45 | 3,414,831.32 | 55,870.00 | |
| 344.00 | Generators | 2,421,079.26 | 434,489.81 | 18,155.00 | |
| 345.00 | Accessory Electric Equipment | 943,792.03 | 165,275.71 | 2,949.00 | |
| 346.00 | Misc. Power Plant Equipment | 11,048.30 | 2,008.95 | 35.00 | |
| | Brown 7 CT | 23,607,530.40 | 4,054,074.55 | 78,672.00 | 3,975,402.55 |
| Trimble County CT5 | | | | | |
| 341.00 | Structures and Improvements | 1,458,614.33 | 23,800.76 | 2,051.00 | |
| 342.00 | Fuel Holders, Producers and Accessory | 97,240.96 | 1,613.28 | 166.00 | |
| 343.00 | Prime Movers | 12,205,907.18 | 189,785.32 | 6,617.00 | |
| 344.00 | Generators | 1,527,420.57 | 24,992.49 | 2,225.00 | |
| 345.00 | Accessory Electric Equipment | 680,686.68 | 10,867.85 | 413.00 | |
| | Trimble County CT5 | 15,969,869.72 | 251,059.70 | 11,472.00 | 239,587.70 |
| Trimble County CT6 | | | | | |
| 341.00 | Structures and Improvements | 1,457,842.69 | 23,804.36 | 2,050.00 | |
| 342.00 | Fuel Holders, Producers and Accessory | 97,189.52 | 1,612.27 | 166.00 | |
| 343.00 | Prime Movers | 12,199,437.94 | 189,670.95 | 6,613.00 | |
| 344.00 | Generators | 1,526,610.88 | 24,977.32 | 2,224.00 | |
| 345.00 | Accessory Electric Equipment | 680,326.59 | 10,861.72 | 413.00 | |
| | Trimble County CT6 | 15,961,407.62 | 250,926.61 | 11,466.00 | 239,460.61 |
| Trimble County Pipeline | | | | | |
| 342.00 | Fuel Holders, Producers and Accessory | 1,835,164.93 | 39,264.86 | 2,954.00 | |
| | Trimble County Pipeline | 1,835,164.93 | 39,264.86 | 2,954.00 | 36,310.86 |
| | Total Other Production Plant | 152,438,725.77 | 20,674,502.23 | 1,013,992.00 | 19,660,510.23 |
| | Total Production Plant | 1,967,114,449.33 | 826,342,597.71 | 42,865,076.00 | 783,477,521.71 |
| TRANSMISSION PLANT | | | | | |
| Project 289 | | | | | |
| 353.10 | Station Equipment - Non Sys. Control/Com. | 0.00 | 0.00 | 0.00 | |
| 356.10 | Overhead Conductors and Devices | 0.00 | 0.00 | 0.00 | |
| | Total Project 289 | 0.00 | | | |
| Other Than Project 289 | | | | | |
| 350.10 | Land Rights | 2,592,773.81 | 1,862,138.53 | 0.00 | |
| 352.10 | Struct. and Improve. - Non Sys. Control/Com. | 2,907,082.83 | 1,319,755.12 | 101,723.53 | |
| 353.10 | Station Equipment - Non Sys. Control/Com. | 116,591,836.76 | 58,783,885.97 | 0.00 | |
| 354.00 | Towers and Fixtures | 23,879,707.58 | 21,296,311.23 | 5,507,834.14 | |
| 355.00 | Poles and Fixtures | 26,398,367.92 | 13,173,697.14 | 3,046,488.45 | |
| 356.00 | Overhead Conductors and Devices | 33,372,312.49 | 15,162,638.38 | 5,302,734.30 | |
| 357.00 | Underground Conduit | 1,868,318.57 | 273,390.24 | 0.00 | |
| 358.00 | Underground Conductors and Devices | 5,312,495.53 | 1,675,296.39 | 0.00 | |
| | Total Other Than Project 289 | 212,922,895.49 | | 13,958,780.42 | |
| | Total Transmission Plant | 212,922,895.49 | 113,547,113.00 | 13,958,780.42 | 99,588,332.58 |

Louisville Gas and Electric
Electric Division

Calculation of Cost of Removal In Book Depreciation Reserve as of December 31, 2002 Based Upon
Theoretical Depreciation Reserves (By Location and Account) Using Existing Depreciation Parameters

| Account No. (a) | Description (d) | Cost 12/31/02 (e) | Total Book Depr Reserve 12/31/02 (f) | Cost of Removal Depr Reserve 12/31/02 | Adjusted Book Reserve-w/o COR 12/31/2002 |
|-----------------------------------|--|-------------------------|---|---|--|
| DISTRIBUTION PLANT | | | | | |
| 361.00 | Structures and Improvements | 5,969,141.37 | 2,810,349.10 | 283,364.37 | |
| 362.00 | Station Equipment | 77,088,050.08 | 25,191,883.20 | 2,707,221.30 | |
| 364.00 | Poles, Towers and Fixtures | 92,365,173.96 | 52,705,237.56 | 51,574,413.02 | |
| 365.00 | Overhead Conductors and Devices | 141,726,406.02 | 67,131,787.38 | 33,232,448.85 | |
| 366.00 | Underground Conduit | 52,616,554.86 | 9,688,016.23 | 1,442,689.56 | |
| 367.00 | Underground Conductors and Devices | 77,051,441.80 | 38,273,266.16 | 8,847,369.95 | |
| Line Transformers | | | | | |
| 368.10 | Line Transformers | 86,278,030.41 | 30,721,515.99 | 2,712,659.47 | |
| 368.20 | Line Transformers Installations | 8,778,300.38 | 2,574,339.21 | 227,309.93 | |
| | Total Account 368 | 95,056,330.79 | | 2,939,969.40 | |
| Services | | | | | |
| 369.10 | Underground Services | 2,342,286.94 | 1,563,578.81 | 112,301.01 | |
| 369.20 | Overhead Services | 20,427,859.34 | 12,732,459.31 | 7,605,077.07 | |
| | Total Account 369 | 22,770,146.28 | | 7,717,378.08 | |
| Meters & Installations | | | | | |
| 370.10 | Meters | 25,219,577.02 | 12,282,632.27 | 925,469.15 | |
| 370.20 | Meter Installations | 8,352,742.98 | 3,425,757.97 | 258,237.30 | |
| | Total Account 370 | 33,572,320.00 | | 1,183,706.45 | |
| Street Lighting | | | | | |
| 373.10 | Overhead Street Lighting | 22,600,470.37 | 10,854,699.83 | 1,858,955.61 | |
| 373.20 | Underground Street Lighting | 32,156,589.32 | 11,484,555.55 | 1,545,162.17 | |
| 373.40 | Street Lighting Trannsfomers | 87,546.43 | 63,128.93 | 0.00 | |
| | Total Account 373 | 54,844,606.12 | | 3,404,117.78 | |
| | Total Distribution Plant | 653,060,171.28 | 281,503,207.50 | 113,312,678.76 | 168,190,528.74 |
| GENERAL PLANT | | | | | |
| 392.20 | Transportation Equipment - Trailers | 590,217.25 | 289,107.58 | 0.00 | |
| 394.00 | Tools, Shop and Garage Equipment | 2,687,990.96 | 1,172,580.84 | 0.00 | |
| 395.00 | Laboratory Equipment | 1,548,796.71 | 914,919.83 | 0.00 | |
| 396.20 | Power Operated Equipment - Other | 145,466.83 | 145,466.83 | 0.00 | |
| | Total General Plant | 4,972,471.75 | 14,464,912.06 | 0.00 | 14,464,912.06 |
| | Sub-Total Depreciable Plant | 2,838,069,987.85 | 1,235,857,830.27 | 170,136,535.18 | 1,065,721,295.09 |
| Other Plant (Not Studied) | | | | | |
| 392.10 | Transportation Equipment - Cars & Trucks | 12,069,086.02 | 9,473,237.14 | 0.00 | |
| 396.10 | Power Operated Equipment - Hourly Rated | 2,337,037.87 | 2,469,599.85 | 0.00 | |
| | Total Other Plant (Not Studied) | 14,406,123.89 | 0.00 | 0.00 | |
| | Total Depreciable Plant | 2,852,476,111.74 | 1,235,857,830.27 | 170,136,535.18 | 1,065,721,295.09 |
| NON-DEPRECIABLE PLANT | | | | | |
| INTANGIBLE PLANT | | | | | |
| 301.00 | Organization | 2,240.29 | 0.00 | | |
| 302.00 | Franchises and Consents | 100.00 | 100.00 | | |
| | Total Intangible Plant | 2,340.29 | 100.00 | 0.00 | 100.00 |
| LAND | | | | | |
| 310.20 | Production Land | 5,053,819.49 | -30,023.89 | 0.00 | |
| 330.20 | Hydraulic Plant | 13.00 | 0.00 | 0.00 | |
| 340.20 | Other Production Land | 41,125.94 | 0.00 | 0.00 | |
| 350.20 | Transmission Land | 888,237.78 | 0.00 | 0.00 | |
| 360.20 | Distribution Land | 2,629,414.76 | -126,985.13 | 0.00 | |
| | Total Land | 8,612,610.97 | -157,009.02 | 0.00 | (157,009.02) |
| | Total Non-Depreciable Plant | 8,614,951.26 | -156,909.02 | 0.00 | -156,909.02 |

**Louisville Gas and Electric
Electric Division**

**Calculation of Cost of Removal in Book Depreciation Reserve as of December 31, 2002 Based Upon
Theoretical Depreciation Reserves (By Location and Account) Using Existing Depreciation Parameters**

| Account No. (a) | Description (d) | Cost 12/31/02 (e) | Total Book Depr Reserve 12/31/02 (f) | Cost of Removal Depr Reserve 12/31/02 | Adjusted Book Reserve-w/o COR 12/31/2002 |
|-----------------------|--|-------------------------|---|---|--|
| | Total Utility Plant in Service | 2,861,091,063.00 | 1,235,700,921.25 | 170,136,536.18 | 1,065,564,386.07 |
| | Plant Held for Future Use | | | | |
| 360.20 | Substation Land | 685,389.54 | | | |
| 362.00 | Substation Equipment | 11,382.12 | | | |
| | Total Plant Held for Future Use | 696,771.66 | 0.00 | | |
| | Total Electric Plant in Service | 2,861,787,834.66 | 1,235,700,921.25 | | |

(1) Life Span Method Utilized. Interim Retirement Rate. Service Lives Vary.

Louisville Gas and Electric
Gas Division

Table 1a

Calculation of Cost of Removal In Book Depreciation Reserve as of December 31, 2002 Based Upon
Theoretical Depreciation Reserves (By Location and Account) Using Existing Depreciation Parameters

| Account No. (a) | Description (d) | Original Cost 12/31/02 (e) | Total Book Depr Reserve 12/31/02 (i) | Adjustment For Omitted Retirements (k) | Plant Depr Reserve 12/31/02 (j) | Cost of Removal Depr Reserve 12/31/02 |
|------------------------------------|--|----------------------------------|--|---|---------------------------------------|--|
| DEPRECIABLE PLANT | | | | | | |
| NATURAL GAS STORAGE PLANT | | | | | | |
| 350.20 | Rights of Ways | 63,678.14 | 9,691.16 | | 9,691.16 | 0.00 |
| Structures | | | | | | |
| 351.20 | Compressor Station Structures | 1,011,754.95 | 481,954.58 | | 443,937.90 | 38,016.68 |
| 351.30 | Measuring and Regulating Station Structures | 10,879.61 | 9,783.40 | | 8,943.57 | 839.83 |
| 351.40 | Other Structures | 1,148,713.70 | 627,983.27 | | 579,166.76 | 48,816.51 |
| | Total Account 351 | 2,171,348.26 | | 0.00 | 1,032,048.23 | 87,673.02 |
| Wells | | | | | | |
| 352.20 | Reservoirs | 400,511.40 | 420,536.97 | | 420,536.97 | 0.00 |
| 352.30 | Nonrecoverable Natural Gas | 9,648,855.00 | 6,989,872.90 | | 6,989,872.90 | 0.00 |
| 352.40 | Well Drilling | 2,549,654.96 | 2,360,349.18 | | 2,104,890.64 | 255,458.54 |
| 352.50 | Well Equipment | 5,037,990.48 | 2,872,807.26 | | 2,506,210.96 | 366,596.30 |
| | Total Account 352 | 17,637,011.84 | | 0.00 | 12,021,511.47 | 622,054.84 |
| 353.00 | Lines | 10,349,000.14 | 6,095,915.63 | 32,116.18 | 5,547,182.74 | 516,816.71 |
| 354.00 | Compressor Station Equipment | 13,404,078.82 | 6,689,546.37 | | 6,689,546.37 | 0.00 |
| 355.00 | Measuring and Regulating Equipment | 370,320.90 | 164,482.43 | | 164,482.43 | 0.00 |
| 356.00 | Purification Equipment | 9,314,575.58 | 3,420,245.60 | | 3,000,445.28 | 419,800.32 |
| 357.00 | Other Equipment | 961,279.76 | 214,121.80 | | 214,121.80 | 0.00 |
| | Total Natural Gas Storage Plant | 54,271,293.44 | 30,357,290.55 | 32,116.18 | 28,679,029.48 | 1,646,144.89 |
| TRANSMISSION PLANT | | | | | | |
| 365.20 | Rights of Way | 220,859.05 | 203,173.96 | | 203,173.96 | 0.00 |
| 367.00 | Mains | 12,193,974.86 | 10,763,203.94 | | 8,497,386.02 | 2,265,837.92 |
| | Total Transmission Plant | 12,414,833.91 | 10,966,377.90 | 0.00 | 8,700,539.98 | 2,265,837.92 |
| DISTRIBUTION PLANT | | | | | | |
| 374.22 | Other Distribution Land Rights | 74,018.23 | 41,329.75 | | 41,329.75 | 0.00 |
| Structures and Improvements | | | | | | |
| 375.10 | City Gate Check Station Struct. and Improve. | 133,639.45 | 68,371.51 | | 56,081.25 | 12,290.26 |
| 375.20 | Other Distribution Struct. and Improve. | 788,487.48 | 259,447.97 | | 232,118.15 | 27,329.82 |
| | Total Account 375 | 922,126.93 | | 0.00 | 288,199.40 | 39,620.08 |
| 376.00 | Mains | 213,002,709.24 | 60,821,356.04 | | 47,638,638.35 | 13,182,717.69 |
| 378.00 | Measuring and Regulating Station Equip. - Gen. | 4,590,719.10 | 1,143,819.63 | | 912,694.45 | 231,125.18 |
| 379.00 | Measuring and Reg. Station Eq. - City Gate | 2,947,888.13 | 497,944.10 | 83,859.07 | 414,085.03 | 0.00 |
| 380.00 | Services | 103,680,138.72 | 42,281,968.92 | | 23,448,692.49 | 18,833,276.43 |
| 381.00 | Meters | 18,573,635.12 | 5,672,639.18 | 1,019,847.12 | 4,257,616.39 | 395,175.67 |
| 382.00 | Meter Installations | 7,218,870.36 | 1,574,182.49 | 271,757.58 | 1,128,798.02 | 173,628.89 |
| 383.00 | House Regulators | 3,106,054.85 | 1,252,849.08 | 39,100.59 | 1,090,958.63 | 122,789.86 |
| 384.00 | House Regulator Installations | 970,849.46 | 307,336.05 | 35,789.97 | 271,548.08 | 0.00 |
| 385.00 | Industrial Measuring and Reg. Station Equip. | 142,801.65 | 61,409.10 | | 61,409.10 | 0.00 |
| 387.00 | Other Equipment | 65,051.59 | 12,672.24 | | 12,672.24 | 0.00 |
| | Total Distribution Plant | 355,294,663.38 | 113,995,326.07 | 1,450,354.33 | 79,566,637.94 | 32,978,333.80 |
| GENERAL PLANT | | | | | | |
| 392.20 | Transportation Equipment - Trailers | 354,261.36 | 105,520.57 | | 105,520.57 | 0.00 |
| 394.00 | Tools, shop and Garage Equipment | 2,896,361.96 | 936,258.93 | | 936,258.93 | 0.00 |
| 395.00 | Laboratory Equipment | 435,068.27 | 251,764.70 | | 251,764.70 | 0.00 |
| Power Operated Equipment | | | | | | |
| 396.20 | Power Operated Equipment - Other | 58,118.72 | 36,688.40 | | 36,688.40 | 0.00 |
| | Total Account 396 | 58,118.72 | | 0.00 | 36,688.40 | 0.00 |
| | Total General Plant | 3,743,810.31 | 5,031,608.83 | 0.00 | 1,330,232.60 | 0.00 |
| | Sub-Total Depreciable Plant | 425,724,401.04 | 160,350,603.35 | 1,482,470.51 | 118,278,440.00 | 36,890,316.61 |

Table 1a

Louisville Gas and Electric
Gas Division

Calculation of Cost of Removal in Book Depreciation Reserve as of December 31, 2002 Based Upon
Theoretical Depreciation Reserves (By Location and Account) Using Existing Depreciation Parameters

| Account No. (a) | Description (d) | Original Cost 12/31/02 (e) | Total Book Depr Reserve 12/31/02 (f) | Adjustment For Omitted Retirements (k) | Plant Depr Reserve 12/31/02 (j) | Cost of Removal Depr Reserve 12/31/02 |
|-------------------------------------|--|-------------------------------------|---|---|--|---|
| Other Plant (Not Studied) | | | | | | |
| 392.10 | Transportation Equipment - Cars & Trucks | 3,209,727.45 | 2,192,855.87 | | 2,192,855.87 | 0.00 |
| 398.10 | Power Operated Equipment - Hourly Rated | 2,029,908.51 | 1,508,720.36 | | 1,508,720.36 | 0.00 |
| | Total Other Plant (Not Studied) | 5,239,635.96 | 0.00 | 0.00 | 3,701,376.23 | 0.00 |
| | Total Depreciable Plant | 430,964,037.00 | 160,350,603.35 | 1,482,470.51 | 121,977,816.23 | 36,890,316.61 |
| <u>NON-DEPRECIABLE PLANT</u> | | | | | | |
| INTANGIBLE PLANT | | | | | | |
| 302.00 | Franchises and Consents | 1,187.49 | 800.00 | | 800.00 | |
| 352.10 | Storage Leaseholds and Rights | 552,045.10 | 573,393.92 | | 573,393.92 | |
| | Total Intangible Plant | 553,232.59 | 574,193.92 | 0.00 | 574,193.92 | |
| LAND | | | | | | |
| 350.10 | Land | 32,884.07 | 3,154.64 | | 3,154.64 | |
| 374.11 | City Gate Check Station Land | 0.00 | 0.00 | | 0.00 | |
| 374.12 | Other Distribution Land | 62,043.73 | -586.44 | | -586.44 | |
| | Total Land | 94,907.80 | 2,568.20 | 0.00 | 2,568.20 | |
| | Total Non-Depreciable Plant | 648,140.39 | 576,762.12 | 0.00 | 576,762.12 | |
| | Total Gas Plant in Service | 431,612,177.39 | 160,927,365.47 | 1,482,470.51 | 122,554,578.35 | |

(1) Life Span Method Utilized. Interim Retirement Rate. Service Lives Vary.

| <u>Summary</u> | | % of Adj'd Resv Depr Reserve |
|---|---------------------|---------------------------------|
| Total Book Depr Reserve 12-31-02 | \$160,350,603.35 | |
| Adjustment for Omitted Retirements | <u>1,482,470.51</u> | |
| Adjusted Book Depr Reserve 12-31-02 | 158,868,132.84 | |
| Plant & Gross Salvage Depr Reserve 12-31-02 | 121,977,816.23 | 76.8% |
| Cost of Removal Depr Reserve 12-31-02 | 36,890,316.61 | 23.2% |

**Louisville Gas and Electric
Common Plant**

Table 1a

**Calculation of Cost of Removal in Book Depreciation Reserve as of December 31, 2002 Based Upon
Theoretical Depreciation Reserves (By Location and Account) Using Existing Depreciation Parameters**

| Account No. (a) | Description (d) | Cost 12/31/02 (e) | Total Book Depr Reserve 12/31/02 (j) | Adjustment For Omitted Retirements (k) | Plant Depr Reserve 12/31/02 (l) | Cost of Removal Depr Reserve 12/31/02 |
|-----------------------------|--|-------------------------|---|---|--|---|
| DEPRECIABLE PLANT | | | | | | |
| GENERAL PLANT | | | | | | |
| 389.20 | Land Rights | 202,094.94 | 59,152.70 | | 59,152.70 | 0.00 |
| Structures and Improvements | | | | | | |
| 390.10 | Structures & Improvements - G.O. | 44,852,641.93 | 12,331,415.90 | | 11,779,055.21 | 548,932.32 |
| 390.20 | Structures & Improvements - Trans. | 1,803,773.44 | 429,010.82 | 3,428.37 | 405,676.80 | 23,334.02 |
| 390.30 | Structures & Improvements - Stores | 10,918,534.46 | 3,921,748.91 | | 3,705,442.11 | 216,306.80 |
| 390.40 | Structures & Improvements - Shops | 379,370.51 | 148,753.01 | | 140,073.97 | 8,679.04 |
| 390.60 | Structures & Improvements - Micro | 694,996.39 | 91,039.63 | | 87,167.80 | 3,871.83 |
| | Total Account 390 | 58,649,316.73 | 16,921,968.26 | 3,428.37 | 16,117,415.88 | 801,124.01 |
| 391.00 | Office Furniture & Equipment | 16,068,584.97 | 10,448,071.99 | | 10,448,071.99 | 0.00 |
| 392.20 | Transportation Equipment - Trailers | 63,404.28 | 10,771.79 | 3,112.35 | 7,659.44 | 0.00 |
| 393.00 | Stores Equipment | 1,229,701.73 | 272,869.12 | | 272,869.12 | 0.00 |
| 394.00 | Tools, Shop and Garage Equipment | 1,928,936.72 | 558,696.04 | | 558,696.04 | 0.00 |
| 395.00 | Laboratory Equipment | 22,281.50 | 11,531.93 | | 11,531.93 | 0.00 |
| Power Operated Equipment | | | | | | |
| 396.20 | Power Operated Equipment - Other | 14,147.08 | 6,555.71 | | 6,555.71 | 0.00 |
| | Total Account 396 | 14,147.08 | 6,555.71 | 0.00 | 6,555.71 | 0.00 |
| Communication Equipment | | | | | | |
| 397.00 | Communication Equipment | 29,922,166.57 | 9,915,062.42 | | 9,915,062.42 | 0.00 |
| 397.10 | Communication Equipment - Computer | 5,189,546.51 | 1,514,083.95 | | 1,514,083.95 | 0.00 |
| | Total Account 397 | 35,111,713.08 | 11,429,146.37 | 0.00 | 11,429,146.37 | 0.00 |
| 398.00 | Miscellaneous Equipment | 1,012,231.71 | 244,741.40 | | 244,741.40 | 0.00 |
| | TOTAL General Plant | 114,302,412.74 | 55,289,741.92 | 6,540.72 | 39,155,840.58 | 801,124.01 |
| | Sub-Total Depreciable Plant | 114,302,412.74 | 55,289,741.92 | 6,540.72 | 39,155,840.58 | 801,124.01 |
| Other Plant (Not Studied) | | | | | | |
| 390.11 | Struct & Improv.-G.O. (LG&E Bldg & Actors) | 2,409,305.82 | 1,455,764.48 | | 1,431,945.38 | 23,819.10 |
| 391.30 | Computer Equipment | 16,385,046.53 | 8,277,681.43 | | 8,277,681.43 | 0.00 |
| 391.31 | Personal Computers | 9,794,521.46 | 5,300,087.10 | | 5,300,087.10 | 0.00 |
| 392.10 | Transportation Equipment - Cars & Trucks | 223,351.84 | 121,852.82 | | 121,852.82 | 0.00 |
| 396.10 | Power Operated Equipment - Hourly Rated | 261,447.33 | 170,850.79 | | 170,850.79 | 0.00 |
| | Total Other Plant (Not Studied) | 29,073,672.98 | 0.00 | | 15,302,417.51 | 23,819.10 |
| | Total Depreciable Plant | 143,376,085.72 | 55,289,741.92 | 6,540.72 | 54,458,258.09 | 824,943.11 |

Louisville Gas and Electric
Common Plant

Table 1a

Calculation of Cost of Removal In Book Depreciation Reserve as of December 31, 2002 Based Upon
Theoretical Depreciation Reserves (By Location and Account) Using Existing Depreciation Parameters

| Account No. (a) | Description (d) | Cost 12/31/02 (e) | Total Book Depr Reserve 12/31/02 (f) | Adjustment For Omitted Retirements (k) | Plant Depr Reserve 12/31/02 (l) | Cost of Removal Depr Reserve 12/31/02 |
|------------------------------|---|-------------------------|---|---|--|---|
| NON-DEPRECIABLE PLANT | | | | | | |
| INTANGIBLE PLANT | | | | | | |
| 301.00 | Organization | 83,782.29 | 0.00 | 0.00 | 0.00 | |
| 302.00 | Franchises and Consents | 4,200.00 | 4,700.00 | | 4,700.00 | |
| 303.00 | Miscellaneous Intangible Plant - Soft | 24,365,948.39 | 18,018,454.53 | | 18,018,454.53 | |
| 303.20 | Miscellaneous Intangible Plant - Law | 78,799.60 | 78,799.60 | | 78,799.60 | |
| | TOTAL Intangible Plant | 24,532,730.28 | 18,101,954.13 | 0.00 | 18,101,954.13 | |
| LAND | | | | | | |
| 389.10 | General Land | 1,661,503.17 | 0.00 | | 0.00 | |
| | TOTAL Land | 1,661,503.17 | 0.00 | 0.00 | 0.00 | |
| | TOTAL Non-Depreciable Plant | 26,194,233.45 | 18,101,954.13 | 0.00 | 18,101,954.13 | |
| | TOTAL Common Utility Plant in Service | 169,570,319.17 | 73,391,696.05 | 6,540.72 | 72,560,212.22 | |
| | (1) Life Span Method Utilized. Interim Retirement Rate. Service Lives Vary. | | | | | |
| Summary | | | | | | |
| | | | | % of Adj'd Resv Depr Reserve | | |
| | Total Book Depr Reserve 12-31-02 | \$55,289,741.92 | | | | |
| | Adjustment for Omitted Retirements | <u>6,540.72</u> | | | | |
| | Adjusted Book Depr Reserve 12-31-02 | 55,283,201.20 | | | | |
| | Plant & Gross Salvage Depr Reserve 12-31-02 | 54,458,258.09 | 98.5% | | | |
| | Cost of Removal Depr Reserve 12-31-02 | 824,943.11 | 1.5% | | | |

LOUISVILLE GAS AND ELE COMPANY
 DETERMINATION OF NET SALVAGE COMPON. DEPRECIATION RATES
 BASED ON DEPRECIATION STUDY AS OF 12/31/99

Depreciation Rates per Depreciation Study Dated February 2001

| ACCOUNT NUMBER | DESCRIPTION | PLANT BALANCE \$@12/31/99 | NET SALVAGE AMOUNT | DEPRECIATION BOOK RESERVE | BALANCE TO BE RECOVERED | EST REM LIFE | ANN DEP AMOUNT | ACCRUAL RATE | RECOVERABLE Balance Excl Net Salvage | ANN DEP AMOUNT Excl Net Salvage | ACCRUAL RATE Excl Net Salvage | Net salvage Rate | Salv/Depr Ratio |
|--|---|---------------------------|--------------------|---------------------------|-------------------------|--------------|------------------|--------------|--------------------------------------|---------------------------------|-------------------------------|------------------|-----------------|
| STEAM PRODUCTION PLANT | | | | | | | | | | | | | |
| CANE RUN EXCLUDING S.D.R.S. | | | | | | | | | | | | | |
| CANE RUN UNIT #4 | NOx Projects | 42,468,316 | -4,246,832 | 23,256,595 | 23,458,553 | 19.0 | 1,234,661 | 2.91 | 19,211,721 | 1,011,143 | 2.38 | 0.53 | 0.18 |
| 2000 | | 300,000 | | | | | 16,500 | | | 16,500 | | | |
| 2001 | | 200,000 | | | | | 11,579 | | | 11,579 | | | |
| | SUBTOTAL CANE RUN #4 | 42,968,316 | | | 23,458,553 | | 1,262,740 | 2.94 | | 1,039,222 | 2.42 | 0.52 | 0.18 |
| CANE RUN UNIT #5 | NOx Projects | 37,061,501 | -3,706,150 | 21,406,211 | 19,361,440 | 18.0 | 1,019,023 | 2.75 | 15,655,290 | 823,983 | 2.22 | 0.53 | 0.19 |
| 2000 | | 200,000 | | | | | 11,000 | | | 11,000 | | | |
| 2001 | | 300,000 | | | | | 17,368 | | | 17,368 | | | |
| 2002 | | 900,000 | | | | | 55,000 | | | 55,000 | | | |
| | SUBTOTAL CANE RUN #5 | 38,461,501 | | | 19,361,440 | | 1,102,391 | 2.87 | | 907,331 | 2.36 | 0.51 | 0.18 |
| CANE RUN UNIT #6 | NOx Projects | 70,641,349 | -7,064,135 | 30,244,619 | 41,460,865 | 19.3 | 2,148,231 | 3.04 | 34,396,730 | 1,782,214 | 2.52 | 0.52 | 0.17 |
| 2001 | | 500,000 | | | | | 28,947 | | | 28,947 | | | |
| | SUBTOTAL CANE RUN #6 | 71,141,349 | | | 41,460,865 | | 2,177,178 | 3.06 | | 1,811,161 | 2.55 | 0.51 | 0.17 |
| | SUBTOTAL CANE RUN EXCL. S.D.R.S. | 152,571,168 | | | 104,180,859 | | 4,542,310 | 2.98 | | 3,757,715 | 2.46 | 0.51 | 0.17 |
| CANE RUN STATION - S.D.R.S. | | | | | | | | | | | | | |
| CANE RUN UNIT #4 | | 16,364,208 | -1,636,421 | 20,200,629 | 15,994,116 | | 5,746,862 | 2.48 | | 4,491,037 | 1.94 | 0.54 | 0.22 |
| CANE RUN UNIT #5 | | 31,250,742 | -3,125,074 | 27,173,390 | 20,000,629 | | 10,750 | 1.77 | | 10,750 | 1.00 | 0.77 | 0.43 |
| CANE RUN UNIT #6 | | 28,778,214 | -2,877,821 | 24,364,345 | 8,391,690 | | 16,974 | 2.18 | 4,077,352 | 313,642 | 1.41 | 0.78 | 0.35 |
| | SUBTOTAL CANE RUN - S.D.R.S. | 74,393,164 | -7,639,316 | 71,736,364 | 15,994,116 | | 1,204,552 | 1.52 | 7,654,800 | 419,680 | 0.92 | 0.59 | |
| | TOTAL CANE RUN | 231,964,330 | | | 120,174,975 | | 5,746,862 | 2.48 | | 4,491,037 | 1.94 | 0.54 | 0.22 |
| MILL CREEK STATION | | | | | | | | | | | | | |
| MILL CREEK STATION EXCLUDING S.D.R.S. | | | | | | | | | | | | | |
| MILL CREEK UNIT #1 | NOx Projects | 79,004,270 | -5,925,320 | 48,711,263 | 36,216,327 | 19.9 | 1,820,018 | 2.30 | 30,283,007 | 1,522,262 | 1.93 | 0.38 | 0.16 |
| 2000 | | 200,000 | | | | | 10,750 | | | 10,750 | | | |
| 2001 | | 300,000 | | | | | 16,974 | | | 16,974 | | | |
| 2002 | | 1,500,000 | | | | | 89,583 | | | 89,583 | | | |
| | SUBTOTAL MILL CREEK #1 | 81,004,270 | | | 36,216,327 | | 1,937,323 | 2.39 | | 1,639,569 | 2.02 | 0.37 | 0.15 |
| MILL CREEK UNIT #2 | NOx Projects | 62,517,114 | -4,668,784 | 38,485,530 | 28,710,368 | 21.0 | 1,367,160 | 2.19 | 24,021,584 | 1,143,885 | 1.83 | 0.36 | 0.16 |
| 2000 | | 200,000 | | | | | 10,750 | | | 10,750 | | | |
| 2001 | | 1,800,000 | | | | | 101,842 | | | 101,842 | | | |
| | SUBTOTAL MILL CREEK #2 | 64,517,114 | | | 28,710,368 | | 1,479,752 | 2.29 | | 1,256,477 | 1.85 | 0.35 | 0.15 |

LOUISVILLE GAS AND ELECTRIC COMPANY
DETERMINATION OF NET SALVAGE COMPONENT DEPRECIATION RATES
BASED ON DEPRECIATION STUDY AS OF 12/31/99

Depreciation Rates per Depreciation Study Dated February 2001

| ACCOUNT NUMBER | DESCRIPTION | PLANT BALANCE @12/31/99 | NET SALVAGE AMOUNT | DEPRECIATION BOOK RESERVE | BALANCE TO BE RECOVERED | EST REM LIFE | ANN DEP AMOUNT | ACCRUAL RATE | RECOVERABLE BALANCE EXCL NET SALVAGE | ANN DEP AMOUNT EXCL NET SALVAGE | ACCRUAL RATE EXCL NET SALVAGE | NET SALVAGE RATE | SAV/DOPR RATIO |
|--|-------------|-------------------------|--------------------|---------------------------|-------------------------|--------------|----------------|--------------|--------------------------------------|---------------------------------|-------------------------------|------------------|----------------|
| MILL CREEK UNIT #3 | | 129,452,951 | -9,708,971 | 72,394,062 | 66,767,860 | 25.3 | 2,839,046 | 2.04 | 57,058,889 | 2,255,292 | 1.74 | 0.30 | 0.15 |
| NOX Projects | | | | | | | | | | | | | |
| 2000 | | 2,000,000 | | | | | 107,500 | | 107,500 | | | | |
| 2001 | | 21,000,000 | | | | | 1,188,158 | | 1,188,158 | | | | |
| 2002 | | 23,000,000 | | | | | 1,373,611 | | 1,373,611 | | | | |
| SUBTOTAL MILL CREEK #3 | | 175,452,951 | | | | | 5,308,315 | 3.03 | 4,924,561 | | 2.81 | 0.22 | 0.07 |
| MILL CREEK UNIT #4 | | 249,236,800 | -18,892,745 | 101,613,673 | 166,315,772 | 29.7 | 5,599,858 | 2.25 | 147,623,027 | 4,970,472 | 1.99 | 0.25 | 0.11 |
| NOX Projects | | | | | | | | | | | | | |
| 2000 | | 3,500,000 | | | | | 188,125 | | 188,125 | | | | |
| 2001 | | 43,000,000 | | | | | 2,432,895 | | 2,432,895 | | | | |
| 2002 | | 4,000,000 | | | | | 238,889 | | 238,889 | | | | |
| SUBTOTAL MILL CREEK #4 | | 289,736,800 | | | | | 8,459,787 | 2.82 | 7,830,381 | | 2.61 | 0.21 | 0.07 |
| SUBTOTAL MILL CREEK EXCL S.D.R.S. | | 620,710,935 | | | | | 17,185,157 | 2.77 | 15,650,988 | | 2.52 | 0.25 | 0.09 |
| MILL CREEK STATION - S.D.R.S. | | | | | | | | | | | | | |
| MILL CREEK STATION UNIT #1 | | 40,285,952 | -3,019,946 | 22,251,408 | 21,034,490 | 13.4 | 1,569,738 | 3.90 | 18,014,544 | 1,344,369 | 3.34 | 0.58 | 0.14 |
| MILL CREEK STATION UNIT #2 | | 35,128,006 | -2,634,450 | 18,852,860 | 18,907,598 | 13.5 | 1,400,583 | 3.99 | 16,273,146 | 1,205,418 | 3.43 | 0.58 | 0.14 |
| MILL CREEK STATION UNIT #3 | | 43,847,083 | -3,288,531 | 20,250,795 | 28,884,819 | 13.5 | 1,991,468 | 4.54 | 23,596,288 | 1,747,873 | 3.99 | 0.58 | 0.12 |
| MILL CREEK STATION UNIT #4 | | 113,801,807 | -8,520,136 | 25,550,492 | 96,571,451 | 15.8 | 6,112,117 | 5.39 | 88,051,315 | 5,572,868 | 4.91 | 0.47 | 0.09 |
| SUBTOTAL MILL CREEK STATION - S.D.R.S. | | 232,840,848 | -17,463,063 | 86,905,555 | 183,398,356 | | 11,072,888 | 4.76 | 145,935,293 | 9,870,528 | 4.24 | 0.52 | 0.11 |
| TOTAL MILL CREEK STATION | | 853,551,783 | | | | | 28,259,043 | 3.31 | 145,935,293 | 25,521,516 | 2.99 | 0.32 | 0.10 |
| TRIMBLE COUNTY | | | | | | | | | | | | | |
| TRIMBLE COUNTY - UNIT #1 | | 485,195,999 | -14,555,860 | 115,753,922 | 383,997,957 | 34.3 | 11,195,276 | 2.31 | 369,442,077 | 10,770,906 | 2.22 | 0.09 | 0.04 |
| NOX Projects | | | | | | | | | | | | | |
| 2000 | | 4,200,000 | | | | | 144,200 | | 144,200 | | | | |
| 2001 | | 30,000,000 | | | | | 1,065,517 | | 1,065,517 | | | | |
| 2002 | | 2,800,000 | | | | | 103,000 | | 103,000 | | | | |
| SUBTOTAL TRIMBLE COUNTY UNIT #1 | | 522,195,999 | | | | | 12,507,993 | 2.40 | 522,195,999 | 12,083,623 | 2.31 | 0.08 | 0.03 |
| TRIMBLE COUNTY - S.D.R.S | | 57,722,882 | -1,731,687 | 25,217,887 | 34,236,682 | 17.1 | 2,002,146 | 3.47 | 32,505,005 | 1,900,877 | 3.29 | 0.18 | 0.05 |
| TOTAL TRIMBLE COUNTY | | 579,918,881 | | | | | 14,510,139 | 2.50 | 554,701,004 | 13,984,501 | 2.41 | 0.09 | 0.04 |
| TOTAL DEPREC. STEAM PROD. PLANT | | 1,685,435,004 | | | | | 48,518,044 | 2.91 | 700,636,297 | 43,997,054 | 2.84 | 0.27 | 0.09 |
| OTHER PRODUCTION PLANT | | | | | | | | | | | | | |
| WATERSIDE | | 3,550,829 | 0 | 3,074,982 | 484,587 | 10.5 | 46,159 | 1.30 | 484,687 | 46,159 | 1.30 | 0.00 | 0.00 |
| ZORN AND RIVER ROAD | | 1,889,500 | 0 | 1,644,039 | 245,521 | 10.5 | 23,383 | 1.24 | 245,521 | 23,383 | 1.24 | 0.00 | 0.00 |
| PADDY'S RUN UNIT 11 | | 1,582,575 | 0 | 1,382,409 | 210,186 | 10.5 | 42,507 | 1.26 | 210,186 | 20,016 | 1.26 | 0.00 | 0.00 |
| PADDY'S RUN UNIT 12 | | 3,161,146 | 0 | 2,714,827 | 446,319 | 10.5 | 42,507 | 1.34 | 446,319 | 42,507 | 1.34 | 0.00 | 0.00 |
| CANE RUN | | 2,061,814 | 0 | 1,955,790 | 106,024 | 10.5 | 10,089 | 0.49 | 106,024 | 10,089 | 0.49 | 0.00 | 0.00 |
| E.W. BROWN UNIT 6 | | 22,207,871 | 0 | 388,507 | 21,819,184 | 26.5 | 765,585 | 3.45 | 21,819,184 | 765,585 | 3.45 | 0.00 | 0.00 |
| E.W. BROWN UNIT 7 | | 22,371,850 | 0 | 378,333 | 21,993,517 | 29.5 | 745,543 | 3.33 | 21,993,517 | 745,543 | 3.33 | 0.00 | 0.00 |
| TOTAL OTHER PRODUCTION PLANT | | 57,062,387 | 0 | 11,543,063 | 45,549,304 | 28.5 | 8,269 | 3.33 | 243,928 | 8,269 | 3.33 | 0.00 | 0.00 |
| TOTAL OTHER PRODUCTION PLANT | | 1,685,435,004 | | | | | 1,681,550 | 2.91 | 45,549,304 | 1,681,558 | 2.91 | 0.00 | 0.00 |

Calculated Net Salvage Rates

LOUISVILLE GAS AND ELECTRIC COMPANY
 DETERMINATION OF NET SALVAGE COMPONENT DEPRECIATION RATES
 BASED ON DEPRECIATION STUDY AS OF 12/31/99

Depreciation Rates per Depreciation Study Dated February 2001

| ACCOUNT NUMBER | DESCRIPTION | PLANT BALANCE @12/31/99 | NET SALVAGE AMOUNT | 12/31/99 DEPRECIATION BOOK RESERVE | BALANCE TO BE RECOVERED | EST REM LIFE | ANN DEP AMOUNT | ACCRUAL RATE | RECOVERABLE BALANCE EXCL NET SALVAGE | ANN DEP AMOUNT EXCL NET SALVAGE | ACCRUAL RATE EXCL NET SALVAGE | NET SALVAGE RATE | SAV/DEPR RATIO |
|---------------------------|---|-------------------------|---------------------|------------------------------------|-------------------------|--------------|-------------------|--------------|--------------------------------------|---------------------------------|-------------------------------|------------------|----------------|
| TRANSMISSION PLANT | | | | | | | | | | | | | |
| 350.40 | LINES LAND RIGHTS | 2,127,674 | 0 | 1,081,236 | 1,046,436 | 37.5 | 27,905 | 1.31 | 1,046,436 | 27,905 | 1.31 | 0.00 | 0.00 |
| 352.10 | SUBSTATION STRUCTURES | 1,956,161 | -195,616 | 1,082,608 | 1,069,169 | 27.0 | 39,599 | 2.02 | 1,069,169 | 39,599 | 2.02 | 0.37 | 0.18 |
| 353.20 | SUBSTATION EQUIPMENT | 94,874,337 | 0 | 47,522,858 | 47,522,858 | 23.9 | 1,988,404 | 2.10 | 47,522,858 | 1,988,404 | 2.10 | 0.00 | 0.00 |
| 354.20 | TOWERS & FIXTURES | 17,608,805 | -4,402,201 | 14,137,690 | 7,873,316 | 18.6 | 423,297 | 2.40 | 14,137,690 | 423,297 | 2.40 | 1.34 | 0.58 |
| 355.20 | POLES & FIXTURES | 21,962,776 | -4,392,555 | 9,199,615 | 17,155,716 | 26.5 | 647,386 | 2.95 | 17,155,716 | 647,386 | 2.95 | 0.75 | 0.26 |
| 356.20 | OH CONDUCTORS & DEVICES | 23,136,372 | -5,784,093 | 15,738,240 | 13,182,225 | 19.6 | 672,563 | 2.91 | 13,182,225 | 672,563 | 2.91 | 1.28 | 0.44 |
| 357.00 | UNDERGROUND CONDUIT | 1,351,011 | 0 | 143,260 | 1,207,751 | 45.2 | 26,720 | 1.98 | 1,207,751 | 26,720 | 1.98 | 0.00 | 0.00 |
| 358 | UG CONDUCTORS & DEVICES | 4,874,292 | 0 | 569,907 | 4,304,385 | 35.7 | 120,571 | 2.47 | 4,304,385 | 120,571 | 2.47 | 0.00 | 0.00 |
| | TOTAL DEPREC. TRANSMISSION PLANT | 167,891,428 | -14,774,465 | 89,304,087 | 93,361,856 | | 3,946,445 | 2.35 | 78,587,391 | 3,241,668 | 1.93 | 0.42 | 0.19 |
| DISTRIBUTION PLANT | | | | | | | | | | | | | |
| 361.10 | SUBSTATION STRUCTURES - A | 5,303,823 | -530,382 | 2,874,073 | 2,960,132 | 25.3 | 117,001 | 2.21 | 2,429,750 | 96,038 | 1.81 | 0.40 | 0.18 |
| 361.30 | OTHER STRUCTURES | 349,798 | -34,980 | 173,397 | 211,381 | 27.2 | 7,771 | 2.22 | 176,401 | 6,485 | 1.85 | 0.37 | 0.17 |
| 362.10 | SUBSTATION EQUIPMENT - A | 71,296,623 | -3,564,931 | 26,525,718 | 48,337,836 | 26.4 | 1,830,979 | 2.57 | 44,772,905 | 1,695,943 | 2.38 | 0.19 | 0.07 |
| 362.20 | SUBSTATION EQUIPMENT - B | 2,562,044 | -128,102 | 1,863,297 | 828,849 | 10.0 | 82,665 | 3.23 | 698,747 | 69,875 | 2.73 | 0.50 | 0.15 |
| 364.00 | POLES, TOWERS, & FIXTURES | 82,950,558 | -37,327,751 | 42,633,320 | 77,844,969 | 28.4 | 2,941,098 | 3.55 | 40,317,238 | 1,527,168 | 1.84 | 1.70 | 0.48 |
| 365.00 | OH CONDUCTORS | 108,597,728 | -27,149,432 | 49,766,083 | 85,981,075 | 20.7 | 4,153,675 | 3.82 | 58,831,643 | 2,842,108 | 2.82 | 1.21 | 0.32 |
| 366.00 | UNDERGROUND CONDUIT | 45,391,880 | -2,269,594 | 7,648,812 | 40,012,662 | 59.2 | 676,890 | 1.48 | 37,743,068 | 637,552 | 1.40 | 0.08 | 0.06 |
| 367.00 | UG CONDUCTORS & DEVICES | 60,520,829 | -8,052,083 | 22,586,092 | 43,988,820 | 23.6 | 1,863,848 | 3.08 | 37,934,737 | 1,607,404 | 2.68 | 0.42 | 0.14 |
| 368.00 | LINE TRANSFORMERS | 95,618,247 | -6,561,825 | 29,828,097 | 64,351,975 | 27.8 | 2,314,819 | 2.70 | 55,790,150 | 2,008,840 | 2.34 | 0.36 | 0.13 |
| 369.10 | UNDERGROUND SERVICES | 2,340,944 | -117,047 | 800,630 | 1,557,361 | 20.7 | 75,235 | 3.21 | 1,440,314 | 69,580 | 2.97 | 0.24 | 0.08 |
| 369.20 | OVERHEAD SERVICES | 20,165,987 | -12,099,592 | 12,662,690 | 19,602,889 | 21.8 | 899,215 | 4.46 | 7,503,297 | 344,188 | 1.71 | 2.75 | 0.82 |
| 370.00 | METERS | 30,301,868 | -3,030,187 | 11,654,478 | 21,677,575 | 21.2 | 1,022,527 | 3.37 | 18,647,388 | 879,594 | 2.80 | 0.47 | 0.14 |
| 373.10 | OVERHEAD STREET LIGHTING | 20,936,271 | -2,093,627 | 9,823,080 | 13,406,818 | 10.8 | 1,241,372 | 5.93 | 11,313,191 | 1,047,518 | 5.00 | 0.93 | 0.16 |
| 373.20 | UNDERGROUND STREET LIGHTING | 24,234,877 | -2,423,488 | 7,945,534 | 18,712,831 | 17.8 | 1,051,283 | 4.34 | 16,289,343 | 915,132 | 3.78 | 0.58 | 0.13 |
| 373.5 | STREET LIGHTING TRANS. INSTL. | 84,847 | 0 | 84,847 | 0 | | 0 | 0.00 | 0 | 0 | 0.00 | 0.00 | 0.00 |
| | TOTAL DEPREC. DISTR. PLANT | 560,681,019 | -105,383,021 | 226,772,847 | 439,271,193 | | 18,277,398 | 3.26 | 333,868,172 | 13,745,425 | 2.45 | 0.81 | 0.25 |
| GENERAL PLANT | | | | | | | | | | | | | |
| 382.20 | TRANSPORTATION EQUIP.-TRAILERS | 509,511 | 50,951 | 151,447 | 307,113 | 23.2 | 13,238 | 2.60 | 358,064 | 15,434 | 3.03 | -0.43 | -0.17 |
| 394.10 | SHOP EQUIPMENT | 63,952 | 0 | 30,119 | 33,833 | 18.0 | 1,781 | 2.78 | 33,833 | 1,781 | 2.78 | 0.00 | 0.00 |
| 394.30 | OTHER EQUIPMENT | 1,778,454 | 177,845 | 384,407 | 1,206,202 | 19.4 | 62,175 | 3.50 | 1,384,047 | 71,343 | 4.01 | -0.52 | -0.15 |
| 395.00 | LABORATORY EQUIPMENT | 1,552,488 | 77,624 | 580,979 | 893,885 | 21.3 | 41,966 | 2.70 | 971,509 | 45,611 | 2.84 | -0.23 | -0.09 |
| 398.2 | POWER OPERATED EQUIPMENT-TRAILERS | 145,467 | 14,547 | 76,627 | 52,293 | 17.0 | 3,078 | 2.11 | 66,840 | 3,832 | 2.70 | -0.59 | -0.28 |
| | TOTAL DEPREC. GENERAL PLANT | 4,049,872 | 320,987 | 1,235,579 | 2,493,326 | | 122,236 | 3.02 | 2,814,293 | 138,100 | 3.41 | -0.39 | -0.13 |
| | TOTAL DEPREC. ELECTRIC PLANT | 2,455,129,890 | | | | | 73,523,683 | 2.95 | 1,161,475,457 | 62,783,793 | 2.56 | 0.40 | 0.13 |

THIS SCHEDULE WAS PREPARED FOR KENTUCKY UTILITIES
CREATED ON 10/05/00 BY MARCY STEFAN
REV. 1/23/01 CHANGED GHENT SALV% TO -9%

KENTUCKY UTILITIES COMPANY
DEPRECIATION STUDY AS OF 12/31/99
SCHEDULE OF INDICATED REMAINING LIFE ACCRUAL RATES

| ACCOUNT NUMBER | DESCRIPTION | PLANT BALANCE @12/31/99 | NET SALVAGE AMOUNT | 12/31/99 DEPRECIATION BOOK RESERVE | BALANCE TO BE RECOVERED | EST REM LIFE | ANN DEP AMOUNT | ACC RUAL RATE |
|-----------------------------------|-------------|-------------------------|--------------------|------------------------------------|-------------------------|--------------|------------------|---------------|
| STEAM PRODUCTION PLANT | | | | | | | | |
| E. W. BROWN PLANT | | | | | | | | |
| E. W. BROWN UNIT #1 | | 50,895,819 | -7,087,415 | 28,402,110 | 28,391,124 | 19.5 | 1,507,237 | 2.97 |
| NOx Projects | | | | | | | | |
| 2001 | | 1,200,000 | | | | | 0 | |
| SUBTOTAL E.W. BROWN UNIT #1 | | 51,895,819 | | | | | 1,507,237 | 2.90 |
| E. W. BROWN UNIT #2 | | 35,834,794 | -5,016,871 | 20,270,986 | 20,580,879 | 19.4 | 1,060,860 | 2.96 |
| NOx Projects | | | | | | | | |
| 2002 | | 1,300,000 | | | | | 82,333 | |
| Other Mandatory Projects | | | | | | | | |
| 2002 | | 2,500,000 | | | | | 0 | |
| SUBTOTAL E.W. BROWN UNIT #2 | | 39,634,794 | | | | | 1,143,193 | 2.88 |
| E. W. BROWN UNIT #3 | | 114,565,653 | -16,039,181 | 66,052,189 | 64,552,645 | 19.8 | 3,283,502 | 2.87 |
| NOx Projects | | | | | | | | |
| 2002 | | 2,000,000 | | | | | 126,887 | |
| 2003 | | 17,200,000 | | | | | 1,153,412 | |
| 2004 | | 23,000,000 | | | | | 1,838,750 | |
| Other Mandatory Projects | | | | | | | | |
| 2002 | | 500,000 | | | | | 0 | |
| 2003 | | 800,000 | | | | | 0 | |
| 2004 | | 700,000 | | | | | 0 | |
| SUBTOTAL E.W. BROWN UNIT #3 | | 158,865,653 | | | | | 6,212,330 | 3.91 |
| TOTAL E. W. BROWN PLANT | | 250,396,266 | | | | | 8,892,781 | 3.54 |
| GHENT PLANT | | | | | | | | |
| GHENT PLANT EXCL. S.D.R.S. | | | | | | | | |
| GHENT UNIT #1 | | 129,982,729 | -11,899,448 | 86,817,929 | 54,853,246 | 21.4 | 2,583,703 | 1.97 |
| NOx Projects | | | | | | | | |
| 2001 | | 2,000,000 | | | | | 114,737 | |
| 2002 | | 7,000,000 | | | | | 423,889 | |
| 2003 | | 40,000,000 | | | | | 2,564,708 | |
| Other Mandatory Projects | | | | | | | | |
| 2004 | | 1,800,000 | | | | | 0 | |
| 2005 | | 700,000 | | | | | 0 | |
| SUBTOTAL GHENT UNIT #1 | | 181,482,729 | | | | | 5,687,035 | 3.12 |
| GHENT UNIT #2 | | 136,193,639 | -12,437,428 | 91,681,162 | 58,848,805 | 24.5 | 2,408,119 | 1.74 |
| NOx Projects | | | | | | | | |
| 2003 | | 4,000,000 | | | | | 250,471 | |
| Other Mandatory Projects | | | | | | | | |
| 2001 | | 120,000 | | | | | 0 | |

Calculated Net Salvage Rates

| Recoverable Balance Excl. Net Salvage | ANN DEP AMOUNT Excl. Net Salvage | ACC RUAL RATE Excl. Net Salvage | Net salvage Rate | Salv/Depr Ratio |
|---------------------------------------|----------------------------------|---------------------------------|------------------|-----------------|
| 22,293,709 | 1,143,267 | | | |
| | | 2.38 | 0.65 | 0.22 |
| 15,563,808 | 802,258 | | | |
| | | 2.38 | 0.50 | 0.17 |
| 48,513,454 | 2,475,176 | | | |
| | | 2.38 | 0.52 | 0.13 |
| 5,394,005 | | 3.40 | 0.62 | 0.13 |

| Recoverable Balance Excl. Net Salvage | ANN DEP AMOUNT Excl. Net Salvage | ACC RUAL RATE Excl. Net Salvage | Net salvage Rate | Salv/Depr Ratio |
|---------------------------------------|----------------------------------|---------------------------------|------------------|-----------------|
| 43,184,800 | 2,017,047 | | | |
| | | 2.82 | 0.30 | 0.10 |
| 46,512,477 | 1,899,486 | | | |
| | | 2.82 | 0.30 | 0.10 |
| 258,671 | | | | |

KENTUCKY UTILITIES COMPANY
DEPRECIATION STUDY AS OF 12/31/99
SCHEDULE OF INDICATED REMAINING LIFE ACCRUAL RATES

| ACCOUNT NUMBER | DESCRIPTION | PLANT BALANCE @12/31/99 | NET SALVAGE AMOUNT | 12/31/99 DEPRECIATION BOOK RESERVE | BALANCE TO BE RECOVERED | EST REM LIFE | ANN DEP AMOUNT | ACCRUAL RATE | RECOVERABLE BALANCE EXCL NET SALVAGE | ANN DEP AMOUNT EXCL NET SALVAGE | ACCRUAL RATE EXCL NET SALVAGE | NET SALVAGE RATE | SAV/DEPR RATIO |
|----------------|---|-------------------------|--------------------|------------------------------------|-------------------------|--------------|----------------|--------------|--------------------------------------|---------------------------------|-------------------------------|------------------|----------------|
| 2002 | | 750,000 | | | | | 0 | | | | | | |
| 2003 | | 910,000 | | | | | 0 | | | | | | |
| 2004 | | 750,000 | | | | | 0 | | | | | | |
| | SUBTOTAL GHENT UNIT #2 | 144,703,639 | | | | | 2,662,590 | 1.84 | | | | 1.49 | 0.35 |
| | | | | | | | | | 48,512,477 | 2,154,939 | | | 0.19 |
| | GHENT UNIT #3 | 279,724,512 | -25,175,206 | 170,190,684 | 134,709,034 | 28.7 | 4,693,695 | 1.68 | 109,533,828 | 3,816,510 | | | |
| | NOx Projects | | | | | | | | | | | | |
| 2000 | | 120,000 | | | | | 0 | | | | | | |
| 2001 | | 4,000,000 | | | | | 229,474 | | | 6,540 | | | |
| 2002 | | 32,000,000 | | | | | 1,937,778 | | | 229,474 | | | |
| 2003 | | 5,000,000 | | | | | 320,588 | | | 1,937,778 | | | |
| | Other Mandatory Projects | | | | | | | | | | | | |
| 2001 | | 960,000 | | | | | 0 | | | | | | |
| 2002 | | 240,000 | | | | | 0 | | | | | | |
| 2003 | | 960,000 | | | | | 0 | | | | | | |
| 2004 | | 280,000 | | | | | 0 | | | | | | |
| | SUBTOTAL GHENT UNIT #3 | 323,314,512 | | | | | 7,188,075 | 2.22 | 109,533,828 | 6,310,889 | | 1.95 | 0.27 |
| | | | | | | | | | 117,469,972 | 3,693,385 | | | |
| | GHENT UNIT #4 | 259,939,578 | -23,394,562 | 142,439,606 | 140,894,534 | 31.9 | 4,416,757 | 1.70 | 117,469,972 | 3,693,385 | | | |
| | NOx Projects | | | | | | | | | | | | |
| 2001 | | 2,000,000 | | | | | 114,737 | | | 114,737 | | | |
| 2002 | | 12,500,000 | | | | | 756,944 | | | 756,944 | | | |
| 2003 | | 28,500,000 | | | | | 1,099,118 | | | 1,099,118 | | | |
| | Other Mandatory Projects | | | | | | | | | | | | |
| 2001 | | 2,860,000 | | | | | 0 | | | | | | |
| 2002 | | 6,890,000 | | | | | 0 | | | | | | |
| 2003 | | 10,880,000 | | | | | 0 | | | | | | |
| 2004 | | 860,000 | | | | | 0 | | | | | | |
| 2005 | | 860,000 | | | | | 0 | | | | | | |
| | SUBTOTAL GHENT UNIT #4 | 322,959,578 | | | | | 6,987,656 | 2.16 | 117,469,972 | 3,693,385 | | | |
| | | | | | | | | | 6,254,184 | 1,94 | | 0.23 | 0.10 |
| | TOTAL GHENT PLANT EXCL. S.D.R.S. | 972,460,458 | | | | | 22,505,255 | 2.31 | | | | | |
| | GHENT PLANT S.D.R.S. | | | | | | | | | | | | |
| | GHENT UNIT #1 | 114,258,493 | -10,283,264 | 20,805,355 | 103,736,402 | 16.0 | 8,483,525 | 5.67 | 93,453,138 | 5,840,821 | | 5.11 | 0.58 |
| | GHENT UNIT #2 | | | | | | | | | | | | |
| 2001 | | 3,200,000 | | | | | 183,579 | 5.74 | | | | | |
| 2002 | | 12,800,000 | | | | | 775,111 | 6.06 | | | | | |
| 2003 | | 14,400,000 | | | | | 923,294 | 6.41 | | | | | |
| 2004 | | 1,600,000 | | | | | 109,000 | 6.81 | | | | | |
| | SUBTOTAL GHENT #2 | 32,000,000 | | | | | 1,990,984 | 6.22 | | | | | |
| | TOTAL GHENT PLANTS S.D.R.S. | 146,258,493 | | | | | 8,474,508 | 5.79 | | | | | |
| | TOTAL GHENT PLANT | 1,118,718,951 | | | | | 30,976,764 | 2.77 | | | | | |
| | GREEN RIVER PLANT | | | | | | | | | | | | |
| | GREEN RIVER UNITS #1 & #2 | 17,896,942 | -2,978,541 | 14,962,034 | 5,573,449 | 18.2 | 308,233 | 1.71 | 2,964,908 | 159,061 | | 0.89 | 0.82 |
| | GREEN RIVER UNIT #3 | 14,843,587 | -2,196,535 | 12,503,983 | 4,336,119 | 18.4 | 235,659 | 1.81 | 2,139,584 | 116,282 | | | 0.48 |

Calculated Net Salvage Rates

KENTUCKY UTILITIES COMPANY
DEPRECIATION STUDY AS OF 12/31/99
SCHEDULE OF INDICATED REMAINING LIFE ACCRUAL RATES

| ACCOUNT NUMBER | DESCRIPTION | PLANT BALANCE @12/31/99 | NET SALVAGE AMOUNT | DEPRECIATION BOOK RESERVE | BALANCE TO BE RECOVERED | EST REM LIFE | ANN DEP AMOUNT | ACCRUAL RATE | RECOVERABLE Balance Excl Net Salvage | ANN DEP AMOUNT Excl Net Salvage | ACCRUAL RATE Excl Net Salvage | Net Salvage Rate | Salv/Dpp Ratio |
|-----------------------------------|---|-------------------------|--------------------|---------------------------|-------------------------|--------------|----------------|--------------|--------------------------------------|---------------------------------|-------------------------------|------------------|----------------|
| NOx Projects | | | | | | | | | | | | | |
| 2000 | | 10,000 | | | | | 575 | | | 575 | | | |
| 2002 | | 1,090,000 | | | | | 69,639 | | | 69,639 | | | |
| | SUBTOTAL GREEN RIVER UNIT #3 | 15,743,567 | | | | | 305,873 | 1.94 | 2,139,584 | 186,486 | 1.18 | 0.76 | 0.39 |
| GREEN RIVER UNIT #4 | | | | | | | | | | | | | |
| | TOTAL GREEN RIVER PLANT | 32,918,992 | -4,937,849 | 18,168,744 | 19,690,097 | 19.3 | 1,020,212 | 3.10 | 14,752,248 | 764,365 | 2.32 | 0.78 | 0.25 |
| | | 86,519,501 | | | | | 1,832,318 | 2.45 | | | | | |
| PINEVILLE UNIT #3 | | | | | | | | | | | | | |
| | | 8,131,876 | -1,138,463 | 6,518,864 | 2,753,445 | 17.8 | 158,446 | 1.92 | 1,014,882 | 91,760 | | | |
| NOx Projects | | | | | | | | | | | | | |
| 2000 | | 10,000 | | | | | 570 | | | 570 | | | |
| 2002 | | 700,000 | | | | | 44,333 | | | 44,333 | | | |
| | SUBTOTAL PINEVILLE UNIT #3 | 8,841,876 | | | | | 201,349 | 2.28 | 136,664 | 136,664 | 1.55 | 0.73 | 0.32 |
| SYSTEM LAB | | | | | | | | | | | | | |
| | | 1,895,312 | 0 | 815,007 | 1,080,305 | 15.1 | 71,543 | 4.22 | | | | | |
| TYRONE UNIT #3 | | | | | | | | | | | | | |
| NOx Projects | | | | | | | | | | | | | |
| 2000 | | 17,321,691 | -3,810,772 | 15,038,059 | 6,094,404 | 18.2 | 334,657 | 1.93 | 2,283,632 | 125,474 | | | |
| 2001 | | 30,000 | | | | | 1,830 | | | 1,830 | | | |
| 2001 | Other Mandatory Projects | 1,070,000 | | | | | 68,705 | | | 68,705 | | | |
| | SUBTOTAL TYRONE UNIT #3 | 800,000 | | | | | 0 | 2.13 | 186,010 | 186,010 | 1.03 | 1.10 | 0.52 |
| | | 19,021,691 | | | | | 405,392 | | | | | | |
| | TOTAL DEPREC. STEAM PRODUCTION PLANT | 1,465,183,597 | | | | | 42,153,127 | 2.89 | | | | | |
| HYDRAULIC PRODUCTION PLANT | | | | | | | | | | | | | |
| DIX DAM | | | | | | | | | | | | | |
| | | 9,774,882 | -889,558 | 7,168,590 | 3,485,800 | 22.5 | 155,373 | 1.59 | | | | | |
| | LOCK 7 | 837,782 | -251,338 | 828,233 | 482,887 | 22.5 | 20,573 | 2.48 | | | | | |
| | TOTAL DEPREC. HYDRAULIC PRODUCTION PLANT | 10,612,664 | -1,140,896 | 7,794,783 | 3,968,787 | | 175,946 | 1.68 | | | | | |
| OTHER PRODUCTION PLANT | | | | | | | | | | | | | |
| E. W. BROWN PLANT | | | | | | | | | | | | | |
| | | 36,250,643 | 0 | 1,230,724 | 35,019,919 | 28.5 | 1,228,788 | 3.39 | | | | | |
| | E. W. BROWN #6 | 37,455,942 | 0 | 1,228,257 | 36,228,685 | 29.5 | 1,228,023 | 3.28 | | | | | |
| | E. W. BROWN #8 | 27,810,211 | 0 | 3,887,919 | 23,712,292 | 24.5 | 867,849 | 3.51 | | | | | |
| | E. W. BROWN #9 | 36,721,763 | 0 | 6,242,282 | 30,479,501 | 24.5 | 1,244,081 | 3.39 | | | | | |
| | E. W. BROWN #10 | 27,859,729 | 0 | 4,105,124 | 23,554,605 | 24.5 | 961,412 | 3.48 | | | | | |
| | E. W. BROWN #11 | 34,693,336 | 0 | 3,312,488 | 31,390,840 | 25.5 | 1,230,821 | 3.55 | | | | | |
| | TOTAL E. W. BROWN PLANT | 200,381,924 | 0 | 20,017,782 | 180,373,942 | | 6,960,735 | 3.42 | | | | | |
| TRANSMISSION PLANT | | | | | | | | | | | | | |
| | 350.10 LAND RIGHTS | 22,821,429 | 0 | 7,918,858 | 15,002,471 | 48.8 | 307,428 | 1.34 | 15,002,471 | 307,428 | 1.34 | 0.00 | 0.00 |
| | 352.00 STRUCTURES & IMPROVEMENTS | 7,376,773 | -3,318,546 | 3,377,416 | 7,318,905 | 37.4 | 195,693 | 2.65 | 3,989,357 | 106,935 | 1.45 | 1.20 | 0.45 |

Calculated Net Salvage Rates

KENTUCKY UTILITIES COMPANY
DEPRECIATION STUDY AS OF 12/31/89
SCHEDULE OF INDICATED REMAINING LIFE ACCRUAL RATES

| ACCOUNT NUMBER | DESCRIPTION | PLANT BALANCE @ 12/31/89 | NET SALVAGE AMOUNT | DEPRECIATION BOOK RESERVE | BALANCE TO BE RECOVERED | EST REM LIFE | ANN DEP AMOUNT | ACCRUAL RATE |
|----------------|---|--------------------------|---------------------|---------------------------|-------------------------|--------------|-------------------|--------------|
| 353.10 | SUBSTATION EQUIPMENT | 134,181,987 | -13,418,197 | 53,200,640 | 94,399,524 | 31.8 | 2,908,538 | 2.21 |
| 353.20 | MICROWAVE EQUIPMENT | 11,419,289 | -1,141,930 | 6,567,090 | 5,994,139 | 8.5 | 705,193 | 6.18 |
| 354.00 | TOWERS & FIXTURES | 60,000,913 | -33,000,502 | 33,399,995 | 59,601,420 | 35.0 | 1,702,898 | 2.84 |
| 355.00 | POLES & FIXTURES | 88,210,779 | -40,928,467 | 38,376,846 | 89,760,400 | 25.4 | 2,746,472 | 4.03 |
| 356.00 | OH CONDUCTORS & DEVICES | 115,897,447 | -52,153,851 | 68,726,108 | 98,925,190 | 26.3 | 3,761,414 | 3.25 |
| 357.00 | UNDERGROUND CONDUIT | 432,475 | -43,248 | 69,719 | 406,004 | 46.8 | 8,675 | 2.01 |
| 358.00 | UG CONDUCTORS & DEVICES | 1,114,762 | -55,738 | 449,037 | 714,483 | 18.4 | 38,210 | 3.52 |
| | TOTAL DEPREC. TRANSMISSION PLANT | 421,555,844 | -144,059,481 | 213,465,809 | 352,128,516 | | 12,435,521 | 2.95 |
| | DISTRIBUTION PLANT | | | | | | | |
| 360.10 | LAND RIGHTS | 1,416,333 | 0 | 653,369 | 762,964 | 47.1 | 16,199 | 1.14 |
| 361.00 | STRUCTURES & IMPROVEMENTS | 3,122,643 | -312,264 | 1,179,098 | 2,255,809 | 38.3 | 68,898 | 1.89 |
| 362.00 | STATION EQUIPMENT | 81,088,044 | -6,108,804 | 26,317,713 | 60,879,135 | 33.5 | 1,817,288 | 2.24 |
| 364.00 | POLES, TOWERS, & FIXTURES | 148,608,993 | -66,874,047 | 65,143,879 | 150,339,181 | 28.7 | 5,236,288 | 3.52 |
| 365.00 | OH CONDUCTORS & DEVICES | 140,791,529 | -63,356,188 | 65,841,365 | 138,506,352 | 32.6 | 4,248,661 | 3.02 |
| 368.00 | UNDERGROUND CONDUIT | 1,545,108 | -154,511 | 723,065 | 976,554 | 36.1 | 27,051 | 1.75 |
| 368.00 | UG CONDUCTORS & DEVICES | 31,998,710 | -3,199,971 | 6,323,554 | 28,878,127 | 27.4 | 1,053,873 | 3.29 |
| 369.00 | LINE TRANSFORMERS | 185,510,785 | -18,551,079 | 63,859,611 | 140,202,253 | 31.4 | 4,465,040 | 2.41 |
| 369.00 | SERVICES | 72,773,393 | -32,748,027 | 28,827,438 | 76,893,981 | 28.1 | 2,729,323 | 3.75 |
| 370.00 | METERS | 56,069,039 | -5,606,904 | 24,100,086 | 37,575,857 | 24.0 | 1,565,661 | 2.79 |
| 371.00 | INSTALL. ON CUSTOMERS' PREM. | 17,844,245 | 0 | 4,873,887 | 13,270,358 | 11.8 | 1,124,607 | 6.27 |
| 373.00 | STREET LIGHTING & SIG. SYSTEM | 36,988,092 | -3,688,809 | 13,435,454 | 27,141,447 | 19.1 | 1,421,018 | 3.65 |
| | TOTAL DEPREC. DISTR. PLANT | 777,757,914 | -202,600,604 | 302,878,520 | 677,479,998 | | 23,785,917 | 3.08 |
| | GENERAL PLANT | | | | | | | |
| 390.10 | IMPROVEMENTS TO OWNED PROPERTY | 31,138,794 | 0 | 10,069,805 | 21,068,989 | 38.4 | 548,672 | 1.78 |
| 391.00 | OFFICE EQUIPMENT | 2,811,209 | 0 | 877,765 | 1,833,444 | 11.2 | 163,700 | 5.82 |
| 393.00 | STORES EQUIPMENT | 631,744 | 31,587 | 346,442 | 253,715 | 14.0 | 18,123 | 2.87 |
| 394.00 | TOOLS, SHOP, & GARAGE EQUIPMENT | 2,835,759 | 141,788 | 971,102 | 1,722,869 | 22.2 | 77,607 | 2.74 |
| 395.00 | LABORATORY EQUIPMENT | 3,150,709 | 94,521 | 997,860 | 2,058,368 | 20.7 | 99,435 | 3.18 |
| 398.00 | POWER OPERATED EQUIPMENT | 203,917 | 40,783 | 96,429 | 66,705 | 9.2 | 7,251 | 3.58 |
| 397.00 | COMMUNICATION EQUIPMENT | 3,988,630 | 0 | 2,877,578 | 1,321,051 | 9.3 | 142,048 | 3.55 |
| 398.00 | MISC. EQUIPMENT | 542,572 | 0 | 272,191 | 270,381 | 9.8 | 28,165 | 5.19 |
| | TOTAL DEPREC. GENERAL PLANT | 45,313,334 | 308,679 | 16,409,183 | 28,595,462 | | 1,085,001 | 2.39 |
| | TOTAL DEPREC. ELECTRIC PLANT | 2,920,824,987 | | | 86,476,247 | | | 2.96 |
| | INTANGIBLE PLANT | | | | | | | |
| 310.00 | LAND & LAND RIGHTS | 11,996,315 | 19,717 | | | | | |
| | PINEVILLE UNITS #1 & #2 | 10,188,525 | | | | | | |
| | TYRONE #1 & #2 | 1,873,870 | | 1,907,984 | | | | |
| | HAFLING #1, #2, & #3 | 6,482,245 | | 7,908,339 | | | | |
| | | 4,683,527 | | 4,683,527 | | | | |
| 330.00 | LAND | 13,480 | | | | | | |
| 340.00 | LAND | 88,603 | | | | | | |
| 350.00 | LAND | 1,183,116 | | | | | | |
| 360.00 | LAND | 1,428,948 | | | | | | |
| 388.00 | LAND & LAND RIGHTS | 3,456,077 | | | | | | |
| 391.00 | STRUCTURES | 583,404 | | 432,406 | | | | |
| 392.00 | COMPUTER EQUIPMENT | 7,487,196 | | 194,197 | | | | |
| | TOTAL ELECTRIC PLANT | 23,762,288 | | 17,966,454 | | | | |
| | TOTAL ELECTRIC PLANT | 2,993,810,379 | | | | | | |

Calculated Net Salvage Rates

| Recoverable Balance Excl. Net Salvage | ANN DEP AMOUNT Excl. Net Salvage | ACCRUAL RATE Excl. Net Salvage | Net salvage Rate | Salv/Depr Ratio |
|---------------------------------------|----------------------------------|--------------------------------|------------------|-----------------|
| 80,981,327 | 2,546,583 | 1.90 | 0.31 | 0.14 |
| 4,852,209 | 570,848 | 5.00 | 1.18 | 0.19 |
| 26,600,918 | 760,026 | 1.27 | 1.57 | 0.55 |
| 28,833,833 | 1,135,194 | 1.66 | 2.36 | 0.59 |
| 46,771,339 | 1,778,378 | 1.53 | 1.71 | 0.53 |
| 362,756 | 7,751 | 1.79 | 0.21 | 0.11 |
| 665,725 | 36,181 | 3.25 | 0.27 | 0.08 |
| 782,964 | 16,199 | 1.14 | 0.00 | 0.00 |
| 1,943,545 | 50,745 | 1.63 | 0.26 | 0.14 |
| 52,770,331 | 1,575,234 | 1.94 | 0.30 | 0.13 |
| 83,465,114 | 2,908,192 | 1.96 | 1.57 | 0.44 |
| 75,150,164 | 2,305,220 | 1.64 | 1.38 | 0.46 |
| 822,043 | 22,771 | 1.47 | 0.28 | 0.16 |
| 25,676,156 | 937,068 | 2.93 | 0.36 | 0.11 |
| 121,651,174 | 3,874,241 | 2.09 | 0.32 | 0.13 |
| 43,945,954 | 1,563,913 | 2.15 | 1.60 | 0.43 |
| 31,968,953 | 1,332,040 | 2.38 | 0.42 | 0.15 |
| 13,270,358 | 1,124,607 | 6.27 | 0.00 | 0.00 |
| 23,452,838 | 1,227,887 | 3.33 | 0.52 | 0.14 |
| 21,068,989 | 548,672 | 1.76 | 0.00 | 0.00 |
| 1,833,444 | 163,700 | 5.82 | 0.00 | 0.00 |
| 285,302 | 20,379 | 3.23 | -0.38 | -0.12 |
| 1,864,857 | 83,994 | 2.96 | -0.23 | -0.08 |
| 2,152,829 | 104,001 | 3.30 | -0.14 | -0.05 |
| 107,468 | 11,683 | 5.73 | -2.17 | -0.81 |
| 1,321,051 | 142,048 | 3.55 | 0.00 | 0.00 |
| 270,381 | 28,165 | 5.19 | 0.00 | 0.00 |
| 270,381 | 28,165 | 5.19 | 0.00 | 0.00 |

Louisville Gas and Electric Company
Estimated Removal Cost in Reserve
at December 2002

| Property Group | Reserve Balance 12-31-02 | Salv/Dep Ratio | Estimated Net Salvage | % of Reserve |
|---------------------------------------|--------------------------------|-------------------|--------------------------|-----------------|
| LG&E | | | | |
| Total Steam Production Plant | 796,484,692.45 | - | 81,279,833.36 | 10% |
| Ohio Falls Hydraulic Production Plant | 9,183,403.03 | - | - | 0% |
| Total Other Production Plant | 20,674,502.23 | - | - | 0% |
| Total Transmission Plant | 113,547,113.18 | - | 20,025,125.45 | 18% |
| Total Distribution Plant | 281,376,222.37 | - | 66,721,682.50 | 24% |
| Total General Plant | 14,464,912.06 | - | (2,532,915.75) | -18% |
| TOTAL ELECTRIC | 1,235,730,845.32 | | 165,493,725.56 | 13% |
| TOTAL GAS * | 158,773,492.53 | | 41,317,003.31 | 26% |
| TOTAL COMMON | 73,242,363.78 | | 1,963,218.31 | 3% |
| TOTAL LG&E | 1,467,746,701.63 | | 208,773,947.17 | 14% |
| KU | | | | |
| Total Steam Production Plant | 794,854,592.78 | - | 81,279,833.36 | 10% |
| Ohio Falls Hydraulic Production Plant | 8,323,904.23 | - | - | 0% |
| Total Other Production Plant | 50,312,904.75 | - | - | 0% |
| Total Transmission Plant | 249,396,208.57 | - | 20,025,125.45 | 8% |
| Total Distribution Plant | 371,679,811.83 | - | 66,721,682.50 | 18% |
| Total General Plant | 49,485,369.49 | - | (2,532,915.75) | -5% |
| TOTAL KU | 1,235,730,845.32 | | 165,493,725.56 | 13% |
| TOTAL UTILITY | 2,703,477,546.95 | | 374,267,672.73 | 14% |

Louisville Gas and Electric Company
Estimated Removal Cost in Reserve
at December 2002

| Property Group | Reserve Balance 12-31-02 | Salv/Dep Ratio | Estimated Removal Cost |
|---------------------------------------|--------------------------------|-------------------|---------------------------|
| Intangible Plant | | | |
| 302 Franchises and Consents | 100 | 0% | - |
| 303 Misc Intangible Plant | - | | - |
| Total Intangible Plant | 100 | | - |
| Steam Production Plant | | | |
| Cane Run 1 | 9,717,921 | 0% | - |
| Cane Run 2 | 3,599,596 | 0% | - |
| Cane Run 3 | 9,360,592 | 0% | - |
| Cane Run 4 | 27,104,122 | 18% | 4,878,741.94 |
| Cane Run 5 | 24,639,026 | 18% | 4,435,024.74 |
| Cane Run 6 | 42,775,260 | 17% | 7,271,794.17 |
| Cane Run 4 FGD | 22,203,603 | 0% | - |
| Cane Run 5 FGD | 29,596,490 | 43% | 12,726,490.51 |
| Cane Run 6 FGD | 26,114,613 | 35% | 9,140,114.44 |
| Mill Creek 1 | 60,261,697 | 15% | 9,039,254.60 |
| Mill Creek 2 | 41,305,842 | 15% | 6,195,876.35 |
| Mill Creek 3 | 83,616,061 | 7% | 5,853,124.28 |
| Mill Creek 4 | 123,046,294 | 7% | 8,613,240.61 |
| Mill Creek 1 FGD | 26,916,971 | 14% | 3,768,375.95 |
| Mill Creek 2 FGD | 22,393,336 | 14% | 3,135,067.07 |
| Mill Creek 3 FGD | 24,058,271 | 12% | 2,886,992.49 |
| Mill Creek 4 FGD | 37,063,736 | 9% | 3,335,736.21 |
| Trimble County 1 | 150,632,617 | 3% | 4,518,978.52 |
| Trimble County 1 FGD | 32,078,643 | 5% | 1,603,932.17 |
| Total Steam Production Plant | 796,484,692 | | 81,279,833 |
| Ohio Falls Hydraulic Production Plant | 9,183,403 | 0% | - |
| Other Production Plant | | | |
| Cane Run 11 | 1,832,951 | 0% | - |
| Zorn | 1,749,765 | 0% | - |
| Waterside | 3,270,437 | 0% | - |
| Paddys 11 | 1,481,729 | 0% | - |
| Paddys 12 | 3,056,256 | 0% | - |
| Paddys 13 | 1,711,408 | 0% | - |
| Brown 5 | 1,206,136 | 0% | - |
| Brown 6 | 1,770,494 | 0% | - |
| Brown 7 | 4,054,075 | 0% | - |
| Trimble County 5 | 251,060 | 0% | - |
| Trimble County 6 | 250,927 | 0% | - |
| TC Pipeline | 39,265 | 0% | - |
| Total Other Production Plant | 20,674,502 | | - |
| Transmission Plant | | | |
| 350.1 Land Rights | 1,328,614 | 0% | - |
| 352 Structures and Improvements | 1,552,050 | 18% | 279,369.07 |
| 353.1 Station Equipment | 65,044,509 | 0% | - |

| | | | | |
|--------------------------------------|----------------------|------|--------------------|------------|
| 354 Towers & Fixtures | 17,988,442 | 56% | 10,073,527.73 | |
| 355 Poles & Fixtures | 10,493,122 | 26% | 2,728,211.62 | |
| 356 Overhead Conductors and Devices | 15,781,857 | 44% | 6,944,017.02 | |
| 357 Underground Conduit | 296,505 | 0% | - | |
| 358 Underground Conductors & Devices | 1,062,014 | 0% | - | |
| Total Transmission Plant | 113,547,113 | | 20,025,125 | |
| Distribution Plant | | | | |
| 360.1 Land Rights | (126,985) | 0 | - | |
| 361 Structures and Improvements | 4,271,725 | 0.18 | 768,910.43 | |
| 362 Station Equipment | 38,785,067 | 0.07 | 2,714,954.67 | |
| 364 Poles Towers & Fixtures | 45,059,307 | 0.48 | 21,628,467.18 | |
| 365 Overhead Conductors and Devices | 58,580,199 | 0.32 | 18,745,663.78 | |
| 366 Underground Conduit | 18,971,047 | 0.06 | 1,138,262.82 | |
| 367 Underground Conductors & Devices | 29,087,262 | 0.14 | 4,072,216.74 | |
| 368 Line Transformers | 41,798,461 | 0.13 | 5,433,799.98 | |
| 369 Services | 12,741,426 | 0.62 | 7,899,684.10 | |
| 370 Meters | 13,259,006 | 0.14 | 1,856,260.77 | |
| 373 Street Lighting & Signal Systems | 18,949,708 | 0.13 | 2,463,462.02 | |
| Total Distribution Plant | 281,376,222 | | 66,721,682 | |
| General Plant | | | | |
| 392.0 Transportation Equipment | 10,924,780 | -17% | (1,857,213) | |
| 394 Tool, Shop & Garage Equipment | 665,248 | 0% | - | |
| 395 Laboratory Equipment | 680,339 | -9% | (61,230) | |
| 396 Power Operated Equipment | 2,194,545 | -28% | (614,473) | |
| Total General Plant | 14,464,912 | | (2,532,916) | |
| Total Electric Reserve | 1,235,730,945 | | 165,493,726 | 13% |

Louisville Gas and Electric Company
Estimated Removal Cost in Reserve
at December 2002

| Property Group | Reserve Balance 12-31-02 | Salv/Dep Ratio | Estimated Removal Cost |
|--|--------------------------------|-------------------|---------------------------|
| <u>GAS PLANT</u> | | | |
| <u>INTANGIBLE PLANT</u> | 574,194 | 0% | - |
| <u>UNDERGROUND STORAGE</u> | | | |
| 350.10 LAND | 2,657 | 0% | - |
| 350.20 RIGHTS OF WAY | 17,227 | 0% | - |
| 351.20 COMPRESSOR STATION STRUCTURES | 612,216 | 19% | 113,919.54 |
| 351.30 MEAS. & REG. STATION STRUCTS. | 14,190 | 0% | - |
| 351.40 OTHER STRUCTURES | 702,549 | 36% | 255,063.41 |
| 352.20 RESERVOIRS | 435,216 | 0% | (4.04) |
| 352.30 NONRECOVERABLE NATURAL GAS | 6,498,004 | 0% | 2.79 |
| 352.40 WELL DRILLING | 2,284,122 | 54% | 1,234,368.43 |
| 352.50 WELL EQUIPMENT | 2,490,213 | 38% | 939,950.73 |
| 353.00 LINES | 5,303,771 | 13% | 713,679.40 |
| 354.00 COMPRESSOR STATION EQUIPMENT | 6,416,288 | 0% | 12.78 |
| 355.00 MEAS. & REG. EQUIPMENT | 241,547 | 0% | 22.90 |
| 356.00 PURIFICATION EQUIPMENT | 3,000,444 | 26% | 765,652.11 |
| 357.00 OTHER EQUIPMENT | 188,129 | 0% | 2.64 |
| TOTAL UNDERGROUND | 28,206,572 | | 4,022,671 |
| <u>TRANSMISSION PLANT</u> | | | |
| 365.20 RIGHTS OF WAY | 184,549 | 0% | - |
| 367.00 MAINS | 10,781,829 | 49% | 5,238,918.44 |
| | 10,966,378 | | 5,238,918.44 |
| <u>DISTRIBUTION PLANT</u> | | | |
| 374.00 Land Rights | 63,454 | 0% | - |
| 375.10 CITY GATE CHECK STATION STRUCTS. | 84,620 | 43% | 36,456.99 |
| 375.20 OTHER DISTRIBUTION STRUCTURES | 278,034 | 16% | 44,944.73 |
| 376.00 MAINS | 72,244,897 | 22% | 15,616,723.17 |
| 378.00 MEAS. & REG. STATION EQUIP.-GEN. | 1,714,716 | 7% | 125,687.14 |
| 379.00 MEAS. & REG. STATION EQUIP.-CITY GT | 1,009,276 | 0% | (6.28) |
| 380.00 SERVICES | 29,680,885 | 54% | 16,072,643.62 |
| 381.00 METERS | 5,556,038 | 7% | 397,624.24 |
| 382.00 METER INSTALLATIONS | 1,395,746 | 12% | 170,171.88 |
| 383.00 HOUSE REGULATORS | 1,442,672 | 7% | 101,570.53 |
| 384.00 HOUSE REGULATOR INSTALLATIONS | 413,586 | 0% | 0.73 |
| 385.00 IND. MEAS. REG. & STATION EQUIPMEN | 92,036 | 0% | (10.00) |
| 387.00 OTHER EQUIPMENT | 18,779 | 0% | (2.03) |
| TOTAL DISTRIBUTION | 113,994,740 | | 32,565,805 |
| <u>GENERAL PLANT</u> | | | |
| 392.10 TRANSPORTATION EQUIP-TRUCKS | 2,136,820.64 | 0% | - |
| 392.20 TRANSPORTATION EQUIP-TRAILERS | 78,755 | -13% | (10,257.04) |
| 394.10 SHOP EQUIPMENT | 787,585 | -19% | (149,242.27) |
| 395.00 LABORATORY EQUIPMENT | 210,471 | -8% | (17,182.08) |
| 396.20 POWER OPERATED EQUIPMENT | 1,817,977 | -18% | (333,709.16) |
| TOTAL GENERAL PLANT | 5,031,609 | | (510,391) |
| TOTAL GAS PLANT | 158,773,493 | | 41,317,003 |

**Louisville Gas and Electric Company
Estimated Removal Cost in Reserve
at December 2002**

| <u>Property Group</u> | <u>Reserve Balance 12-31-02</u> | <u>Salv/Dep Ratio</u> | <u>Estimated Removal Cost</u> |
|--|---|---------------------------|-----------------------------------|
| <u>COMMON PLANT</u> | | | |
| <u>GENERAL PLANT</u> | | | |
| 390.10 STRUCTS. & IMPROVES. - MISC. | 14,643,039 | 10% | 1,394,045.60 |
| 390.20 STRUCTS. & IMPROVES. - TRANSP. | 582,428 | 10% | 60,377.62 |
| 390.30 STRUCTS. & IMPROVES. - STORES | 5,877,424 | 12% | 690,342.93 |
| 390.40 STRUCTS. & IMPROVES. - OTHER | 258,257 | 15% | 39,606.55 |
| 390.60 STRUCTS. & IMPROVES. - MICROWAVE | 75,498 | 12% | 8,842.73 |
| 391.00 OFFICE EQUIPMENT - EXCL. COMPUTER | 5,258,703 | -4% | (190,421.33) |
| 392.20 TRANSPORTATION EQUIP. - TRAILERS | 25,213 | -19% | (4,713.03) |
| 393.00 STORES EQUIPMENT | 301,474 | -7% | (19,924.16) |
| 394.20 GARAGE EQUIPMENT | 399,478 | 12% | 47,673.05 |
| 395.00 LAB EQUIPMENT | 6,221 | -13% | (803.81) |
| 396.20 POWER OPERATED EQUIPMENT | 266,994 | -23% | (61,805.03) |
| 397.00 COMMUNICATION EQUIPMENT | 10,120,015 | 0% | (2.82) |
| 398.00 MISC. EQUIPMENT | 147,136 | 0% | - |
| TOTAL DEPREC. GENERAL PLANT | 37,961,880 | | 1,963,218.31 |
| COMPUTER EQUIPMENT | 9,559,023 | 0% | - |
| PC EQUIPMENT | 7,038,487 | 0% | - |
| 389.20 LAND RIGHTS | 85,682 | 0% | - |
| 391.1 TRANSP. CARS & TRUCKS | 495,338 | 0% | - |
| | - | 0% | - |
| <u>TOTAL GENERAL PLANT</u> | 55,140,410 | | 1,963,218 |
| INTANGIBLE PLANT | 18,101,954 | 0% | - |
| <u>TOTAL COMMON PLANT IN SERVICE</u> | 73,242,364 | | 1,963,218 |

Kentucky Utilities Company
Estimated Removal Cost in Reserve
at December 2002

| Property Group | Reserve Balance 12-31-02 | Salv/Dep Ratio | Estimated Removal Cost | |
|--|--------------------------------|-------------------|---------------------------|-----|
| Intangible Plant | | | | |
| 302 Franchises and Consents | 30,161 | | | |
| 303 Misc Intangible Plant | 9,098,856 | | | |
| Total Intangible Plant | 9,129,016 | | | |
| Steam Production Plant | | | | |
| Brown Unit 1 | 31,175,389 | 22% | 6,858,585.60 | |
| Brown Unit 2 | 25,573,077 | 17% | 4,347,423.02 | |
| Brown Unit 3 | 81,080,583 | 13% | 10,540,475.75 | |
| Ghent Unit 1 | 100,224,747 | 10% | 10,022,474.72 | |
| Ghent Unit 2 | 101,658,765 | 19% | 19,315,165.44 | |
| Ghent Unit 3 | 175,352,501 | 12% | 21,042,300.15 | |
| Ghent Unit 4 | 141,254,946 | 10% | 14,125,494.63 | |
| Green River Units 1&2 | 19,587,149 | 48% | 9,401,831.71 | |
| Green River Unit 3 | 15,954,468 | 39% | 6,222,242.60 | |
| Green River Unit 4 | 26,883,951 | 25% | 6,720,987.87 | |
| Pineville Unit 3 | 2,036,242 | 32% | 651,597.42 | |
| Tyrone Unit 3 | 25,979,979 | 52% | 13,509,589.09 | |
| System Laboratory | 618,402 | 0% | - | |
| Pollution Control Equipment | 47,474,392 | 10% | 4,747,439.19 | |
| Total Steam Production Plant | 794,854,593 | | 127,505,607 | |
| Hydraulic Production Plant | | | | |
| Dix Dam | 7,535,236 | 25% | 1,883,809.03 | |
| Lock # 7 | 788,668 | 54% | 425,880.79 | |
| Total Hydraulic Production Plant | 8,323,904 | | 2,309,689.82 | |
| Other Production Plant | | | | |
| Brown 5 | 1,052,014 | 0% | - | |
| Brown 6 | 4,200,846 | 0% | - | |
| Brown 7 | 4,501,716 | 0% | - | |
| Brown 8 | 7,443,528 | 0% | - | |
| Brown 9 | 10,106,714 | 0% | - | |
| Brown 9 Pipeline | 2,230,833 | 0% | - | |
| Brown 10 | 6,645,682 | 0% | - | |
| Brown 11 | 7,025,522 | 0% | - | |
| Haefling | 4,284,007 | 0% | - | |
| Paddys 13 | 1,498,867 | 0% | - | |
| TC 5 | 613,822 | 0% | - | |
| TC 6 | 613,501 | 0% | - | |
| TC Pipeline | 95,855 | 0% | - | |
| Total Other Production Plant | 50,312,905 | | - | |
| Transmission Plant | | | | |
| 350.1 Land Rights | 13,791,158 | 0% | - | |
| 352 Structures and Improvements | 3,753,177 | 45% | 1,688,929.50 | |
| 353.1 Station Equipment | 48,523,476 | 14% | 6,793,286.66 | |
| 353.2 Syst Control/Microwave Equip | 12,319,025 | 19% | 2,340,614.82 | |
| 354 Towers & Fixtures | 35,979,699 | 55% | 19,788,834.20 | |
| 355 Poles & Fixtures | 50,576,279 | 59% | 29,840,004.41 | |
| 356 Overhead Conductors and Devices | 83,709,013 | 53% | 44,365,776.65 | |
| 357 Underground Conduit | 98,812 | 11% | 10,847.28 | |
| 358 Underground Conductors & Devices | 645,771 | 8% | 51,661.68 | |
| Total Transmission Plant | 249,396,209 | | 104,879,955 | |
| Distribution Plant | | | | |
| 360.1 Land Rights | 951,241 | 0 | - | |
| 361 Structures and Improvements | 1,196,111 | 0.14 | 167,455.57 | |
| 362 Station Equipment | 24,988,144 | 0.13 | 3,248,458.72 | |
| 364 Poles Towers & Fixtures | 83,400,337 | 0.44 | 36,696,148.39 | |
| 365 Overhead Conductors and Devices | 86,113,585 | 0.46 | 39,612,248.22 | |
| 366 Underground Conduit | 595,503 | 0.16 | 95,280.46 | |
| 367 Underground Conductors & Devices | 10,039,190 | 0.11 | 1,104,310.92 | |
| 368 Line Transformers | 74,145,010 | 0.13 | 9,638,851.32 | |
| 369 Services | 40,675,621 | 0.43 | 17,490,516.97 | |
| 370 Meters | 23,665,574 | 0.15 | 3,549,836.08 | |
| 371 Installations on Customer Premises | 9,433,568 | 0 | - | |
| 373 Street Lighting & Signal Systems | 16,473,489 | 0.14 | 2,306,288.50 | |
| Total Distribution Plant | 371,679,812 | | 113,909,396 | |
| General Plant | | | | |
| 389.1 Land Rights | 154,183 | 0% | - | |
| 390.1 Structures & Improvements | 7,705,511 | 0% | - | |
| 391.1 Office Furniture & Equipment | 15,345,624 | 0% | - | |
| 392.0 Transportation Equipment | 20,582,770 | 0% | - | |
| 393 Stores Equipment | 253,419 | -12% | (30,410) | |
| 394 Tool, Shop & Garage Equipment | 1,130,302 | -8% | (90,424) | |
| 395 Laboratory Equipment | 1,219,542 | -5% | (60,977) | |
| 396 Power Operated Equipment | 117,318 | -61% | (71,584) | |
| 397 Communication Equipment | 2,718,367 | 0% | - | |
| 398 Misc Equipment | 258,333 | 0% | - | |
| Total General Plant | 49,485,369 | | (253,375) | |
| Total Reserve | 1,533,181,808 | | 348,351,273 | 23% |
| RWIP | 347,614,28 | | | |
| | <u>1,536,657,952</u> | | | |

Appendix E

Discount and Inflation Rates

| | | | | | |
|-------------------------------|---------------|------|---------|------------|---|
| Post-it [®] Fax Note | 7671 | Date | 1-10-03 | # of pages | 2 |
| To | Gerald Skaggs | | From | D. Arbouh | |
| Co./Dept. | | | Co. | | |
| Phone # | 2825 | | Phone # | | |
| Fax # | | | Fax # | | |

2

Index HP

CLOSE/MID/ YIELD

SPWUA20 S&P Corp Utl Yld A 20 Year

Page 1 / 2

6.610 % Per Annum

HI 8.520

ON 3/19/02

AVE 7.7435

LOW 6.420

ON 12/24/02

Range 1/15/02 to 12/31/02 Period Weekly

| DATE | YIELD | DATE | YIELD | DATE | YIELD |
|-----------|-------|----------|-------|----------|-------|
| DEC 12/31 | 6.610 | SEP 9/24 | 7.180 | JUN 6/25 | 7.790 |
| 12/24 L | 6.420 | 9/17 | 7.190 | 6/18 | 7.790 |
| 12/17 | 6.520 | 9/10 | 7.420 | 6/11 | 7.920 |
| 12/10 | 6.760 | 9/ 3 | 7.360 | 6/ 4 | 8.000 |
| 12/ 3 | 6.950 | | | | |
| NOV 11/26 | 6.900 | AUG 8/27 | 7.660 | MAY 5/28 | 8.200 |
| 11/19 | 6.890 | 8/20 | 7.530 | 5/21 | 8.220 |
| 11/12 | 6.810 | 8/13 | 7.550 | 5/14 | 8.340 |
| 11/ 5 | 7.150 | 8/ 6 | 8.170 | 5/ 7 | 8.080 |
| OCT 10/29 | 7.100 | JUL 7/30 | 8.270 | APR 4/30 | 8.140 |
| 10/22 | 7.960 | 7/23 | 7.860 | 4/23 | 8.230 |
| 10/15 | 7.550 | 7/16 | 7.970 | 4/16 | 8.250 |
| 10/ 8 | 7.140 | 7/ 9 | 7.800 | 4/ 9 | 8.250 |
| 10/ 1 | 7.350 | 7/ 2 | 7.860 | 4/ 2 | 8.360 |

Australia 61 2 9777 8500

Brazil 55 11 3038 4500

Europe 44 20 7330 7500

Germany 49 69 920410

Hong Kong 852 2977 6000 Japan 81 3 3301 8900 Singapore 65 212 1000 U.S. 1 212 318 2000

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<HELP> for explanation.

N161 Index **HP**

CLOSE/MID/YIELD
SPWUA20 S&P Corp Util Yld A 20 Year

Page 2 / 2

6.610 % Per Annum

HI 8.520 ON 3/19/02

AVE 7.7435

LDW 6.420 ON 12/24/02

Range **1/15/02** to **12/31/02** Period Weekly

| DATE | YIELD | DATE | YIELD | DATE | YIELD |
|----------|-------|------|-------|------|-------|
| MAR 3/26 | 8.410 | | | | |
| 3/19 H | 8.520 | | | | |
| 3/12 | 8.510 | | | | |
| 3/ 5 | 8.340 | | | | |
| FEB 2/26 | 8.250 | | | | |
| 2/19 | 8.230 | | | | |
| 2/12 | 8.330 | | | | |
| 2/ 5 | 8.150 | | | | |
| JAN 1/29 | 8.200 | | | | |
| 1/22 | 8.240 | | | | |
| 1/15 | 8.240 | | | | |

Australia 61 2 9777 8600 Brazil 5511 3049 4300 Europe 44 20 7330 7500 Germany 49 69 920410
 Hong Kong 852 2977 6000 Japan 81 3 3201 8900 Singapore 65 212 1000 U.S. 1 212 318 2000
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Skaggs, Gerald

From: Arbough, Dan
Sent: Monday, November 18, 2002 1:20 PM
To: Skaggs, Gerald
Subject: RE: Interest Rates

Gerald,

The 30 year treasury is now yielding 4.91% and the 30 year inflation adjusted bond is yielding 2.81% suggesting an inflation premium of 2.1%.

The utility bond index was most recently (Nov. 5) showing a yield of 7.15% while the 20 year treasury was trading at approximately 4.39% on Nov. 5. The risk premium is 3.24%. One of KU's bonds continues to trade at about 8%, but the issue is quite small and illiquid so I don't think it provides a very useful market gauge.

Dan

-----Original Message-----

From: Skaggs, Gerald
Sent: Monday, November 18, 2002 9:21 AM
To: Arbough, Dan
Subject: FW: Interest Rates

Dan,

Attached are some rates you gave me in July for FAS 143. Given the drop in interest rates since then, I assume we need to revise our FAS 143 assumptions. Can you tell me the appropriate rates to use now.

Thanks

G

-----Original Message-----

From: Arbough, Dan
Sent: Thursday, July 25, 2002 5:51 PM
To: Skaggs, Gerald
Subject: Interest Rates

Gerald,

I pulled some information from Bloomberg which I will summarize below, but would be happy to fax to you if you'd like.

FAS 143 Assumptions

The current 30 year treasury bond yield is 5.3% while the 30 year inflation adjusted treasury is yielding 2.99%. Based on this, the market's inflation expectation over the 30 year period is 2.31%.

The current corporate utility bond index yield for A rated issuers is 7.97% for 20 years (the longest quoted index). The 20 year treasury is yielding about 4.84% resulting in a risk premium of 3.13%. It is difficult to track a security for KU or LG&E specifically because all of the longer term bonds are either tax exempt or contain embedded call options, but one of KU's bonds maturing in 2027 was yielding 8% today.

City of Paris, KY sale

I checked the credit rating of Paris, KY and they have only one bond outstanding that is rated and

it is insured so I am not clear on the creditworthiness of Paris. However, I was able to find index rates for municipal power issuers. I would suggest using a maturity of 3 years or so because it is close to the average life of a mortgage style five year bond. The index for a 3 year AA municipal utility is 2.32% while a A rated utility is 2.55%. Most municipal issuers would be A or better. I would suggest using the 2.55% discount rate in your calculations.

Call me if you have questions.

Dan

Skaggs, Gerald

From: Arbough, Dan
Sent: Thursday, July 25, 2002 5:51 PM
To: Skaggs, Gerald
Subject: Interest Rates

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City of Paris, KY sale

I checked the credit rating of Paris, KY and they have only one bond outstanding that is rated and it is insured so I am not clear on the creditworthiness of Paris. However, I was able to find index rates for municipal power issuers. I would suggest using a maturity of 3 years or so because it is close to the average life of a mortgage style five year bond. The index for a 3 year AA municipal utility is 2.32% while a A rated utility is 2.55%. Most municipal issuers would be A or better. I would suggest using the 2.55% discount rate in your calculations.

Call me if you have questions.

Dan

use 7.97 discount rate

07-26-02 12:43 LGZ

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P. 0

| | | | | | |
|------------------|---------------|------|---------|-------------|---|
| Post-it Fax Note | 7671 | Date | 7-26-02 | # of pages | 6 |
| To | Gerald Skaggs | | From | Dan Arbough | |
| Co./Dept | | | Co. | | |
| Phone # | | | Phone # | | |
| Fax # | | | Fax # | | |

<HELP> for explanation.

N160 Index BIL

Press # <GO> to select an index or <TAB> to change # of periods to look back

S&P CORP UTILITY BOND YIELD

| SOURCE: Standard & Poor's MMS | | <Indx> | CURRENT | PREVIOUS | PCT |
|-------------------------------|----------|--------|------------|------------|-------|
| INDEX | TICKER | | VALUE | VALUE | CHNG |
| 1) S&P CORP UTL YLD AA 1Y | SPWUAA1 | | 6.560 6/25 | 6.600 6/18 | -0.61 |
| 2) S&P CORP UTL YLD AA 5Y | SPWUAA5 | | 7.050 6/25 | 7.060 6/18 | -0.14 |
| 3) S&P CORP UTL YLD AA 10Y | SPWUAA10 | | 7.100 6/25 | 7.100 6/18 | 0.00 |
| 4) S&P CORP UTL YLD AA 15Y | SPWUAA15 | | 7.250 6/25 | 7.270 6/18 | -0.28 |
| 5) S&P CORP UTL YLD AA 20Y | SPWUAA20 | | | | |
| 6) S&P CORP UTL YLD AA 25Y | SPWUAA25 | | | | |
| 7) S&P CORP UTL YLD A 1Y | SPWUA1 | | 2.960 7/16 | 2.990 7/ 9 | -1.00 |
| 8) S&P CORP UTL YLD A 5Y | SPWUA5 | | 5.710 7/16 | 5.670 7/ 9 | 0.71 |
| 9) S&P CORP UTL YLD A 10Y | SPWUA10 | | 6.840 7/16 | 6.740 7/ 9 | 1.48 |
| 10) S&P CORP UTL YLD A 15Y | SPWUA15 | | 7.640 7/16 | 7.510 7/ 9 | 1.73 |
| 11) S&P CORP UTL YLD A 20Y | SPWUA20 | | 7.970 7/16 | 7.800 7/ 9 | 2.18 |
| 12) S&P CORP UTL YLD A 25Y | SPWUA25 | | .000 7/16 | .000 7/ 9 | |
| 13) S&P CORP UTL YLD BBB 1Y | SPWU3B1 | | 3.990 7/16 | 3.700 7/ 9 | 7.84 |
| 14) S&P CORP UTL YLD BBB 5Y | SPWU3B5 | | 6.310 7/16 | 6.210 7/ 9 | 1.61 |
| 15) S&P CORP UTL YLD BBB 10 | SPWU3B10 | | 7.250 7/16 | 7.200 7/ 9 | 0.69 |
| 16) S&P CORP UTL YLD BBB 15 | SPWU3B15 | | 7.950 7/16 | 7.930 7/ 9 | 0.25 |
| 17) S&P CORP UTL YLD BBB 20 | SPWU3B20 | | | | |
| 18) S&P CORP UTL YLD BBB 25 | SPWU3B25 | | | | |

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 Hong Kong 852 2577 6000 Japan 81 3 3201 8900 Singapore 65 212 1000 U.S. 1 212 319 2000 Copyright 2002 Bloomberg L.P.
 6263-37-0 25-Jul-02 17:35:22



6.61
 year end
 at year end

<HELP> for explanation.

N160 Govt C13

17:30

YIELD CURVE (BLOOMBERG GENERIC-ASK)

PAGE 2 OF 2

| | CURR SECURITIES | | PREVIOUS CLOSE | NOW | YLD CHN | PRI CHN |
|--|-----------------|--|-----------------|-----------------|---------|---------|
| 3 Mo - | 10/24/02 | | 1.65 (1.68) | 1.65 (1.68) | 0.00 + | 0 |
| 6 Mo - | 1/23/03 | | 1.65 (1.69) | 1.64 (1.68) | -0.01 - | 1 |
| ----- | | | | | | |
| 2 Yr - 2 ¹ / ₄ | 7/31/04 | | 99-26 (2.35) | 99-31+ (2.26) | -0.09 + | 0-05+ |
| 5 Yr - 4 ³ / ₈ | 5/15/07 | | 103-23+ (3.52) | 104-06 (3.42) | -0.10 + | 0-14+ |
| * 10Yr - 4 ⁷ / ₈ | 2/15/12 | | 103-00 (4.49) | 103-26+ (4.38) | -0.11 + | 0-26+ |
| * 30Yr - 5 ³ / ₈ | 2/15/31 | | 100-15+ (5.34) | 101-04+ (5.30) | -0.04 + | 0-21 |

current yld

INFLATION INDEXED TREASURY

| | | | | |
|--|---------|-----------------|-----------------|---------|
| 5Yr - 3 ³ / ₈ | 1/15/07 | 105-18+ (2.06) | 105-20 (2.05) | + 0-01+ |
| * 10Yr - 3 | 7/15/12 | 101-30+ (2.77) | 102-13 (2.72) | + 0-14+ |
| * 30Yr - 3 ³ / ₈ | 4/15/32 | 107-07+ (3.01) | 107-17+ (2.99) | + 0-10 |

inflation adjusted yld

Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 920410
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Expected inflation 2.31 per Don Arbough email.

*Credit adjusted risk Free rate = 5.3 + 3.13
risk premium = 8.43*

4

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Power

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| SECURITY | Ticker | PREV | DATE | PREVIOUS | % CHANGE |
|-------------|--------|------|-------|----------|----------|
| AA1 | | | | | |
| 3) 3 Month | POTT3M | 1.20 | 17:00 | 1.24 | -3.23 |
| 4) 6 Month | POTT6M | 1.30 | 17:00 | 1.31 | -.76 |
| 5) 1 Year | POTT01 | 1.55 | 17:00 | 1.56 | -.64 |
| 6) 2 Year | POTT02 | 1.95 | 17:00 | 1.99 | -2.01 |
| 7) 3 Year | POTT03 | 2.32 | 17:00 | 2.36 | -1.69 |
| 8) 4 Year | POTT04 | 2.69 | 17:00 | 2.73 | -1.47 |
| 9) 5 Year | POTT05 | 3.02 | 17:00 | 3.06 | -1.31 |
| 10) 7 Year | POTT07 | 3.55 | 17:00 | 3.59 | -1.11 |
| 11) 9 Year | POTT09 | 3.95 | 17:00 | 3.99 | -1.00 |
| 12) 10 Year | POTT10 | 4.10 | 17:00 | 4.14 | -.97 |
| 13) 12 Year | POTT12 | 4.35 | 17:00 | 4.38 | -.68 |
| 14) 14 Year | POTT14 | 4.54 | 17:00 | 4.55 | -.22 |
| 15) 15 Year | POTT15 | 4.62 | 17:00 | 4.63 | -.22 |
| 16) 17 Year | POTT17 | 4.77 | 17:00 | 4.78 | -.21 |
| 17) 19 Year | POTT19 | 4.90 | 17:00 | 4.91 | -.20 |
| 18) 20 Year | POTT20 | 4.95 | 17:00 | 4.96 | -.20 |
| 19) 25 Year | POTT25 | 5.00 | 17:00 | 5.01 | -.20 |
| 20) 30 Year | POTT30 | 5.01 | 17:00 | 5.02 | -.20 |

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| SECURITY | Ticker | CURRENT | DATE | PREVIOUS | % CHANGE |
|-------------|----------|---------|-------|----------|----------|
| AA3 | | | | | |
| 3) 3 Month | POWR2A3M | 1.22 | 17:00 | 1.26 | -3.17 |
| 4) 6 Month | POWR2A6M | 1.32 | 17:00 | 1.33 | -.75 |
| 5) 1 Year | POWR2A01 | 1.57 | 17:00 | 1.58 | -.63 |
| 6) 2 Year | POWR2A02 | 1.97 | 17:00 | 2.01 | -1.99 |
| 7) 3 Year | POWR2A03 | 2.34 | 17:00 | 2.38 | -1.68 |
| 8) 4 Year | POWR2A04 | 2.71 | 17:00 | 2.75 | -1.45 |
| 9) 5 Year | POWR2A05 | 3.04 | 17:00 | 3.08 | -1.30 |
| 10) 7 Year | POWR2A07 | 3.57 | 17:00 | 3.61 | -1.11 |
| 11) 9 Year | POWR2A09 | 3.97 | 17:00 | 4.01 | -1.00 |
| 12) 10 Year | POWR2A10 | 4.12 | 17:00 | 4.16 | -.96 |
| 13) 12 Year | POWR2A12 | 4.37 | 17:00 | 4.40 | -.68 |
| 14) 14 Year | POWR2A14 | 4.56 | 17:00 | 4.57 | -.22 |
| 15) 15 Year | POWR2A15 | 4.64 | 17:00 | 4.65 | -.22 |
| 16) 17 Year | POWR2A17 | 4.79 | 17:00 | 4.80 | -.21 |
| 17) 19 Year | POWR2A19 | 4.92 | 17:00 | 4.93 | -.20 |
| 18) 20 Year | POWR2A20 | 4.97 | 17:00 | 4.98 | -.20 |
| 19) 25 Year | POWR2A25 | 5.02 | 17:00 | 5.03 | -.20 |
| 20) 30 Year | POWR2A30 | 5.03 | 17:00 | 5.04 | -.20 |

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| SECURITY | Ticker | CURRENT | DATE | PREVIOUS | % CHANGE |
|----------|---------|----------|------------|----------|----------|
| A1 | | | | | |
| 3) | 3 Month | POWRA13M | 1.35 17:00 | 1.39 | -2.88 |
| 4) | 6 Month | POWRA16M | 1.46 17:00 | 1.47 | -.68 |
| 5) | 1 Year | POWRA101 | 1.70 17:00 | 1.69 | .59 |
| 6) | 2 Year | POWRA102 | 2.15 17:00 | 2.15 | .00 |
| 7) | 3 Year | POWRA103 | 2.55 17:00 | 2.59 | -1.54 |
| 8) | 4 Year | POWRA104 | 2.90 17:00 | 2.94 | -1.36 |
| 9) | 5 Year | POWRA105 | 3.21 17:00 | 3.25 | -1.23 |
| 10) | 7 Year | POWRA107 | 3.67 17:00 | 3.71 | -1.08 |
| 11) | 9 Year | POWRA109 | 4.03 17:00 | 4.07 | -.98 |
| 12) | 10 Year | POWRA110 | 4.17 17:00 | 4.21 | -.95 |
| 13) | 12 Year | POWRA112 | 4.40 17:00 | 4.43 | -.68 |
| 14) | 14 Year | POWRA114 | 4.60 17:00 | 4.61 | -.22 |
| 15) | 15 Year | POWRA115 | 4.67 17:00 | 4.68 | -.21 |
| 16) | 17 Year | POWRA117 | 4.80 17:00 | 4.81 | -.21 |
| 17) | 19 Year | POWRA119 | 4.93 17:00 | 4.94 | -.20 |
| 18) | 20 Year | POWRA120 | 4.97 17:00 | 4.98 | -.20 |
| 19) | 25 Year | POWRA125 | 5.07 17:00 | 5.08 | -.20 |
| 20) | 30 Year | POWRA130 | 5.08 17:00 | 5.09 | -.20 |

*

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use 2.55 % for discount rate Paris sale transac
per Dan Arbough email dated July 25, 2002

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| SECURITY | Ticker | CURRENT | DATE | PREVIOUS | % CHANGE |
|-------------|----------|---------|-------|----------|----------|
| A3 | | | | | |
| 3) 3 Month | POWR1A3M | 1.40 | 17:00 | 1.44 | -2.78 |
| 4) 6 Month | POWR1A6M | 1.50 | 17:00 | 1.51 | -.66 |
| 5) 1 Year | POWR1A01 | 1.77 | 17:00 | 1.76 | .57 |
| 6) 2 Year | POWR1A02 | 2.23 | 17:00 | 2.24 | -.45 |
| 7) 3 Year | POWR1A03 | 2.61 | 17:00 | 2.65 | -1.51 |
| 8) 4 Year | POWR1A04 | 2.97 | 17:00 | 3.01 | -1.33 |
| 9) 5 Year | POWR1A05 | 3.28 | 17:00 | 3.32 | -1.20 |
| 10) 7 Year | POWR1A07 | 3.74 | 17:00 | 3.78 | -1.06 |
| 11) 9 Year | POWR1A09 | 4.10 | 17:00 | 4.14 | -.97 |
| 12) 10 Year | POWR1A10 | 4.24 | 17:00 | 4.28 | -.93 |
| 13) 12 Year | POWR1A12 | 4.48 | 17:00 | 4.51 | -.67 |
| 14) 14 Year | POWR1A14 | 4.70 | 17:00 | 4.71 | -.21 |
| 15) 15 Year | POWR1A15 | 4.80 | 17:00 | 4.81 | -.21 |
| 16) 17 Year | POWR1A17 | 4.96 | 17:00 | 4.97 | -.20 |
| 17) 19 Year | POWR1A19 | 5.07 | 17:00 | 5.08 | -.20 |
| 18) 20 Year | POWR1A20 | 5.11 | 17:00 | 5.12 | -.20 |
| 19) 25 Year | POWR1A25 | 5.14 | 17:00 | 5.15 | -.19 |
| 20) 30 Year | POWR1A30 | 5.15 | 17:00 | 5.16 | -.19 |

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Appendix F
Environmental Regulations

Clean Water Act

1. National Pollutant Discharge Elimination System
 - ash treatment basins
 - coal pile runoff basins (limestone) (gypsum) (any material storage pile)
 - sewage treatment plants

KYDOW 401 KAR Chapter 5
USEPA 40 CFR Part 122, 123, 124, 125, 129 & 423

2. Best Management Practices Plan
 - hazardous chemical storage (aboveground)

KYDOW 401 KAR Chapter 5
USEPA 40 CFR Part 125 Subpart K

3. Spill Prevention Control and Countermeasures Plan and Facility Response Plan
 - petroleum product storage (aboveground)

KYDOW 401 KAR Chapter 5
USEPA 40 CFR Part 112 Part 151

must properly close all wastewater treatment facilities under KPDES permit program

must remove all material storage piles (coal, limestone, gypsum, etc.) to eliminate the potential for "contaminated" stormwater runoff from the site

must drain/remove all hazardous chemicals/petroleum products from aboveground storage tanks/reservoirs and recycle/reuse or disposed of properly

FASB 143

Asset Retirement Obligations

Clean Air Act

1. Title III – Hazardous Air Pollutants

asbestos – only a concern if there is a “release” to the environment of 1 lb. or more – typically, asbestos can be left in place as long as it is in a non-friable state (i.e., encapsulated, covered with lagging, etc.)

USEPA asbestos NESHAPS = 40 CFR Part 63

KYDAQ asbestos = 401 KAR Chapter 58

2. Title VI – Stratospheric Ozone Protection

refrigerants – must be removed at the end of the useful life of a piece of refrigerant equipment – must be recycled or disposed of properly

USEPA refrigerant rule = 40 CFR Part 82

Resource Conservation and Recovery Act

1. Hazardous Wastes: toxic, ignitable, corrosive

KYDWM 401 KAR Chapter 31 & 32
USEPA 40 CFR Part 260, 261, 262, 263, 270 & 271

must be removed from the site and disposed of properly
LQ hazardous wastes, mercury, laboratory chemicals, boiler water
chemicals

2. Special Wastes: coal, ash, (bottom and fly), scrubber sludge

KYDWM 401 KAR Chapter 45
USEPA 40 CFR Part 261

coal combustion by-product storage disposal facilities must be properly
closed and monitored
ash treatment basins
scrubber sludge landfills

Toxic Substances Control Act

1. PCBs
USEPA 40 CFR Part 761

must be removed from electrical equipment (transmission and distribution
substations GSUs) at the end of its useful life and disposed of properly

removed gas pipeline – wipe for PCBs and disposed of properly

Comprehensive Emergency Response and Liability Act

1. Underground Storage Tank Program

KYDWM 401 KAR Chapter 42
USEPA 40 CFR Part 280 & 281

must properly "close" all USTs

Corps of Engineers

barge mooring facilities / intake and discharge structures

Federal Aviation Administration

striping (painted red/white stripes)

chimneys → lighting requirements on stacks of a certain height and/or distance from airports

LG&E ENERGY

Gerald—

Here is a marked up ARO
list for you — I have put
the statute containing the
requirement after each
description.

Caryl

Caryl M. Pfeiffer
Director, Environmental Affairs
502-627-2774
502-627-2930 FAX

Asset Retirement Obligations
 Underlying Asset Inventory

| Asset Retirement Obligation Summary | | Legal/Regulatory Requirement |
|-------------------------------------|--|---|
| Location | Description | Corps of Engineers? |
| MC4 | River call, work barge, and bridge removal | Resource Conservation and Recovery Act |
| MC3 | Ash Pond & Landfill | Clean Water Act |
| MC3 | Storage Pile Remediation | Clean Water Act |
| MC1 | Storage Pile Remediation | Clean Water Act |
| MC3 | Drain oil oil storage tanks | Resource Conservation and Recovery Act |
| MC | Empty & Remediate above ground haz mat storage | Clean Water Act |
| MC | Mercury Switch Removal | Resource Conservation and Recovery Act |
| MC | Drain transformers | Clean Water Act |
| | Mill Creek 1 | Toxic Substances Control Act |
| | Mill Creek 2 | |
| | Mill Creek 3 | |
| | Mill Creek 4 | |
| | Mill Creek Spare | |
| MC | Lab Chemical disposal | Resource Conservation and Recovery Act |
| MC | Fill Underground Tunnel under 31W | Legal reviewing |
| MC4so2 | Chemical Tank clean up | Clean Water Act |
| MC | Radiation Sources | The Cabinet for Human Resources - KRS 211.844, regulation 902 KAR Chapter 100 |

CAA = Clean Air Act
 CWA = Clean Water Act
 RCRA = Resource Conservation & Recovery Act
 CERCLA = Comprehensive Environmental Response, Compensation & Liability Act
 TSCA = Toxic Substances Control Act

KE FER

| Location | Description | Cost (\$000s) | Comment |
|----------|--|---------------|--|
| CR | Ash Pond Closure RCRA (moves from CWA) | \$ 700 | 70 acres @ \$10k per acre - based on Pineville - not unit specific |
| CR | Landfill Closure RCRA | \$ 1,000 | 110 acres - based on 65 acre closure bond estimate |
| CR | Coal Pile CWA | \$ 100 | 100k for closure |
| CR | Mercury Removal RCRA | \$ 5 | Based on Pineville estimate - allocate evenly across 3 units |
| CR | Nuclear Source Removal | \$ 50 | 50 cesium sources - allocate evenly across 3 units |
| CR | Station Oil Reservoirs CWA | \$ 500 | 420,000 gallons - allocate evenly across 3 units |
| CR | Sewage Treatment Plant CWA | \$ 50 | Based on Pineville estimate |
| CR | Refrigerant Removal CWA | \$ 50 | |
| OF | Total Cost | \$ 8,000 | |
| MC | Refrigerant Removal CAA | \$ 50 | Developed from work done in conjunction with rehabilitation analyses - This assumes we would walk away from our FERC license and close the facility. |
| MC | River cell, work barge, and bridge removal (CORPS) | \$ 800 | Not unit specific |
| MC | Ash Pond & Landfill RCRA | \$ 5,000 | Status of landfill unknown - need to hire consultant - not unit specific - Range of \$4M - \$6M was provided. An average was used. |
| MC | Storage Pile Remediation CWA | \$ 2,000 | Assumes maximum fuel utilization (zero tons of usable coal) - not unit specific |
| MC | Drain Boiler Water | \$ 120 | Allocate evenly across units |
| MC | Drain all oil storage tanks CWA | \$ 200 | 16 tanks - Allocate evenly across units |
| MC | Empty & Remediate above ground haz mat storage CWA | \$ 30 | Asbestos, mercury, used oil, chemicals - Allocate evenly across units. This is a building which contains waste material that has already been removed for disposal. This is not associated with an asset. Only the material must go, not the building. The cost is for disposal of the material. |
| MC | Mercury Switch Removal RCRA | \$ 60 | All encapsulated - Allocate evenly across units |
| MC | Drain transformers & wrap in nitrogen blanket CWA | \$ 1,650 | Including OCB (oil current breaker) - 28 transformers - Allocate evenly across units |
| MC2 | Demo Unit 2 Cooling Tower | \$ 150 | |
| MC3 | Asbestos Fill in Unit 3 Cooling towers CAA | \$ 600 | |
| MC4 | Asbestos Fill in Unit 4 Cooling towers CAA | \$ 600 | |
| MC | Lab Chemical disposal RCRA | \$ 10 | Not unit specific |
| MC | Fill Underground Tunnel under 31W | \$ 25 | Not unit specific |
| MC | Chemical Tank clean up CWA | \$ 150 | Not unit specific |
| MC | Radiation Sources | \$ 50 | Allocate evenly across units |
| TC1 | Ash Pond Closure RCRA | \$ 1,000 | \$10k/acre at 100 acres |
| TC1 | Coal storage area CWA | \$ 225 | \$5k/acre at 45 acres |
| TC1 | Mercury Removal - Level Instrumentation RCRA | \$ 2 | Quote - 1 barrel - Located throughout the plant. Small 4" cube box. Used wherever level indication is needed. These are potentially used wherever there is water in the system that needs to be measured. - Tie to boiler asset on TC1. |
| TC1 | Nuclear Source Removal - Coal Flow Indicators | \$ 40 | Cesium source removal - \$1,600 per 25 sources - 25 boxes attached to outside of ductwork and above coal feeders. Tie to conveyors on TC1. |
| TC1 | Sewage Treatment Plant CWA | \$ 10 | |
| | Summary | | |

Asset Retirement Obligation Summary

| Location | Description | Cost (\$000s) | Comment |
|----------|---|---------------|---|
| GH | Ash Pond ATB1 & II <i>RORA</i> | \$ 1,950 | Closure at \$10k per acre - 195 acres - \$1M for ATB 1 and \$1.5M for ATB II |
| GH | Gypsum Stack <i>CWA</i> | \$ 400 | Closure at \$10k per acre - 40 acres |
| GH | Radiation Sources | \$ 140 | Cesium Sources - 154 - Cesium sources - 154. Unit 1 - 15%; Unit 2 - 24%; Unit 3 - 16%; Unit 4 - 19%; Scrubber - 9%; Coal Yard - 17% |
| GH | Radiation Sources | \$ 300 | Radium Sources - 42 - Radium Sources - 42; Unit 1 - 6; Unit 2 - 12; Unit 3 - 12; Unit 4 - 12 |
| GH | GSU, transformer oil, lubricating oils, ehc fluid <i>CWA, TORCA</i> | \$ 600 | Estimate - need to validate |
| GH | Demolition of Cooling Towers | \$ 500 | \$125K per unit |
| GH | Removal of 10,000 Gallon underground tank <i>RORA</i> | \$ 30 | Common to the plant in the Coal Yard |
| GH | Remediation of underground fuel oil piping <i>CERCLA</i> | \$ 75 | Common to the plant or divide equally among the 4 units |
| GH | Remove railroad crossing from highway 42 | \$ 50 | Common to the plant |
| GH | Mercury Removal <i>RORA</i> | \$ 50 | 12.5 per unit |
| GH | Lab Chemical disposal <i>RORA</i> | \$ 10 | Common to the plant |
| GH | Remove pipe bridge over highway 42 | \$ 50 | Unit 1 specific today - will ultimately, serve unit 2 if it is a limestone FGD |
| GH | Fill underground tunnel for piping under highway 42 | \$ 25 | Common to the entire plant |
| GH | Chemical Tank clean up <i>CWA</i> | \$ 250 | Common to the plant - divide equally among the units |
| GH | Sewage Plant <i>CWA</i> | \$ 50 | Pineville Estimate |
| GH | Refrigeration gases <i>CAA</i> | \$ 50 | Estimate - need to validate |
| GH | Coal Yard covering <i>CWA</i> | \$ 500 | Assuming that we would be required to close in similar to the ash pond - Not unit specific |
| BR ST | Ash Pond <i>RORA</i> | \$ 5,000 | Closure at \$100,000 per acre - need to validate acreage - Not unit specific - Steam units only 1,2,3 |
| BR3 | Radiation Sources - BR3 | \$ 135 | Radiation Sources at \$7,500 per source (18) - Sources located with the following 10 assets with UOP 5676: 3-1 Feeder Upper; 3-1 Feeder Lower; 3-2 Feeder Upper; 3-2 Feeder Lower; 3-3 Feeder Upper; 3-3 Feeder Lower; 3-4 Feeder Upper; 3-4 Feeder Lower; 3-5 Feeder Upper; 3-5 Feeder Lower. Also, the following assets with UOP 5025: Hoppers A26 & A22; Hoppers A25 & A21; Hoppers A24 & A20; Hoppers A23 & A19; Hoppers B26 & B22; Hoppers B25 & B21; Hoppers B24 & B20; Hoppers B23 & B19 |
| BR1 | Demolition Service Water Pump structures - BR1 | \$ 50 | Estimate - need to validate |
| BR2 | Demolition Service Water Pump structures - BR2 | \$ 50 | Estimate - need to validate |
| BR3 | Demolition Service Water Pump structures - BR3 | \$ 100 | Estimate - need to validate |
| BR ST | GSU, transformer oil, lubricating oils, ehc fluid <i>CWA, TORCA</i> | \$ 450 | 3 Units at \$150,000 each - Not unit specific - include BR 1, 2, 3 Transformers only. Tie to BR3 |
| BR CT | GSU, transformer oil, lubricating oils, ehc fluid <i>CWA, TORCA</i> | \$ 1,050 | 7 Units at \$150,000 each - Not unit specific - include BR 5, 6, 7, 8, 9, 10, 11 Transformers only. Tie to BR 7. |
| BR1 | Demolition of Cooling Towers - Unit 1 | \$ 250 | Estimate - need to validate 1 tower at \$250k |
| BR2 | Demolition of Cooling Towers - Unit 2 | \$ 250 | Estimate - need to validate 1 tower at \$250k |
| BR3 | Demolition of Cooling Towers - Unit 3 | \$ 500 | Estimate - need to validate 2 towers at \$250k each |

S:\Shannon\Generation\ARO Consol.xls

Summary

7/30/2002 2:29 PM

Asset Retirement Obligation Summary

| Location | Description | Cost (\$000s) | Comment |
|----------------|--|---------------|--|
| BR ST | Close Removal of Fuel Oil Tanks - BR Steam units 1, 2, 3 CWA CERCLA | 600 | Estimate - need to validate 3 tanks at \$200,000 each - Tanks are not unit specific - for BR 1, 2, 3 |
| BR CT | Close Removal of Fuel Oil Tanks - BR CTs CWA | 400 | Estimate - need to validate 2 tanks at \$200,000 each - Tanks are not unit specific - include BR 5, 6, 7, 8, 9, 10, 11 |
| BR ST | Remediation of underground fuel oil piping - Steam CWA CERCLA | 40 | Estimate - need to validate - Not unit specific - include BR 1, 2, 3 |
| BR CT | Remediation of underground fuel oil piping - CTs CWA | 35 | Estimate - need to validate - Not unit specific - include BR 5, 6, 7, 8, 9, 10, 11 |
| BR | Remove railroad crossing from highway 395 | 10 | Estimate - need to validate - not unit specific |
| BR ST | Mercury Removal RCRA | 15 | Estimate - need to validate - Not unit specific - includes BR 1, 2, 3 - Tie to BR3 - UOP 5373 - Instrument or measuring device (Instrumentation) |
| BR CT | Mercury Removal RCRA | 35 | Estimate - need to validate - Not unit specific - includes BR 1, 2, 3 - Tie to BR3 - UOP 5373 - Instrument or measuring device (Instrumentation) |
| BR | Lab Chemical disposal RCRA | 10 | Estimate - need to validate - BR1 - Lab Equipment UOP 5389 |
| BR ST | Chemical Tank clean up CWA | 250 | Estimate - need to validate - Steam units only - not unit specific |
| BR | Sewage Plant CWA | 50 | Pineville Estimate - Not unit specific |
| BR ST | Refrigeration gases CAA | 15 | Estimate - need to validate - Not unit specific - includes BR 1, 2, 3 - Tie to BR3 - 5008 UOP Air Conditioner, central install |
| BR CT | Refrigeration gases CAA | 35 | Estimate - need to validate - Not unit specific - includes BR 5, 6, 7, 8, 9, 10, 11 - Tie to BR7 - 5008 UOP Air Conditioner, central install |
| BR ST | Coal Yard covering CWA | 500 | Assuming that we would be required to close similar to the ash pond - Not unit specific - Steam units 1, 2, 3 |
| BR ST | Coal pile retention pond closing CWA | 100 | Estimate - Not unit specific - Steam units 1, 2, 3 |
| BR CT | Gas pipeline remediation | 250 | Estimate - For CT units only BR 5, 6, 7, 8, 9, 10, 11 |
| Dix Dam Lock 7 | | | |
| TY | Ash Pond RCRA | 500 | Closure at \$50,000 per acre - need to validate acreage - Not unit specific |
| TY | Radiation Sources | - | none |
| TY | Demolition Service Water Pump structures CORPS | 200 | 2 structures which have asbestos and lead paint issues - Not unit specific |
| TY | GSU, transformer oil, lubricating oils, ehc fluid CWA, TOSCA | 1,200 | 8 Units at \$150,000 - Not unit specific - Tie to transformer on TY3 |
| TY | Demolition of Cooling Towers | - | none |
| TY | Removal of Fuel Oil Tanks CWA, CERCLA | 100 | one underground and one above ground - Not unit specific |
| TY | Remediation of underground fuel oil piping CWA, CERCLA | 75 | could be less if no problems are found - Not unit specific |
| TY | Mercury Removal RCRA | 100 | Estimate - need to validate - Not unit specific - allocable among units. UOP 5373 - Instrument or measuring device (Instrumentation). Tie to TY3 |
| TY | Lab Chemical disposal RCRA | 1 | very small amounts - Not unit specific - Lab Equipment UOP 5389. Tie to TY1/2 |
| TY | Chemical Tank clean up CWA | 20 | 2 tanks \$10,000 each - Not unit specific |
| TY | Sewage Plant CWA | 50 | Pineville Estimate - Not unit specific |
| TY | Refrigeration gases CAA | 5 | 8 separate units - Not unit specific - Tie to TY3 - 5008 UOP Air Conditioner, central install |

Asset Retirement Obligation Summary

| Location | Description | Cost (\$000s) | Comment |
|----------|--------------------------------------|------------------|---|
| TY | Coal Yard covering CWA | \$ 500 | Assuming that we would be required to close similar to the ash pond - Not unit specific |
| TY | Coal pile retention pond closing CWA | \$ 100 | Estimate 2 ponds - Not unit specific |
| TY | Gas pipeline remediation | \$ - | none |
| GR | Holding Pond Remediation CWA | \$ 200 | Not unit specific |
| GR | Coal Storage Pile Remediation CWA | \$ 150 | Not unit specific |
| GR | Oil Storage Tanks CWA | \$ 50 | Not unit specific |
| GR | Underground Storage Tanks CERCLA | \$ 50 | Not unit specific |
| GR 1/2 | Mercury Switches - Units 1/2 | \$ 5 | |
| GR3 | Mercury Switches - Unit 3 | \$ 5 | |
| GR4 | Mercury Switches - Unit 4 | \$ 15 | |
| GR 1/2 | Generator Transformers - Units 1/2 | \$ 40 | |
| GR3 | Generator Transformers - Unit 3 | \$ 35 | |
| GR4 | Generator Transformers - Unit 4 | \$ 25 | |
| GR | Sewage Treatment Plant CWA | \$ 50 | Not unit specific |
| | Total | \$ 41,913 | |

Appendix G
Legal Review

MEMORANDUM

TO: Gerald Skaggs
Val Scott
Shannon Charnas

FROM: John Fendig
LG&E Energy Law Dept.

DATE: March 18, 2003

RE: FAS 143 – Legal Reviews

Redacted

Redacted

Redacted

Redacted

Redacted

Redacted

Appendix H
FERC NOPR



Federal Register

Monday,
April 21, 2003

Part II

Department of Energy

Federal Energy Regulatory Commission

18 CFR Parts 35, et al.
Accounting, Financial Reporting, and Rate
Filing Requirements for Asset Retirement
Obligations; Final Rule

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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I. Introduction

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).

requirements are needed because these types of transactions and events are not clearly or consistently reported. This rule is part of the Commission's ongoing effort to address emerging accounting developments within the context of the Uniform Systems of Accounts.

5. The accounting for asset retirement obligations in this rule is consistent with the accounting and reporting requirements that jurisdictional entities will use in their general purpose financial statements provided to shareholders and the Securities Exchange Commission (e.g., companies will separately account and report the liability for the asset retirement obligations, capitalize the asset retirement costs, charge earnings for depreciation of the asset and charge operating expense for the accretion of the liability).

6. The Commission is also revising its rate filing requirements to accommodate the above-mentioned changes. In that regard, the accounting for asset retirement obligations will not affect jurisdictional entities' ability to seek recovery of costs arising from asset retirement obligations in rates. However, if billings under formula rate tariffs are affected by the adoption of these accounting requirements, the jurisdictional entity must obtain approval from the Commission prior to implementing the change for tariff billing purposes.

7. Finally, the Commission is revising the following Annual Reports: FERC Form No. 1, Annual Report of Major Public Utilities, Licensees and Others (Form 1); FERC Form No. 1-F, Annual Report of Nonmajor Public Utilities and Licensees (Form 1-F); FERC Form No. 2, Annual Report of Major Natural Gas Companies (Form 2); FERC Form No. 2-A, Annual Report of Nonmajor Natural Gas Companies (Form 2-A); and FERC Form No. 6, Annual Report of Oil Pipeline Companies (Form 6) to include the new accounts and the revised schedules.⁵

II. Background

8. The recognition and measurement of legal liabilities associated with the retirement and decommissioning of long-lived assets by various entities, including Commission jurisdictional entities, have been inconsistent over the years. Some jurisdictional entities do not recognize asset retirement

obligations in their accounts while other jurisdictional entities only recognize the amounts included in the rate setting process as a component of accumulated depreciation. The Commission, in an effort to eliminate the inconsistencies in accounting practices by jurisdictional entities for asset retirement obligations, issued its October 30, 2002 Notice of Proposed Rulemaking to revise the accounting regulations, FERC Annual Report Forms and rate filing requirements for asset retirement obligations.⁷

9. The scope of the NOPR covered certain legal obligations associated with the future retirement of long-lived assets. These obligations, generally referred to as asset retirement obligations, are legal obligations associated with the retirement of a tangible long-lived asset that an entity is required to settle as a result of an existing enacted law, statute, ordinance, or written or oral contract or by legal construction of a contract under the doctrine of promissory estoppel.⁸

10. In the NOPR, the Commission broadly set forth the proposed accounting framework for asset retirement obligations as follows:

11. An entity essentially recognizes a liability for the fair value of an asset retirement obligation at the time the asset is constructed, acquired, or when a change in the law creates a legal obligation to perform the retirement activities. Upon initial recognition of that liability, an entity also increases the cost of the related asset that gives rise to the legal obligation by the same amount. The liability is increased over time until the actual retirement activity commences. Additionally, the asset retirement cost capitalized is depreciated over the same life of the related asset giving rise to the obligation. An entity is required to re-measure the liability due to the passage of time and certain other changes in the estimate of the liability.

12. Entities will be required to recognize the liabilities for asset retirement obligations and the related costs as if the new standard had been in effect for all prior periods. The difference between the amounts at the date of adoption and the amounts previously recorded for these items are to be included in net income unless the criteria for recognition of regulatory

assets or liabilities are met under Order No. 552.⁹

III. Discussion

13. The Commission received 16 comments concerning various aspects of the proposed rule.¹⁰ The majority of the commenters were generally supportive of the Commission's effort to provide interpretative guidance on the application of generally accepted accounting principles to jurisdictional entities that presently file financial information with the Commission in Annual Report Forms 1, 1-F, 2, 2-A, and 6.¹¹

14. After careful consideration of the comments received, the Commission is adopting the changes and revisions as proposed with certain modifications and clarifications as discussed below.

A. Accounting for the Cumulative Effect Adjustment

15. Upon initial implementation of the new accounting requirements for asset retirement obligations the Commission proposed that jurisdictional entities establish in their accounts all of the amounts that would have been recorded therein had these new requirements always been in effect. The NOPR referred to the accounting entries required to implement this part of the proposal as "transition adjustments." In certain instances, the transition adjustments could result in a charge or credit to net income. This charge or credit is referred to as the "cumulative effect adjustment" because it represents the cumulative difference between all amounts charged to net income for asset retirement obligations in past periods under the prior accounting method and what would have been charged to net income in those periods had these new accounting requirements set forth in the NOPR always been in effect. For rate regulated entities the cumulative effect adjustment amounts will be recognized as a regulatory asset or liability if the requirements of Commission Order No. 552 are met.¹²

16. The Commission proposed to record the cumulative effect adjustment

⁵ See Order No. 552, 58 FR 17982 (Apr. 7, 1993), FERC Stats. & Regs., Regulations Preambles (January 1991-June 1996) ¶ 30,967 at pp. 30,823-26 (Mar. 31, 1993) for guidance on the recognition of regulatory assets and regulatory liabilities when certain conditions are met.

¹⁰ See Appendix A for Listing of Commenters.

¹¹ See Arkansas PSC at p. 2, Deloitte & Touche at p. 1, FirstEnergy at p. 2, NASUCA at pp. 2-3, NRECA at pp. 3-4, Progress Energy at p. 1 and Southern at p. 1.

¹² See Order No. 552, *supra* note 9, for guidance on the recognition of regulatory assets and regulatory liabilities when certain conditions are met.

⁷ See *supra* note 1.

⁸ See Financial Accounting Standards Statement (FAS) No. 143, Accounting for Asset Retirement Obligations, issued in June 2001. The accounting publication may be obtained from FASB at <http://www.fasb.org/>. Appendix A, paragraphs A2 through A5, contains a discussion of legal obligations.

⁵ The FERC Annual Reports bear the following OMB approval control numbers: Form 1 has OMB approval number 1902-0021; Form 1-F has OMB approval number 1902-0029; Form 2 has OMB approval number 1902-0028; Form 2-A has OMB approval number 1902-0030; and Form 6 has OMB approval number 1902-0022.

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in two separate amounts. The first portion of the cumulative effect adjustment assumes that all amounts included in the accumulated depreciation accounts for previously recognized legal retirement obligations will be considered depreciation of the asset retirement costs capitalized under the proposed rule. The difference between the amount included in the accumulated depreciation for previously recognized legal retirement obligations and the accumulated depreciation on the capitalized asset retirement costs recognized under the new accounting requirements will be charged or credited, as appropriate, to net income or recognized as a regulatory asset or liability if the requirements of Order No. 552 are met. The second portion of the cumulative effect adjustment assumes that all amounts related to the accretion of the liability for the asset retirement obligation under the new requirements would be charged to net income or recognized as a regulatory asset if the requirements of Order No. 552 are met.

Comments Received

17. Two commenters assert that the NOPR was unclear as to the initial implementation details of the proposed accounting rules and seek clarification of this matter in the final rule.¹³ The commenters request the Commission to clarify the components included in the cumulative effect adjustment. FirstEnergy asserts that the components of the cumulative effect adjustment may consist of the net of the cumulative accretion on the asset retirement obligation, the accumulated depreciation on the related capitalized asset retirement cost, and the reversal of any previously accrued legal retirement obligation.

18. FirstEnergy notes that the NOPR only addresses amounts included in accumulated depreciation for accruals of previously recognized legal retirement obligations of long-lived assets. The commenter submits that the Commission has permitted amounts related to legal liabilities associated with the retirement of assets to be recorded in a deferred credit or liability account rather than in accumulated depreciation. The commenter asserts further that accruals of previously recognized legal retirement obligations that were recorded in a deferred credit or in a liability account should be included in the computation of the cumulative effect adjustment in the final rule.

¹³ See FirstEnergy at p. 2 and Progress Energy at p. 2.

Commission Response

19. The proposal to establish the cumulative effect adjustment was intended to simplify implementation of the accounting for asset retirement obligations. However, based on the comments received the Commission recognizes that the implementation proposal may have been confusing because the steps were somewhat different than the ones contained in FAS 143. However, the Commission notes that the cumulative effect determination under FAS 143 and this final rule will result in the use of the same components and produce the same cumulative effect adjustment amount.

20. The Commission finds that since both approaches produce the same cumulative effect adjustment for asset retirement obligations, jurisdictional entities may recognize the initial application of the new accounting rules for the cumulative effect adjustment as the difference between the amounts of previously accrued accumulated legal obligations associated with the retirement of the asset recognized in the balance sheet prior to adopting the new accounting requirements and the amount that will be recognized on the balance sheet under the new accounting requirements. The Commission also finds that in order to properly determine the proper cumulative effect adjustment, jurisdictional entities must include the amounts of previously accrued accumulated legal obligations associated with the retirement of assets recorded in other deferred credits accounts or other liability accounts in the computation of the cumulative effect adjustment.

B. Recognition of Regulatory Assets and Liabilities

21. The Commission proposed that public utilities, licensees and natural gas companies recognize regulatory assets and liabilities related to asset retirement obligations if the accounting requirements under Order No. 552 are met.¹⁴

Comments Received

22. Several commenters request that the Commission clarify in the final rule the accounting for the recognition of regulatory assets and liabilities for the effects on financial operations related to the initial implementation and the period-to-period accounting for any difference between amounts charged to net income for expenses related to asset retirement obligations and the amounts

¹⁴ See Order No. 552, *supra* note 9, for guidance on the recognition of regulatory assets and regulatory liabilities when certain conditions are met.

recovered in rates for asset retirement obligation costs.¹⁵ The commenters assert that the proposed accounting for the recognition of the debit cumulative effect adjustment in account 182.3, Other regulatory assets, as a regulatory asset is not consistent with the accounting for the recognition of the credit cumulative effect adjustment as a regulatory liability in account 254, Other regulatory liabilities.¹⁶ The commenters suggest that inconsistency arises because the Commission required that a credit cumulative effect adjustment must be recorded as a regulatory liability in account 254, Other regulatory liabilities, while a debit cumulative effect adjustment must be charged to net income in account 435, Extraordinary deductions, or recorded as a regulatory asset in account 182.3, Other regulatory assets, for part or all of the cumulative effect adjustment if the requirements of Order No. 552 are met. One commenter suggests that the Commission should provide for the recording of regulatory assets for debit cumulative effect adjustments as being probable of recovery as a general rule consistent with the Commission's proposed treatment of recording credit cumulative effect adjustments as regulatory liabilities.

23. Additionally, one commenter recommends that the Commission incorporate the accounting for the recognition of regulatory assets and liabilities for the initial adoption and the period-to-period accounting for asset retirement obligations in the requirements of the Uniform Systems of Accounts under Parts 101 and 201.¹⁷

Commission Response

24. The Commission declines to adopt the commenter's recommendation to amend the Uniform System of Accounts under part 101 and part 201 of the Commission regulations to include specific accounting instructions for the recognition of regulatory assets and liabilities for the initial adoption and the period-to-period accounting for asset retirement obligations. The accounting instruction for regulatory assets and liabilities as prescribed in the Uniform Systems of Accounts in part 101 and part 201 adequately addresses the requirements for regulatory assets or liabilities related to differences in the timing of recognition of asset retirement obligation expenses for financial

¹⁵ See Deloitte & Touche at p. 1, EEI at pp. 3-4, Progress Energy at p. 2, and RUS at p. 3.

¹⁶ See Deloitte & Touche at p. 1, EEI at pp. 3-4, Progress Energy at p. 2, and RUS at p. 3.

¹⁷ See EEI at p. 6.

accounting purposes and their recovery in rates.

25. The Commission established the accounting requirements for recording regulatory assets and liabilities as set forth in the Uniform Systems of Accounts in part 101 and part 201 pursuant to Commission Order No. 552.¹⁸ Under these requirements regulatory assets and liabilities are defined as assets and liabilities that result from ratemaking actions of regulators.¹⁹ Regulatory assets and liabilities generally arise from specific revenues, expenses, gains, or losses that would have been included in net income determinations in one period under the general requirements of the Uniform System of Accounts but for it being probable they will be included in a different period(s) for purposes of developing the rates the utility is authorized to charge for its utility services or in the case of regulatory liabilities, for refunds to customers, not provided for in other accounts, that will be required.²⁰ The term "probable," as used in Order No. 552 for the definition of regulatory assets or regulatory liabilities, refers to that which can be reasonably be expected or believed on the basis of available evidence or logic but is neither certain nor proved.²¹

26. Jurisdictional entities will initially recognize a cumulative effect adjustment and thereafter record the depreciation of the asset retirement costs in account 403.1, Depreciation expense for asset retirement costs, and the accretion of the liability for the asset retirement obligations in account 411.10, Accretion expense. The amounts for depreciation and accretion expense that will be recognized under the general requirements of the Uniform Systems of Accounts and the amount of asset retirement obligation costs included in cost of service for ratemaking purposes may be different. Recognition of such differences as regulatory assets and liabilities may be appropriate in some instances, but not in others. This determination however cannot be made in a generic accounting

¹⁸ See Order No. 552, *supra* note 9, for guidance on the recognition of regulatory assets and regulatory liabilities when certain conditions are met.

¹⁹ See paragraph A of account 182.3, Other regulatory assets, and paragraph A of account 254, Other regulatory liabilities, in 18 CFR part 101 (Public Utilities and Licensees), and paragraph A of account 182.3, Other regulatory assets, and paragraph A of account 254, Other regulatory liabilities, in 18 CFR part 201 (Natural Gas Companies).

²⁰ See Definition 30 in 18 CFR part 101 (Public Utilities and Licensees), and Definition 30 in 18 CFR part 201 (Natural Gas Companies).

²¹ See FERC Stats. & Regs., Regulations Preambles January 1991-June 1996 ¶ 30,967 at 30,826 (1993).

rulemaking proceeding. It must instead be made by each individual entity taking into consideration the jurisdictional entity's rate setting bodies, the specific agreements entered into between the jurisdictional entity and certain customers regarding the manner in which costs will be allocated among the parties or other relevant evidence. Therefore, if the requirements of Order No. 552 are met, a jurisdictional entity must recognize regulatory assets and liabilities for the cumulative effect adjustment and any differences between the recognition of asset retirement obligation expenses for financial accounting purposes and their recovery in rates.

C. Authority To Adjust Accumulated Depreciation (Accounts 108 and 110)

27. The Commission proposed granting public utilities, licensees and natural gas companies the requisite authority to remove any excess amounts²² from accounts 108 and 110 provided that the amounts were transferred to account 254, Other regulatory liabilities.²³

Comments Received

28. Certain commenters request that the Commission clarify the authority granted to jurisdictional entities to adjust the balances in accounts 108 and 110 for existing long-lived assets with legal retirement obligations.²⁴ However, one commenter requests that the Commission provide explicit authority to remove all of the previously accrued amounts for legal obligations to retire or dispose of the long-lived assets recorded in accounts 108 and 110. Another commenter requests the Commission allow transferring from accounts 108 and 110 to the new proposed account 230, Asset retirement obligations, any remaining amounts for previously accrued legal obligations to retire or dispose of the long-lived assets.

29. Another commenter agrees with the Commission's pregranting authority to public utilities, licensees and natural gas companies for the removal of amounts from accumulated depreciation accounts associated with asset

²² This excess amount results when the amount of accumulated depreciation recognized for prior accrued legal retirement obligations is greater than the accumulated depreciation recognized on the capitalized asset retirement costs under the new requirements.

²³ See paragraph E to account 108, Accumulated provision for depreciation of electric utility plant (Major only), and paragraph E to account 110, Accumulated provision for depreciation and amortization of electric utility plant (Nonmajor only), in 18 CFR part 101 (Public Utilities and Licensees).

²⁴ See EEI at pp. 2-3 and Progress Energy at p. 2.

retirement obligations. However, the commenter asserts that the Commission should still require public utilities, licensees and natural gas companies to notify the Commission by submitting a description and journal entries related to such adjustments to the Commission for amounts transferred from accounts 108 and 110 to account 254, Other regulatory liabilities, related to any existing asset with a legal retirement obligation.²⁵

Commission Response

30. After considering the comments, the Commission will grant jurisdictional entities the authority to adjust accounts 108, 110 and 253 to properly recognize and record the liabilities for legal retirement obligations for existing assets, the asset retirement costs and related accumulated depreciation on the capitalized costs when the amounts that would otherwise be included in net income determinations meet the criteria for recognition as regulatory asset or liability.

31. The Commission notes that there may be instances where adjustments to accounts 108, 110 and 253 may be required as a result of this final rule but the criteria for the recognition of a regulatory asset or liability for the net income effect is not met. While we permit jurisdictional entities to make such adjustments our actions here should not be construed as approval.²⁶ Therefore, the Commission will require that jurisdictional entities file with the Commission their journal entries along with supporting information to record any adjustment that affects net income within 60 days of the effective date of this final rule. The filing must include a description and explanation of the full particulars for including the amounts in net income.

32. The filing must also include a statement by the public utility, licensee or natural gas company of the facts and circumstances and the explicit determinations made by the jurisdictional entity demonstrating that the amounts credited to net income are not required to be refunded to customers or required to be recorded as a regulatory liability and must be credited to net income and not included in account 254, Other regulatory liabilities.

²⁵ See MoPSC at p. 6.

²⁶ The income accounts used to record the cumulative effect adjustments are account 434, Extraordinary income, and account 435, Extraordinary deductions.

D. Accounting for Cost of Removal That Does Not Constitute a Legal Obligation

33. The Commission did not propose to change its accounting under parts 101, 201 and 352 for the cost of removal for amounts that result from other than asset retirement obligations.

Comments Received

34. Several commenters request that the Commission specify in the final rule that any cost of removal for non-legal retirement obligations remain in accumulated depreciation.²⁷ Certain other commenters suggest that the Commission should make certain modifications to the Uniforms Systems of Accounts under part 101 and part 201 to include the amount of cost of removal for non-legal obligations as regulatory liabilities in account 254, Other regulatory liabilities, instead of accumulated depreciation for public utilities, licensees and natural gas companies.²⁸

35. One commenter recommends that the Commission exclude the cost of removal that does not qualify as a legal retirement obligation from the depreciation accrual and instead capitalize any removal costs related to the asset replaced as part of the costs of replacing the utility plant and if no replacement of the asset occurs, the cost of removal for non-legal retirement obligations should be expensed in the income statement.²⁹

Commission Response

36. As proposed in the NOPR, the rule applies to legal obligations associated with the retirement of tangible long-lived assets. Under the existing requirements of the Uniform Systems of Accounts removal costs that are not asset retirement obligations are included as a component of the depreciation expense and recorded in accumulated depreciation.³⁰ The Commission notes that certain jurisdictional entities may have been receiving specific allowances for cost of removal for non-legal retirement obligations as a specific component in their rates approved by their regulators. The Commission did not propose any changes to its existing accounting requirements for cost of removal for non-legal retirement obligations. Accordingly, jurisdictional entities are accounting for such costs consistent with the requirements of the

Uniform Systems of Accounts under part 101 for public utilities and licensees, part 201 for natural gas companies and part 352 for oil pipeline companies.

37. The purpose of this rule is to establish uniform accounting requirements for the recognition of liabilities for legal obligations associated with the retirement of tangible long-lived assets. The accounting for removal costs that do not qualify as legal retirement obligations falls outside the scope of this rule. The Commission is aware that there is an ongoing discussion in the accounting community as to whether the cost of removal should be considered as a component of depreciation. However, this issue is beyond the scope of this rule and we are not convinced that there is a need to fundamentally change accounting concepts at this time.

38. Instead we will require jurisdictional entities to maintain separate subsidiary records for cost of removal for non-legal retirement obligations that are included as specific identifiable allowances recorded in accumulated depreciation in order to separately identify such information to facilitate external reporting and for regulatory analysis, and rate setting purposes. Therefore, the Commission is amending the instructions of accounts 108 and 110 in parts 101, 201 and account 31, Accrued depreciation—Carrier property, in part 352 to require jurisdictional entities to maintain separate subsidiary records for the purpose of identifying the amount of specific allowances collected in rates for non-legal retirement obligations included in the depreciation accruals.

39. Jurisdictional entities must identify and quantify in separate subsidiary records the amounts, if any, of previous and current accrued accumulated removal costs for other than legal retirement obligations recorded as part of the depreciation accrual in accounts 108 and 110 for public utilities and licensees, account 108 for natural gas companies, and account 31 for oil pipeline companies. If jurisdictional entities do not have the required records to separately identify such prior accruals for specific identifiable allowances collected in rates for non-legal asset retirement obligations recorded in accumulated depreciation, the Commission will require that the jurisdictional entities separately identify and quantify prospectively the amount of current accruals for specific allowances collected in rates for non-legal retirement obligations.

E. Accounts Established for Recording Accretion of Asset Retirement Obligations and Depreciation of Asset Retirement Costs

40. The Commission proposed to add a new income statement account entitled account 411.10, Accretion expense, in the Uniform Systems of Accounts in part 101 and part 201 to record the accretion of the liability for the asset retirement obligation. The Commission also proposed to add a new income statement account entitled account 403.1, Depreciation expense for asset retirement costs, in part 101 and part 201 to identify the depreciation expense recorded for capitalized asset retirement costs.

Comments Received

41. Certain commenters recommend that the Commission's proposed new account 411.10, Accretion expense, should be renumbered as either account 411.11 or an account number within the range of account 405, Amortization of other electric plant, through account 407, Amortization of property losses, unrecovered plant and regulatory study costs, which relate to the amortization of utility plant.

42. Two commenters suggest that the Commission renumber its proposed new account 403.1 because it is already being used in the Rural Utilities Service's (RUS) Uniform System of Accounts.³¹ The commenters suggest that the Commission use account 403.9 to accommodate the Uniform System of Accounts of RUS for its electric cooperatives.³²

Commission Response

43. The Commission will not renumber the chart of accounts. The accounting structure of the Uniform Systems of Accounts in part 101 and part 201 is designed to meet the accounting and reporting needs of this Commission. Users are permitted to adapt the Commission's Uniforms Systems of Accounts for their own needs by allowing them to create new accounts and subaccounts. Such company generated accounts however, must be reconciled if and when the Commission subsequently determines to use that account number for its regulatory purposes. Therefore, jurisdictional entities must reconcile their account numbers accordingly, to

²⁷ See EEI at p. 3 and Southern at p. 2.

²⁸ See Deloitte & Touche at p. 2 and NASUCA at pp. 2-3.

²⁹ See NASUCA at pp. 15-17.

³⁰ See Definition 10 in 18 CFR part 101 (Public Utilities and Licensees), Definition 10 in 18 CFR part 201 (Natural Gas Companies), and Definition 12 in 18 CFR part 352 (Oil Pipeline Companies).

³¹ See RUS at p. 2 and NRECA at p. 6.

³² See Rural Utilities Service of the United States Department of Agriculture (RUS) Uniform System of Accounts, 7 CFR part 1767, Accounting Requirements for RUS Electric Borrowers.

the account numbers established by this rule.³³

F. Accounts for Recording Asset Retirement Costs

44. The Commission proposed to add new primary plant accounts within each plant function to record the asset retirement costs.

Comments Received

45. Certain commenters object to the Commission's proposed new primary plant accounts within account 101 in part 101 and part 201.³⁴ One commenter suggests the Commission create a new separate asset group called "Asset Retirement Costs" that separately identifies asset retirement costs in financial statements and would facilitate the exclusion of the asset retirement costs from the rate base in a rate change filing.

46. Another commenter suggests that capitalizing asset retirement costs in the new primary plant accounts could result in increasing personal property taxes for three of its utility operating companies that operate in one state. The commenter recommends that the asset retirement costs should be recorded as an intangible cost within account 101 under part 101 and part 201 in primary plant account 303, Miscellaneous intangible plant. As an alternative, the commenter also recommends that the Commission include the word "intangible" in the account instructions of the new asset retirement cost primary plant accounts proposed by the Commission.

47. One commenter suggests that the Commission's proposed new primary plant accounts entitled account 359.1, Asset retirement costs for transmission plant, and account 399.1, Asset retirement costs for general plant, should be renumbered to avoid leading users to expect these are subaccounts of account 359, Roads and trails, under the transmission plant function and 399, Other intangible plant, under the general plant function in part 101.³⁵ The commenter suggests that the Commission use account 351 which is currently a reserved account in the list of accounts for the transmission plant function. The commenter also suggests that the Commission use account 388 which is currently not an account used

in the list of accounts for the general plant function.

Commission Response

48. The Commission finds that these recommendations are not consistent with the view that asset retirement costs are considered an integral part of the costs of the particular asset that gives rise to the asset retirement obligations, rather than separate and distinct assets.

49. The Commission notes that commenters' suggestions will not result in properly classifying asset retirement costs within the utility plant function associated with the actual plant assets that give rise to the legal retirement obligations. This result would be at odds with one of the objectives of the final rule, which is to provide proper accounting for legal obligations associated with the retirement costs.

G. Accounting for Gains and Losses for the Settlement of Asset Retirement Obligations Related to Electric and Gas Utility Plant

50. The Commission proposed to record gains or losses resulting from the settlement of asset retirement obligations for electric and gas utility plant in account 411.6, Gains from disposition of utility plant, and the account 411.7, Losses from disposition of utility plant, respectively.

Comments Received

51. Many of the commenters did not object to the Commission's proposed treatment for gains and losses resulting from the settlement of asset retirement obligations for electric and gas utility plant.³⁶ Two commenters believe that the Commission's proposed treatment is inappropriate in the situation in which a jurisdictional entity has recorded, at the date of adoption of the final rule, a regulatory asset or liability for the full difference (including third party risk factor) between the asset retirement obligation determined for accounting purposes and the asset retirement obligation allowed for ratemaking purposes.³⁷ In this situation the commenters assert it is appropriate to offset any remaining regulatory asset or liability balance associated with the specific asset retirement obligation against the remaining asset retirement obligation liability balance before recording a gain or loss.

Commission Response

52. The Commission notes that the offsetting of any remaining regulatory

asset or liability balance associated with the specific asset retirement obligation against the remaining associated asset retirement obligation liability balance before recording a gain or loss on the settlement is not appropriate because each of these transactions is a separate and distinct accounting transaction, and accordingly, should be accounted for as such. Therefore, the Commission will adopt the accounting as provided for in the NOPR.

H. Accounting for Gains and Losses for the Settlement of Asset Retirement Obligations Related to Nonutility Plant

53. The Commission proposed that any gains or losses relating to the settlement of asset retirement obligations for nonutility plant must be recorded directly in account 421, Miscellaneous nonoperating income, and account 426.5, Other deductions, respectively. The Commission also proposed to revise the text of accounts 421 and 426.5 in part 101 and part 201 of the Commission's regulations.

Comments Received

54. One commenter suggests that, although the use of these accounts are not necessarily objectionable, it would be more appropriate to record a gain or loss resulting from the settlement of asset retirement obligations for nonutility plant directly in account 421.1, Gain on disposition of property, or account 421.2, Loss on disposition of property, respectively.³⁸

Commission Response

55. The instructions to Accounts 421.1 and 421.2 provide for gains or losses on the sale, conveyance, exchange, or transfer of utility or other property to another.³⁹ The settlement of an asset retirement obligation related to nonutility property does not result in the sale, conveyance, exchange, or transfer of such property to another party. Therefore, the Commission is of the view that the accounting for gains or losses resulting in the settlement of asset retirement obligations for nonutility property should be accounted for in accounts 421 and 426.5 as provided for in the NOPR.

I. Other Accounting Matters

56. Certain commenters raised concerns or seek Commission guidance concerning the use of group depreciation for asset retirement

³³ See General Instruction 3.C, Account Numbering System, in 18 CFR part 101 (Public Utilities and Licensees) and 18 CFR part 201 (Natural Gas Companies).

³⁴ See FirstEnergy at p. 1, MoPSC at pp. 4-5 and RUS at p. 2.

³⁵ See RUS at p. 2.

³⁶ See EEI at p. 6 and Southern at p. 2.

³⁷ See FAS 143, paragraph A20, for a discussion of third party risk.

³⁸ See EEI at p. 6.

³⁹ See account 421.1, Gain on disposition of property, or account 421.2, Loss on disposition of property, in 18 CFR part 101 (Public Utilities and Licensees) and 18 CFR part 201 (Natural Gas Companies).

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.

of removal, and salvage estimates included in rates.⁴⁵ To the extent a utility believes materials are entitled to be non-public, protective orders are available to preserve confidentiality.

2. Tariff Filing Requirements Under 18 CFR Part 346

66. No comments were received objecting to the Commission's proposal to add a new § 346.3 to cost-of-service filing requirements for oil pipelines. Therefore, the Commission is implementing the provisions as noticed in the NOPR.

K. Implementation for Accounting and Reporting Purposes

67. The Commission proposed to implement the rule January 1, 2003, for accounting and reporting purposes for public utilities, licensees, natural gas companies and oil pipeline companies. This is the date jurisdictional entities that file FERC Forms 1, 1-F, 2, 2-A and 6, will measure the transition amounts for the asset retirement obligations.⁴⁶ The Commission also proposed that the reporting will be implemented for the FERC Forms 1, 1-F, 2, 2-A and 6 for the reporting year 2003.⁴⁷

Comments Received

68. The majority of the commenters did not object to the Commission's proposed implementation date of January 1, 2003, for accounting and reporting purposes for public utilities, licensees, natural gas companies and oil pipeline companies. Two commenters assert that their fiscal year begins on April 1, 2003, rather than January 1, 2003. The commenters request the Commission clarify this requirement given that their fiscal year does not coincide with the calendar year, which they use for FERC reporting purposes. Both commenters request that the Commission consider allowing them to implement the proposed rule for accounting and reporting purposes on April 1, 2003, rather than the earlier

⁴⁵ When an electric utility files for a change in its jurisdictional rates, the Commission requires detailed studies in support of changes in annual depreciation rates if they are different from those supporting the utility's prior approved jurisdictional rate. (18 CFR 35.13(h)(10)(iv)).

⁴⁶ On February 20, 2002, the Commission's Chief Accountant issued interim guidance stating that jurisdictional entities may not adopt FAS 143 for financial accounting and reporting to the Commission before Commission action on this matter. See All Jurisdictional Public Utilities, Licensees, Natural Gas Companies, and Oil Pipeline Companies, 98 FERC ¶ 62,222 (2002).

⁴⁷ The FERC Forms 1-F and 2-A and 6 annual reports for the year 2003 are due on or before March 31, 2004. The FERC Forms 1 and 2 annual reports for the year 2003 are due on or before April 30, 2004.

date of January 1, 2003. The commenters assert that this would avoid the issue of retroactively applying the accounting rule to fiscal years prior to January 1, 2003.

69. One commenter recommends that the Commission allow jurisdictional entities to determine the differential in amounts between the two implementation dates, January 1, 2003 and the start of their fiscal year for FERC reporting purposes and footnote the difference in their FERC Annual Report.

Commission Response

70. The Commission is adopting the provisions in the NOPR for implementing the final rule for accounting and reporting purposes on January 1, 2003, except as clarified below for jurisdictional entities whose fiscal year begins after January 1, 2003. Upon considering the comments on this issue, the Commission will permit a jurisdictional entity for whose fiscal year begins after January 1, 2003, to apply the final rule on the first day of their fiscal year rather than on January 1, 2003 for accounting purposes and reporting in the FERC Forms 1, 1-F, 2, 2-A and 6 for the reporting year 2003. In adopting this provision, the Commission will require jurisdictional entities to determine the differential in amounts between the two implementation dates, January 1, 2003 and the jurisdictional entity's first day of their fiscal year of the adoption of the final rule in calendar year 2003 for accounting and FERC reporting purposes and footnote the difference in the FERC Annual Report for the reporting year 2003. Jurisdictional entities with fiscal years will continue to report to the Commission in FERC Annual Reports on a calendar year basis.

IV. FERC Annual Report Forms

71. The Commission proposed changes revising the existing schedules in the FERC Forms 1, 1-F, 2, 2-A, and 6 filed with the Commission. A table, summarizing the changes to the various schedules is shown in Appendix B. The Commission also proposed that jurisdictional entities include certain disclosure for asset retirement obligations in the "Notes to Financial Statements" in the FERC Forms 1, 1-F, 2, 2-A and 6.⁴⁸

72. No commenters object to the Commission's proposed revisions to the existing schedules in the FERC Annual

⁴⁸ See the instructions to the Notes to Financial Statements schedule for FERC Forms 1, 1-F, 2, 2-A and 6 that requires respondents to report important notes and information related to the financial statements.

Report and the proposed disclosure for asset retirement obligations in the "Notes to Financial Statements" in FERC Annual Reports. Therefore, the Commission will adopt the provisions as noticed.

V. Regulatory Flexibility Act Certification

73. The Regulatory Flexibility Act (RFA) requires agencies to prepare certain statements, descriptions, and analyses of rules that will have a significant economic impact on a substantial number of small entities.⁴⁹ The Commission is not required to make such analyses if a rule would not have such an effect.

74. The Commission does not believe that this rule will have such an impact on small entities. Most filing companies regulated by the Commission do not fall within the RFA's definition of a small entity.⁵⁰ Further, the Commission concludes that this reporting would not be a significant burden because the information jurisdictional entities will be required to report to the Commission specifically focuses on the activities of the jurisdictional entities that will be captured in their accounting systems and generally be reported to their shareholders and others at a company, or at a consolidated business level. Therefore, the Commission certifies that this rule will not have a significant economic impact on a substantial number of small entities.

75. However, if the reporting requirements represent an undue burden on small businesses, the entity affected may seek a waiver of the disclosure requirements from the Commission.

VI. Environmental Impact Statement

76. Commission regulations require that an environmental assessment or an environmental impact statement be prepared for any Commission action that may have a significant adverse effect on the human environment.⁵¹ No environmental consideration is necessary for the promulgation of a rule that is clarifying, corrective, or procedural or does not substantially change the effect of legislation or regulation being amended,⁵² and also

⁴⁹ 5 U.S.C. 601-612.

⁵⁰ 5 U.S.C. 601(3), citing to section 3 of the Small Business Act, 15 U.S.C. 632. Section 3 of the Small Business Act defines a "small-business concern" as a business which is independently owned and operated and which is not dominant in its field of operation.

⁵¹ Regulations Implementing National Environmental Policy Act, 52 FR 47897 (Dec. 17, 1987), FERC Stats. & Regs. ¶ 30,783 (1987).

⁵² 18 CFR 380.4(a)(2)(ii).

for information gathering, analysis, and dissemination.⁵³ The rule updates the Parts 35, 101, 154, 201, 346 and 352 of the Commission's regulations, and does not substantially change the effect of the underlying legislation or the regulations being revised or eliminated. In addition, the final rule involves information gathering, analysis and dissemination. Therefore, this final rule falls within categorical exemptions provided in the Commission's regulations. Consequently, neither an environmental impact statement nor an environmental assessment is required.

VII. Information Collection Statement

77. The Office of Management and Budget's (OMB) regulations in 5 CFR 1320.11 require that it approve certain reporting and recordkeeping

requirements (collections of information) imposed by an agency. Upon approval of a collection of information, OMB will assign an OMB control number and an expiration date. Respondents subject to the filing requirements of this Rule will not be penalized for failing to respond to these collections of information unless the collections of information display a valid OMB control number.

78. The final rule will affect the following current data collections: FERC Form(s) 1, 1-F, 2, 2-A and 6, FERC-516 and FERC-545. In accordance with Section 3507(d) of the Paperwork Reduction Act of 1995,⁵⁴ the data requirements in the subject rule have been submitted to OMB for review.

Public Reporting Burden: The Commission provided burden estimates

in order to implement the proposed requirements. Of the 16 commenters who responded to the NOPR, only one made specific comment concerning the Commission's burden estimates. This one commenter has misconstrued the intent of the rule to impose more time consuming requirements (e.g., group depreciation method) than the final rule actually imposes. The Commission's responses to these comments are being addressed elsewhere in the final rule. The proposed requirements coincide with procedures already established by FAS 143 for companies to recognize a liability at fair value on their financial statements for a retirement obligation when it has occurred. The Commission is merely adjusting these industry standards to coordinate with its Uniform Systems of Accounts.

| Data collection | No. of respondents | No. of responses per respondent | Hours per response | Total annual hours |
|---------------------|--------------------|---------------------------------|--------------------|--------------------|
| Form 1 | 216 | 216 | 17 | 3,672 |
| Form 1-F | 27 | 27 | 8 | 216 |
| Form 2 | 57 | 57 | 13 | 741 |
| Form 2-A | 53 | 53 | 8 | 424 |
| Form 6 | 159 | 159 | 10 | 1,590 |
| Totals | 512 | 512 | | 6,643 |

The total annual hours for these collections is 6,643 hours.

Information Collection Costs: The Commission is projecting only the costs associated with implementing the requirements of this rule.

Annualized Capital/Startup Costs: 6,643 hours + 2,080 hours x \$117,041 = \$373,800.

Annualized Costs (Operations & Maintenance): It should be noted that the burden and corresponding costs of this final rule are to be implemented by jurisdictional entities to comply with the Commission's Uniform System of Accounts. These entities must already maintain much of this information in order to implement generally accepted accounting principles. The burden and corresponding costs are to account for only where there are differences between the generally accepted accounting principles and the Uniform System of Accounts.

79. FERC Information Collections FERC-516 and FERC-545 are also referenced because jurisdictional entities will be required to provide supporting documentation for the amounts to be collected in their rates when an asset retirement obligation has been recorded. This documentation is no different than jurisdictional entities

already prepare in their detailed studies as currently required by the Commission to support changes in annual depreciation rates. The Commission is not requiring additional information as jurisdictional entities already prepare this information when quantifying studies and analyses on the cost of removal of an asset retirement obligation. Therefore, the Commission does anticipate that additional burden will be imposed under these two information collections.

80. The Commission has assured itself, by means of internal review, that there is specific, objective support for the burden estimates associated with the information requirements.

Title: FERC Form 1 "Annual Report of Major Electric Utilities, Licensees and Others"; FERC Form 1-F "Annual Report of Nonmajor Public Utilities and Licensees"; FERC Form 2 "Annual Report of Major Natural Gas Companies"; FERC Form 2-A "Annual Report of Nonmajor Natural Gas Companies"; FERC Form 6 "Annual Report of Oil Pipeline Companies"; FERC-516 "Electric Rate Schedule Filings"; FERC-545 "Gas Pipeline Rates: Rate Change."

Action: Proposed data collections.

OMB Control Nos.: 1902-0021; 1902-0029; 1902-0028; 1902-0030; 1902-0022, 1902-0016 and 1902-0154.

Respondents: Public Utilities; Natural Gas Companies; oil pipeline companies (Business or other for profit, including small businesses).

Frequency of the information: Annually.

Necessity of the Information: The final rule amends the Commission's regulations to revise parts 35, 101, 154, 201, 346 and 352 of its regulations. The final rule amends the Commission's Uniform System of Accounts to revise or create definitions, instructions, balance sheet and income statement accounts. The addition of new accounts and changes to 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 capitalized. The implementation of these requirements will enable the Commission to carry out its responsibilities under the FPA, NGA and ICA to ensure the protection of ratepayers. The Commission is of the view that such requirements are needed because the disclosures of these lack uniformity. For example, jurisdictional

⁵³ 18 CFR 380.4(a)(5).

⁵⁴ 44 U.S.C. 3507(d).

entities subject to the Commission's requirements use different approaches for accounting for retirement costs. Public utilities perform depreciation studies to support changes in their rates for the decommissioning of a nuclear facility as periodic depreciation expense while oil pipeline companies have used depletion rates for abandonment and removal of offshore facilities. The final rule will improve the consistency in the accounting and reporting of legal obligations to retire tangible long-lived assets by requiring entities to recognize at the onset the fair value of the liability. This information will provide a more transparent financial statement disclosure of the costs related to the legal obligation in the FERC Annual Reports.

81. Interested persons may obtain information on the reporting requirements by contacting the following: Federal Energy Regulatory Commission, 888 First Street, NE., Washington, DC 20426 [Attention: Michael Miller, Office of the Executive Director, ED-30, (202) 502-8415, or michael.miller@ferc.gov] or by sending comments on the collections of information to the Office of Management and Budget, Office of Information and Regulatory Affairs, Attention: Desk Officer for the Federal Energy Regulatory Commission, 725 17th Street, NW., Washington, DC 20503. The Desk Officer can also be reached at (202) 395-7856, or fax: (202) 395-7285.

VIII. Document Availability

82. In addition to publishing the full text of this document in the *Federal Register*, the Commission provides all interested persons an opportunity to view and/or print the contents of this document via the Internet through FERC's Home Page (<http://www.ferc.gov>) and in FERC's Public Reference Room during normal business hours (8:30 a.m. to 5 p.m. Eastern time) at 888 First Street, NE., Room 2A, Washington, DC 20426.

83. From FERC's Home Page on the Internet, this information is available in the Federal Energy Regulatory Records Information System (FERRIS). The full text of this document is available on FERRIS in PDF and WordPerfect format for viewing, printing, and/or downloading. To access this document in FERRIS, type the docket number of this document, excluding the last three digits in the docket number field. User assistance is available for FERRIS and the FERC's Web site during normal business hours from FERC Online Support at FERCOnlineSupport@FERC.gov or toll

free at (866) 208-3676 or for TTY, contact (202) 502-8659.

IX. Effective Date and Congressional Notification

84. This Final Rule will take effect May 21, 2003. The Commission has determined, with the concurrence of the Administrator of the Office of Information and Regulatory Affairs of the Office of Management and Budget, that this rule is not a "major rule" within the meaning of section 251 of the Small Business Regulatory Enforcement Fairness Act of 1996.⁵⁵ The Commission will submit the Final Rule to both houses of Congress and the General Accounting Office.⁵⁶

List of Subjects

18 CFR Part 35

Electric power rates, Electric utilities, Electricity, Reporting and recordkeeping requirements.

18 CFR Part 101

Electric power, Electric utilities, Reporting and recordkeeping requirements, Uniform System of Accounts.

18 CFR Part 154

Alaska, Natural gas, Natural gas companies, Pipelines, Rate schedules and tariffs, Reporting and recordkeeping requirements.

18 CFR Part 201

Natural gas, Reporting and recordkeeping requirements, Uniform System of Accounts.

18 CFR Part 346

Pipelines, Reporting and recordkeeping requirements.

18 CFR Part 352

Pipelines, Reporting and recordkeeping requirements, Uniform System of Accounts.

By the Commission,
Magalie R. Salas,
Secretary.

In consideration of the foregoing, the Commission amends parts 35, 101, 154, 201, 346 and 352, Chapter I, Title 18, *Code of Federal Regulations*, as follows.

Regulatory Text

PART 35—FILING OF RATE SCHEDULES

■ 1. The authority citation for part 35 continues to read as follows:

⁵⁵ 5 U.S.C. 804(2).

⁵⁶ 5 U.S.C. 801(a)(1)(A).

Authority: 16 U.S.C. 791a-825r, 2601-2645; 31 U.S.C. 9701; 42 U.S.C. 7101-7352.

■ 2. Section 35.18 is added to read as follows:

§ 35.18 Asset retirement obligations.

(a) A public utility that files a rate schedule under § 35.12 or § 35.13 and has recorded an asset retirement obligation on its books must provide a schedule, as part of the supporting work papers, identifying all cost components related to the asset retirement obligations that are included in the book balances of all accounts reflected in the cost of service computation supporting the proposed rates. However, all cost components related to asset retirement obligations that would impact the calculation of rate base, such as electric plant and related accumulated depreciation and accumulated deferred income taxes, may not be reflected in rates and must be removed from the rate base calculation through a single adjustment.

(b) A public utility seeking to recover nonrate base costs related to asset retirement costs in rates must provide, with its filing under § 35.12 or § 35.13, a detailed study supporting the amounts proposed to be collected in rates.

(c) A public utility that has recorded asset retirement obligations on its books, but is not seeking recovery of the asset retirement costs in rates, must remove all asset-retirement-obligations-related cost components from the cost of service supporting its proposed rates.

PART 101—UNIFORM SYSTEM OF ACCOUNTS PRESCRIBED FOR PUBLIC UTILITIES AND LICENSEES SUBJECT TO THE PROVISIONS OF THE FEDERAL POWER ACT

■ 3. The authority citation for part 101 continues to read as follows:

Authority: 16 U.S.C. 791a-825r, 2601-2645; 31 U.S.C. 9701; 42 U.S.C. 7101-7352, 7651-7651o.

■ 4. In Definitions, Definition 10 is revised to read as follows:

Definitions

* * * * *
10. *Cost of removal* means the cost of demolishing, dismantling, tearing down or otherwise removing electric plant, including the cost of transportation and handling incidental thereto. It does not include the cost of removal activities associated with asset retirement obligations that are capitalized as part of the tangible long-lived assets that give rise to the obligation. (See General Instruction 25).
* * * * *

■ 5. In General Instructions, Instruction 20, paragraphs C. and D. are redesignated as paragraphs D. and E. and new paragraph C. is added; and a new Instruction 25 is added to read as follows:

General Instructions

* * * * *
20. Accounting for leases.
* * * * *

C. The utility, as a lessee, shall recognize an asset retirement obligation (See General Instruction 25) arising from the plant under a capital lease unless the obligation is recorded as an asset and liability under a capital lease. The utility shall record the asset retirement cost by debiting account 101.1, Property under capital leases, or account 120.6, Nuclear fuel under capital leases, or account 121, Nonutility property, as appropriate, and crediting the liability for the asset retirement obligation in account 230, Asset retirement obligations. Asset retirement costs recorded in account 101.1, account 120.6, or account 121 shall be amortized by charging rent expense (See Operating Expense Instruction 3), or account 518, Nuclear fuel expense (Major only), or account 421, Miscellaneous nonoperating income, as appropriate, and crediting a separate subaccount of the account in which the asset retirement costs are recorded. Charges for the periodic accretion of the liability in account 230, Asset retirement obligations, shall be recorded by a charge to account 411.10, Accretion expense, for electric utility plant, and account 421, Miscellaneous nonoperating income, for nonutility plant and a credit to account 230, Asset retirement obligations.

* * * * *
25. Accounting for asset retirement obligations.

A. An asset retirement obligation represents a liability for the legal obligation associated with the retirement of a tangible long-lived asset that a company is required to settle as a result of an existing or enacted law, statute, ordinance, or written or oral contract or by legal construction of a contract under the doctrine of promissory estoppel. An asset retirement cost represents the amount capitalized when the liability is recognized for the long-lived asset that gives rise to the legal obligation. The amount recognized for the liability and an associated asset retirement cost shall be stated at the fair value of the asset retirement obligation in the period in which the obligation is incurred.

B. The utility shall initially record a liability for an asset retirement

obligation in account 230, Asset retirement obligations, and charge the associated asset retirement costs to electric utility plant (including accounts 101.1 and 120.6), and nonutility plant, as appropriate, related to the plant that gives rise to the legal obligation. The asset retirement cost shall be depreciated over the useful life of the related asset that gives rise to the obligations. For periods subsequent to the initial recording of the asset retirement obligation, a utility shall recognize the period to period changes of the asset retirement obligation that result from the passage of time due to the accretion of the liability and any subsequent measurement changes to the initial liability for the legal obligation recorded in account 230, Asset retirement obligations, as follows:

(1) The utility shall record the accretion of the liability by debiting account 411.10, Accretion expense, for electric utility plant, account 413, Expenses of electric plant leased to others, for electric plant leased to others, and account 421, Miscellaneous nonoperating income, for nonutility plant and crediting account 230, Asset retirement obligations; and

(2) The utility shall recognize any subsequent measurement changes of the liability initially recorded in account 230, Asset retirement obligations, for each specific asset retirement obligation as an adjustment of that liability in account 230 with the corresponding adjustment to electric utility plant, electric plant leased to others, and nonutility plant, as appropriate. The utility shall on a timely basis monitor any measurement changes of the asset retirement obligations.

C. Gains or losses resulting from the settlement of asset retirement obligations associated with utility plant resulting from the difference between the amount of the liability for the asset retirement obligation included in account 230, Asset retirement obligations, and the actual amount paid to settle the obligation shall be accounted for as follows:

(1) Gains shall be credited to account 411.6, Gains from disposition of utility plant, and;

(2) Losses shall be charged to account 411.7, Losses from disposition of utility plant.

D. Gains or losses on the settlement of asset retirement obligations associated with nonutility plant resulting from the difference between the amount of the liability for the asset retirement obligation in account 230, Asset retirement obligations, and the amount paid to settle the obligation, shall be accounted for as follows:

(1) Gains shall be credited to account 421, Miscellaneous nonoperating income, and;

(2) Losses shall be charged to account 426.5, Other deductions.

E. Separate subsidiary records shall be maintained for each asset retirement obligation showing the initial liability and associated asset retirement cost, any incremental amounts of the liability incurred in subsequent reporting periods for additional layers of the original liability and related asset retirement cost, the accretion of the liability, the subsequent measurement changes to the asset retirement obligation, the depreciation and amortization of the asset retirement costs and related accumulated depreciation, and the settlement date and actual amount paid to settle the obligation. For purposes of analyses a utility shall maintain supporting documentation so as to be able to furnish accurately and expeditiously with respect to each asset retirement obligation the full details of the identity and nature of the legal obligation, the year incurred, the identity of the plant giving rise to the obligation, the full particulars relating to each component and supporting computations related to the measurement of the asset retirement obligation.

* * * * *
■ 6. In Electric Plant Instructions, paragraph 3.A.(17)(a) the W element is revised; and a new paragraph 3.A.(21) is added to read as follows:

Electric Plant Instructions

* * * * *

3. Components of construction cost.

A. * * *

(17) * * *

(a) * * *

W = Average balance in construction work in progress plus nuclear fuel in process of refinement, conversion, enrichment and fabrication, less asset retirement costs (See General Instruction 25) related to plant under construction.

* * * * *
(21) Asset retirement costs. The costs recognized as a result of asset retirement obligations incurred during the construction and testing of utility plant shall constitute a component of construction costs.

* * * * *
■ 7. Balance Sheet Accounts are amended as follows:

■ (a) Account 101.1 is amended by adding a sentence to the end of paragraph C.;

■ (b) Account 103 paragraph C. is revised;

■ (c) Account 108 paragraph A.(2) through A.(7) are redesignated as paragraphs A.(3) through A.(8), a new paragraph A.(2) is added, and paragraph C. is amended by adding a sentence to the end of the paragraph;

■ (d) Account 110 paragraph A.(2) through A.(4) are redesignated as paragraphs A.(3) through A.(5), a new paragraph A.(2) is added, and paragraph C. is amended by adding a sentence to the end of the paragraph;

■ (e) Account 121, paragraph A. is amended by adding a sentence to the end of the paragraph; and

■ (f) Account 230 is added.

The revision and additions read as follows:

Balance Sheet Accounts

* * * * *

101.1 Property under capital leases.

* * * * *

C. * * * Records shall also be maintained for plant under a lease, to identify the asset retirement obligation and cost originally recognized for each lease and the periodic charges and credits made to the asset retirement obligations and asset retirement costs.

* * * * *

103 Experimental electric plant unclassified (Major only).

* * * * *

C. The depreciation on plant in this account shall be charged to account 403, Depreciation expense, and account 403.1, Depreciation expense for asset retirement costs, as appropriate, and credited to account 108, Accumulated provision for depreciation of electric utility plant (Major only). The amounts herein shall be depreciated over a period which corresponds to the estimated useful life of the relevant project considering the characteristics involved. However, when projects are transferred to account 101, Electric plant in service, a new depreciation rate based on the remaining service life and undepreciated amounts, will be established.

* * * * *

108 Accumulated provision for depreciation of electric utility plant (Major only).

A. * * *

(2) Amounts charged to account 403.1, Depreciation expense for asset retirement costs, for current depreciation expense related to asset retirement costs in electric plant in service in a separate subaccount.

* * * * *

C. * * * Separate subsidiary records shall be maintained for the amount of

accrued cost of removal other than legal obligations for the retirement of plant recorded in account 108, Accumulated provision for depreciation of electric utility plant (Major only).

* * * * *

110 Accumulated provision for depreciation and amortization of electric utility plant (Nonmajor only).

A. * * *

(2) Amounts charged to account 403.1, Depreciation expense for asset retirement costs, in electric utility plant in service in a separate subaccount.

* * * * *

C. * * * Separate subsidiary records shall be maintained for the amount of accrued cost of removal other than legal obligations for the retirement of plant recorded in account 110, Accumulated provision for depreciation of electric utility plant (Nonmajor only).

* * * * *

121 Nonutility property.

A. * * * This account shall also include, where applicable, amounts recorded for asset retirement costs associated with nonutility plant.

* * * * *

230 Asset retirement obligations.

A. This account shall include the amount of liabilities for the recognition of asset retirement obligations related to electric utility plant and nonutility plant that gives rise to the obligations. This account shall be credited for the amount of the liabilities for asset retirement obligations with amounts charged to the appropriate electric utility plant accounts or nonutility plant account to record the related asset retirement costs.

B. The utility shall charge the accretion expense to account 411.10, Accretion expense, for electric utility plant, account 413, Expenses of electric plant leased to others, for electric plant leased to others, or account 421, Miscellaneous nonoperating income, for nonutility plant, as appropriate, and credit account 230, Asset retirement obligations.

C. This account shall be debited with amounts paid to settle the asset retirement obligations recorded herein.

D. The utility shall clear from this account any gains or losses resulting from the settlement of asset retirement obligations in accordance with the instructions prescribed in General Instruction 25.

* * * * *

■ 8. In Electric Plant Accounts, new primary plant accounts, 317, 326, 337, 347,

359.1, 374, and 399.1 are added to read as follows:

Electric Plant Accounts

* * * * *

317 Asset retirement costs for steam production plant.

This account shall include asset retirement costs on plant included in the steam production function.

* * * * *

326 Asset retirement costs for nuclear production plant (Major only).

This account shall include asset retirement costs on plant included in the nuclear production function.

* * * * *

337 Asset retirement costs for hydraulic production plant.

This account shall include asset retirement costs on plant included in the hydraulic production function.

* * * * *

347 Asset retirement costs for other production plant.

This account shall include asset retirement costs on plant included in the other production function.

* * * * *

359.1 Asset retirement costs for transmission plant.

This account shall include asset retirement costs on plant included in the transmission plant function.

* * * * *

374 Asset retirement costs for distribution plant.

This account shall include asset retirement costs on plant included in the distribution plant function.

* * * * *

399.1 Asset retirement costs for general plant.

This account shall include asset retirement costs on plant included in the general plant function.

* * * * *

■ 9. Amend Income Accounts as follows:

■ a. Account 403.1 is added,
■ b. Accounts 411.6 and 411.7 are amended by designating the current paragraph as A., and adding a new paragraph B.,

■ c. Account 411.10 is added,

■ d. In account 421, paragraphs 4.

through 6. are added, and

■ e. In account 426.5 paragraph 6 is added.

The additions read as follows:

Income Accounts

* * * * *

403.1 Depreciation expense for asset retirement costs.

This account shall include the depreciation expense for asset retirement costs included in electric utility plant in service.

411.6 Gains from disposition of utility property.

A. * * *
B. The utility shall record in this account gains resulting from the settlement of asset retirement obligations related to utility plant in accordance with the accounting prescribed in General Instruction 25.

411.7 Losses from disposition of utility property.

A. * * *
B. The utility shall record in this account losses resulting from the settlement of asset retirement obligations related to utility plant in accordance with the accounting prescribed in General Instruction 25.

411.10 Accretion expense.

This account shall be charged for accretion expense on the liabilities associated with asset retirement obligations included in account 230, Asset retirement obligations, related to electric utility plant.

421 Miscellaneous nonoperating income.

4. This account shall include the accretion expense on the liability for an asset retirement obligation included in account 230, Asset retirement obligations, related to nonutility plant.

5. This account shall include the depreciation expense for asset retirement costs related to nonutility plant.

6. The utility shall record in this account gains resulting from the settlement of asset retirement obligations related to nonutility plant in accordance with the accounting prescribed in General Instruction 25.

426.5 Other deductions.

6. The utility shall record in this account losses resulting from the settlement of asset retirement obligations related to nonutility plant in accordance with the accounting prescribed in General Instruction 25.

PART 154—RATE SCHEDULES AND TARIFFS

■ 10. The authority citation for part 154 continues to read as follows:

Authority: 15 U.S.C. 717–717w; 31 U.S.C. 9701; 42 U.S.C. 7102–7352.

■ 11. In § 154.312 paragraph (d), introductory text, is amended by removing the sentence “Any authorized negative salvage must be maintained in a separate subaccount of account 108,” and adding in its place the following sentence to read as follows:

§ 154.312 Composition of Statements.

(d) * * * Any authorized negative salvage must be maintained in a separate subaccount of account 108, and shall not include any amounts related to asset retirement obligations. * * *

■ 12. Section 154.315 is added to subpart D to read as follows:

§ 154.315 Asset retirement obligations.

(a) A natural gas company that files a tariff change under this part and has recorded an asset retirement obligation on its books must provide a schedule, as part of the supporting workpapers, identifying all cost components related to the asset retirement obligations that are included in the book balances of all accounts reflected in the cost of service computation supporting the proposed rates. However, all cost components related to asset retirement obligations that would impact the calculation of rate base, such as gas plant and related accumulated depreciation and accumulated deferred income taxes, may not be reflected in rates and must be removed from the rate base calculation through a single adjustment.

(b) A natural gas company seeking to recover nonrate base costs related to asset retirement obligations in rates must provide, with its filing under § 154.312 or § 154.313, a detailed study supporting the amounts proposed to be collected in rates.

(c) A natural gas company who has recorded asset retirement obligations on its books but is not seeking recovery of the asset retirement costs in rates, must remove all asset retirement obligations related cost components from the cost of service supporting its proposed rates.

PART 201—UNIFORM SYSTEM OF ACCOUNTS PRESCRIBED FOR NATURAL GAS COMPANIES SUBJECT TO THE PROVISIONS OF THE NATURAL GAS ACT

■ 13. The authority citation for part 201 continues to read as follows:

Authority: 15 U.S.C. 717–717w, 3301–3432; 42 U.S.C. 7101–7352, 7651–7651o.

■ 14. In Definitions, Definition 10 is revised to read as follows:

Definitions

10. *Cost of removal* means the cost of demolishing, dismantling, tearing down or otherwise removing gas plant, including the cost of transportation and handling incidental thereto. It does not include the cost of removal activities associated with asset retirement obligations that are capitalized as part of the tangible long-lived assets that give rise to the obligation. (See General Instruction 24).

■ 15. In General Instructions, Instruction 20 paragraphs C. and D. are redesignated as paragraphs D. and E. and a new paragraph C. is added; and a new Instruction 24 is added to read as follows:

General Instructions

20. *Accounting for leases.*

C. The utility, as a lessee, shall recognize an asset retirement obligation (See General Instruction 24) arising from the plant under a capital lease unless the obligation is recorded as an asset and liability under a capital lease. The utility shall record the asset retirement cost by debiting account 101.1, Property under capital leases, or account 121, Nonutility property, as appropriate, and crediting the liability for the asset retirement obligation in account 230, Asset retirement obligations. Asset retirement costs recorded in account 101.1 or account 121 shall be amortized by charging rent expense (See Operating Expense Instruction 3) or account 421, Miscellaneous nonoperating income, as appropriate, and crediting a separate subaccount of the account in which the asset retirement costs are recorded. Charges for the periodic accretion of the liability in account 230, Asset retirement obligations, shall be recorded by a charge to account 411.10, Accretion expense, for gas utility plant, and account 421, Miscellaneous nonoperating income, for nonutility plant and a credit to account 230, Asset retirement obligations.

24. *Accounting for asset retirement obligations.*

A. An *asset retirement obligation* represents a liability for the legal obligation associated with the retirement of a tangible long-lived asset that a utility is required to settle as a result of an existing or enacted law,

statute, ordinance, or written or oral contract or by legal construction of a contract under the doctrine of promissory estoppel. An *asset retirement cost* represents the amount capitalized when the liability is recognized for the long-lived asset that gives rise to the legal obligation. The amount recognized for the liability and an associated asset retirement cost shall be stated at the fair value of the asset retirement obligation in the period in which the obligation is incurred.

B. The utility shall initially record a liability for an asset retirement obligation in account 230, Asset retirement obligations, and charge the associated asset retirement costs to gas utility plant and nonutility plant, as appropriate, related to the plant that gives rise to the legal obligation. The asset retirement cost shall be depreciated over the useful life of the related asset that gives rise to the obligations. For periods subsequent to the initial recording of the asset retirement obligation, a utility shall recognize the period to period changes of the asset retirement obligation that result from the passage of time due to the accretion of the liability and any subsequent measurement changes to the initial liability for the legal obligation recorded in account 230, Asset retirement obligations, as follows:

(1) The utility shall record the accretion of the liability by debiting account 411.10, Accretion expense, for gas utility plant, account 413, Expenses of gas plant leased to others, for gas plants leased to others, and account 421, Miscellaneous nonoperating income, for nonutility plant and crediting account 230, Asset retirement obligations; and

(2) The utility shall recognize any subsequent measurement changes of the liability initially recorded in account 230, Asset retirement obligations, for each specific asset retirement obligation as an adjustment of that liability in account 230 with the corresponding adjustment to gas utility plant, gas plant leased to others, and nonutility plant, as appropriate. The utility shall on a timely basis monitor any measurement changes of the asset retirement obligations.

C. Gains or losses resulting from the settlement of asset retirement obligations associated with utility plant resulting from the difference between the amount of the liability for the asset retirement obligation included in account 230, Asset retirement obligations, and the actual amount paid to settle the obligation shall be accounted for as follows:

(1) Gains shall be credited to account 411.6, Gains from disposition of utility plant, and;

(2) Losses shall be charged to account 411.7, Losses from disposition of utility plant.

D. Gains or losses on the settlement of the asset retirement obligations associated with nonutility plant resulting from the difference between the amount of the liability for the asset retirement obligation in account 230, Asset retirement obligations, and the amount paid to settle the obligation, shall be accounted for as follows:

(1) Gains shall be credited to account 421, Miscellaneous nonoperating income, and;

(2) Losses shall be charged to account 426.5, Other deductions.

E. Separate subsidiary records shall be maintained for each asset retirement obligation showing the initial liability and associated asset retirement cost, any incremental amounts of the liability incurred in subsequent reporting periods for additional layers of the original liability and related asset retirement cost, the accretion of the liability, the subsequent measurement changes to the asset retirement obligation, the depreciation and amortization of the asset retirement costs and related accumulated depreciation, and the settlement date and actual amount paid to settle the obligation. For purposes of analyses a utility shall maintain supporting documentation so as to be able to furnish accurately and expeditiously with respect to each asset retirement obligation the full details of the identity and nature of the legal obligation, the year incurred, the identity of the plant giving rise to the obligation, the full particulars relating to each component and supporting computations related to the measurement of the asset retirement obligation.

■ 16. In Gas Plant Instructions, paragraph 3.A.(17)(a) the W element is revised; and new paragraph 3.A.(23) is added to read as follows:

Gas Plant Instructions

3. Components of construction cost.

A. * * *
(17) * * *
(a) * * *

W = Average balance in construction work in progress less asset retirement costs (See General Instruction 24) related to plant under construction.

(23) "Asset retirement costs." The costs recognized as a result of asset

retirement obligations incurred during the construction and testing of utility plant shall constitute a component of construction costs.

■ 17. Balance Sheet Accounts are amended as follows:

■ (a) Account 101.1, is amended by adding a sentence to the end of paragraph C.;

■ (b) Account 103, paragraph C. is revised;

■ (c) Account 108, paragraphs A.(2) through A.(7) are redesignated as paragraphs A.(3) through A.(8), a new paragraph A.(2) is added, and paragraph C. is amended by adding a sentence to the end of the paragraph;

■ (d) Account 121, paragraph A. is amended by adding a sentence to the end of the paragraph; and

■ (e) Account 230 is added.

The additions and revisions read as follows:

Balance Sheet Accounts

101.1 Property under capital leases.

C. * * * Records shall also be maintained for plant under a lease, to identify the asset retirement obligation and cost originally recognized for each lease and the periodic charges and credits made to the asset retirement obligations and asset retirement costs.

103 Experimental gas plant unclassified.

C. The depreciation on plant in this account shall be charged to account 403, Depreciation expense, and account 403.1, Depreciation expense for asset retirement costs, as appropriate, and credited to account 108, Accumulated provision for depreciation of gas utility plant. The amounts herein shall be depreciated over a period which corresponds to the estimated useful life of the relevant project considering the characteristics involved. However, when projects are transferred to account 101, Gas plant in service, a new depreciation rate based on the remaining service life and undepreciated amounts, will be established.

108 Accumulated provision for depreciation of gas utility plant.

(2) Amounts charged to account 403.1, Depreciation expense for asset retirement costs, for current

depreciation expense related to asset retirement costs in gas plant in service in a separate subaccount.
 * * * * *

C. * * * Separate subsidiary records shall be maintained for the amount of accrued cost of removal other than legal obligations for the retirement of plant recorded in account 108, Accumulated provision for depreciation of gas utility plant.
 * * * * *

121 Nonutility property.

A. * * * This account shall also include, where applicable, amounts recorded for asset retirement costs associated with nonutility plant.
 * * * * *

230 Asset retirement obligations.

A. This account shall include the amount of liabilities for the recognition of asset retirement obligations related to gas utility plant and nonutility plant that gives rise to the obligations. This account shall be credited for the amount of the liabilities for asset retirement obligations with amounts charged to the appropriate gas utility plant accounts or nonutility plant accounts to record the related asset retirement costs.

B. This account shall also include the period to period changes for the accretion of the liabilities in account 230, Asset retirement obligations. The utility shall charge the accretion expense to account 411.10, Accretion expense, for gas utility plant, account 413, Expenses of gas plant leased to others, for gas plant leased to others, or account 421, Miscellaneous nonoperating income, for nonutility plant, as appropriate, and credit account 230, Asset retirement obligations.

C. This account shall be debited with amounts paid to settle the asset retirement obligations recorded herein.

D. The utility shall clear from this account any gains or losses resulting from the settlement of asset retirement obligations in accordance with the instructions prescribed in General Instruction 24.
 * * * * *

■ 18. In Gas Plant Accounts, new primary plant accounts, 321, 339, 348, 358, 363.6, 372, 388, and 399.1 are added to read as follows:

Gas Plant Accounts
 * * * * *

321 Asset retirement costs for manufactured gas production plant.

This account shall include asset retirement costs on plant included in

the manufactured gas production plant function.
 * * * * *

339 Asset retirement costs for natural gas production and gathering plant.

This account shall include asset retirement costs on plant included in the natural gas production and gathering plant function.
 * * * * *

348 Asset retirement costs for products extraction plant.

This account shall include asset retirement costs on plant included in the products extraction plant function.
 * * * * *

358 Asset retirement costs for underground storage plant.

This account shall include asset retirement costs on plant included in the underground storage plant function.
 * * * * *

363.6 Asset retirement costs for other storage plant.

This account shall include asset retirement costs on plant included in the other storage plant function.
 * * * * *

372 Asset retirement costs for transmission plant.

This account shall include asset retirement costs on plant included in the transmission plant function.
 * * * * *

388 Asset retirement costs for distribution plant.

This account shall include asset retirement costs on plant included in the distribution plant function.
 * * * * *

399.1 Asset retirement costs for general plant.

This account shall include asset retirement costs on plant included in the general plant function.
 * * * * *

■ 19. Income Accounts are amended as follows:

- a. Account 403.1 is added,
- b. Accounts 411.6 and 411.7 are amended by designating the current paragraph as A. and adding a new paragraph B.,
- c. Account 411.10 is added,
- d. In Account 421, paragraphs 4. through 6. are added, and
- e. In Account 426.5 paragraph 6. is added.

The additions read as follows:

Income Accounts
 * * * * *

403.1 Depreciation expense for asset retirement costs.

This account shall include the depreciation expense for asset retirement costs included in gas utility plant in service.
 * * * * *

411.6 Gains from disposition of utility property.

A. * * *
 B. The utility shall record in this account gains resulting from the settlement of asset retirement obligations related to utility plant in accordance with the accounting prescribed in General Instruction 24.
 * * * * *

411.7 Losses from disposition of utility property.

A. * * *
 B. The utility shall record in this account losses resulting from the settlement of asset retirement obligations related to utility plant in accordance with the accounting prescribed in General Instruction 24.
 * * * * *

411.10 Accretion expense.

This account shall be charged for accretion expense on the liabilities associated with asset retirement obligations included in account 230, Asset retirement obligations, related to gas utility plant.
 * * * * *

421 Miscellaneous nonoperating income.
 * * * * *

4. This account shall include the accretion expense on the liability for an asset retirement obligation included in account 230, Asset retirement obligations, related to nonutility plant.

5. This account shall include the depreciation expense for asset retirement costs related to nonutility plant.

6. The utility shall record in this account gains resulting from the settlement of asset retirement obligations related to nonutility plant in accordance with the accounting prescribed in General Instruction 24.
 * * * * *

426.5 Other deductions.
 * * * * *

6. The utility shall record in this account losses resulting from the settlement of asset retirement obligations related to nonutility plant in

accordance with the accounting prescribed in General Instruction 24.

PART 346—OIL PIPELINE COST-OF-SERVICE FILING REQUIREMENTS

■ 20. The authority citation for part 346 continues to read as follows:

Authority: 42 U.S.C. 7101-7352; 49 U.S.C. 60502; 49 App. U.S.C. 1-85.

■ 21. Section 346.3 is added to read as follows:

§ 346.3 Asset retirement obligations.

(a) A carrier that files material in support of initial rates or change in rates under § 346.2 and has recorded asset retirement obligations on its books must provide a schedule, as part of the supporting workpapers, identifying all cost components related to the asset retirement obligations that are included in the book balances of all accounts reflected in the cost of service computation supporting the proposed rates. However, all cost components related to asset retirement obligations that would impact the calculation of rate base, such as carrier property and related accumulated depreciation and accumulated deferred income taxes, may not be reflected in rates and must be removed from the rate base calculation through a single adjustment.

(b) A carrier seeking to recover nonrate base costs related to asset retirement costs in rates must provide, with its filing under § 346.2 of this part, a detailed study supporting the amounts proposed to be collected in rates.

(c) A carrier who has recorded asset retirement obligations on its books but is not seeking recovery of the asset retirement costs in rates, must remove all asset retirement obligations related cost components from the cost of service supporting its proposed rates.

PART 352—UNIFORM SYSTEMS OF ACCOUNTS PRESCRIBED FOR OIL PIPELINE COMPANIES SUBJECT TO THE PROVISIONS OF THE INTERSTATE COMMERCE ACT

■ 22. The authority citation for part 352 continues to read as follows:

Authority: 49 U.S.C. 60502; 49 App. U.S.C. 1-85 (1988).

■ 23. In List of Instructions and Accounts, under Definitions, Definition 12 is revised to read as follows:

Definitions.

12. *Cost of removal* means cost of demolishing, dismantling, tearing down, or otherwise removing property including costs of handling and transportation. It does not include the

cost of removal activities associated with asset retirement obligations that are capitalized as part of the tangible long-lived assets that give rise to the obligation. (See General Instruction 1-19).

■ 24. In General Instructions, paragraph 1-19 is added to read as follows:

General Instructions

1-19 *Accounting for asset retirement obligations.*

(a) An *asset retirement obligation* represents a liability for the legal obligation associated with the retirement of a tangible long-lived asset that a utility is required to settle as a result of an existing or enacted law, statute, ordinance, or written or oral contract or by legal construction of a contract under the doctrine of promissory estoppel. An *asset retirement cost* represents the amount capitalized when the liability is recognized for the long-lived asset that gives rise to the legal obligation. The amount recognized for the liability and an associated asset retirement cost shall be stated at the fair value of the asset retirement obligation in the period in which the obligation is incurred.

(b) The carrier shall initially record a liability for an asset retirement obligation in account 67, Asset retirement obligations, and charge the associated asset retirement costs to account 30, Carrier property, and account 34, Noncarrier property, as appropriate, related to the property that gives rise to the legal obligation. The asset retirement cost shall be depreciated over the useful life of the related asset that gives rise to the obligations. For periods subsequent to the initial recording of the asset retirement obligation, a carrier shall recognize the period to period changes of the asset retirement obligation that result from the passage of time due to the accretion of the liability and any subsequent measurement revisions to the initial liability for the legal obligation recorded in account 67, Asset retirement obligations, as follows:

(1) The carrier shall record the accretion of the liability by debiting account 591, Accretion expense, for carrier property, account 620, Income (net) from noncarrier property, for noncarrier property and crediting account 67, Asset retirement obligations; and

(2) The carrier shall recognize any subsequent measurement changes of the liability initially recorded in account 67, Asset retirement obligations, for each

specific asset retirement obligation as an adjustment of that liability in account 67 with the corresponding adjustment to carrier property and noncarrier property accounts, as appropriate. The utility shall on a timely basis monitor any measurement changes of the asset retirement obligations.

(c) Gains or losses resulting from the final settlement of asset retirement obligations for carrier plant resulting from the difference between the amount of the liability for the asset retirement obligation in account 67, Asset retirement obligations, and the actual amount to settle the obligation, shall be recorded in account 592, Gains or losses on asset retirement obligations.

(d) Gains or losses resulting from the final settlement of asset retirement obligations for noncarrier plant resulting from the difference between the amount of the liability for the asset retirement obligation in account 67, Asset retirement obligations, and the actual amount to settle the obligation, shall be recorded in account 620, Income (net) from noncarrier property.

(e) Separate subsidiary records shall be maintained for each asset retirement obligation showing the initial liability and associated asset retirement cost, any incremental amounts of the liability incurred in subsequent reporting periods for additional layers of the original liability and related asset retirement cost, the accretion of the liability, the subsequent measurement changes to the asset retirement obligation, the depreciation and amortization of the asset retirement costs and related accumulated depreciation, and the settlement date and actual amount paid to settle the obligation. For purposes of analyses a carrier shall maintain supporting documentation so as to be able to furnish accurately and expeditiously with respect to each asset retirement obligation the full details of the identity and nature of the legal obligation, the year incurred, the identity of the plant giving rise to the obligation, the full particulars relating to each component and supporting computations related to the measurement of the asset retirement obligation.

■ 25. In Instructions for Carrier Property Accounts, Instruction 3-3, paragraph (11)(iii) and paragraph (13) are added to read as follows:

Instructions for Carrier Property Accounts

3-3 *Cost of property constructed.*

(11) * * *
 (iii) Interest during construction shall not be recognized on the asset retirement costs incurred during the construction of carrier and noncarrier property.

(13) Asset retirement costs that are recognized as a result of asset retirement obligations incurred during construction shall be included in the cost of construction costs.

■ 26. In Balance Sheet Accounts, account 31 is amended by adding a sentence to the end of paragraph, account 34 is amended by adding a sentence to the end of paragraph and account 67 is added to read as follows:

Balance Sheet Accounts

31 * * * Separate subsidiary records shall be maintained for the amount of accrued cost of removal other than legal obligations for the retirement of property recorded in account 31, Accrued depreciation—Carrier property.

34 * * * This account shall also include, amounts recorded for asset retirement costs associated with noncarrier property.

67 Asset retirement obligations.

(a) This account shall include liabilities arising from the recognition of asset retirement obligations. The carrier shall credit account 67, Asset retirement obligations, for the liabilities for asset retirement obligations and charge the appropriate carrier property accounts or noncarrier property accounts to record the related asset retirement costs.

(b) This account shall also include the period to period changes for the accretion of the liabilities in account 67, Asset retirement obligations. The carrier shall charge the accretion expense to account 591, Accretion expense, for carrier property, and account 620,

Income (net) from noncarrier property, for noncarrier property, as appropriate, and credit account 67, Asset retirement obligations.

(c) This account shall be debited with amounts paid to settle the asset retirement obligations recorded herein.

(d) The utility shall clear from this account any gains or losses resulting from the settlement of asset retirement obligations in accordance with the instructions prescribed in General Instruction 1–19.

■ 27. In Carrier Property Accounts, accounts 117, 167, and 186.1 are added to read as follows:

Carrier Property Accounts

117, 167, 186.1 *Asset retirement costs.*
 This account shall include asset retirement costs on plans included in carrier property.

■ 28. In Operating Expenses, accounts 541, 591 and 592 are added to read as follows:

Operating Expenses

541 Depreciation expense for asset retirement costs.

This account shall include charges for the depreciation of asset retirement costs related to transportation property.

591 Accretion expense.

This account shall be charged for accretion expense on the liabilities associated with asset retirement obligations included in account 67, Asset retirement obligations. The carrier shall record in this account the settlement amounts for asset retirement obligations related to carrier property in accordance with the accounting prescribed in General Instruction 1–19.

592 Gains or losses on asset retirement obligations.

The carrier shall record in this account gains or losses resulting from the settlement amounts for asset retirement obligations related to carrier property plant. (See General Instruction 1–19).

Note: The following appendices will not be published in the Code of Federal Regulations.

APPENDIX A

LIST OF COMMENTERS

| Respondent | Abbreviation |
|--|--------------------|
| 1. Arkansas Public Service Commission. | Arkansas PSC. |
| 2. Don Bjerke | Bjerke. |
| 3. Deloitte & Touche LLP. | Deloitte & Touche. |
| 4. Edison Electric Institute. | EEL. |
| 5. FirstEnergy Corp. ... | FirstEnergy. |
| 6. John S. Ferguson | Ferguson. |
| 7. K. C. Martin | K.C. Martin. |
| 8. Missouri Public Service Commission. | MoPSC. |
| 9. National Association of State Utility Consumer Advocates. | NASUCA. |
| 10. National Grid USA. | National Grid. |
| 11. National Rural Electric Cooperative Assn.. | NRECA. |
| 12. Northern Natural Gas Company. | Northern Natural. |
| 13. PacifiCorp | PacifiCorp. |
| 14. Progress Energy, Inc.. | Progress Energy. |
| 15. Rural Utilities Service. | RUS. |
| 16. Southern Company. | Southern. |

Appendix B

SUMMARY OF CHANGES TO SCHEDULES FOR FORMS 1, 1–F, 2, 2–A AND 6

| Schedule title | Forms 1 and 1–F public utilities and licensees | Forms 2 and 2A natural gas companies | Form 6 oil pipeline companies |
|------------------------------------|---|---|---|
| 1 List of Schedules | Revise to show schedule changes. | Same as Public Utilities and Licensees. | Same as Public Utilities and Licensees. |
| 2 Comparative Balance Sheet | Add new account 230 to report asset retirement obligations. | Same as Public Utilities and Licensees. | Add account 67 to report asset retirement obligations. |
| 3 Statement of Income for the Year | Add new accounts 403.1, to report depreciation expense and 411.10, to report accretion expense. | Same as Public Utilities and Licensees. | Add accounts 541, to report depreciation expense, 591, to report accretion expense, and 592, to report gains or losses on asset retirement obligations. |

SUMMARY OF CHANGES TO SCHEDULES FOR FORMS 1, 1-F, 2, 2-A AND 6—Continued

| Schedule title | Forms 1 and 1-F public utilities and licensees | Forms 2 and 2A natural gas companies | Form 6 oil pipeline companies |
|---|--|--|--|
| 4 Plant in Service | Add new Instruction 4. For revisions to the amount of initial asset retirement costs capitalized, included by primary plant account, increases in column (c) addition and reductions in column (e) adjustments. Add new primary asset retirement accounts, 317, 326, 337, 347, 359.1, 374 and 399.1, for each plant function. | Same as Public Utilities and Licensees. Add new primary asset retirement accounts, 339, 348, 358, 363.6, 364.9, 372, 388, 399.1, for each plant function. | N/A N/A |
| 5 Undivided Joint Interest Property | N/A | N/A | Add new primary asset retirement accounts, 117, 167, and 186.1, for each carrier property account function. |
| 6 Accumulated Provision for Depreciation of Utility Plant | Added lines to report "403.1 Depreciation Expense for Asset Retirement Costs" and "Book Cost of Asset Retirement Costs Retired." | Same as Public Utilities and Licensees. | N/A |
| 7 Accrued Depreciation—Carrier Property | N/A | N/A | Add new primary asset retirement accounts, 117, 167, and 186.1, for each carrier property account function and revise column (c) to read Debits to Accounts 540 and 541 of USofA (in dollars). |
| 8 Accrued Depreciation—Undivided Joint Interest Property | N/A | N/A | Same as above for Accrued Depreciation—Carrier Property. |
| 9 Depreciation and Amortization of Plant (Except Amortization of Acquisition Adjustments) | Add new Column (c), Depreciation Expense for Asset Retirement Costs (403.1). | Same as Public Utilities and Licenses. Form 2-A N/A | N/A |
| 10 Amortization Base and Reserve | N/A | N/A | Revise header over columns (b), (c), (d) and (e) to read (Base 540 and 541). |
| 11 Steam-Electric Generating Plant Statistics (Large Plants) | Form 1—Revise to report Asset Retirement Costs. Form 1-F N/A | N/A | N/A |
| 12 Hydroelectric Generating Plant Statistics (Large Plants) | Form 1—Revise to report Asset Retirement Costs. Form 1-F N/A | N/A | N/A |
| 13 Pumped Storage Generating Plant Statistics (Large Plants) | Form 1—Revise to report Asset Retirement Costs. Form 1-F N/A | N/A | N/A |
| 14 Generating Plant Statistics (Small Plants) (Continued) | Form 1—Revise Column (g), to read "Plant Cost (Including Asset Retirement Costs) Per MW Installed Capacity." Form 1-F N/A | N/A | N/A |
| 15 Transmission Lines Added During the Year | Form 1—Add column (o) "Asset Retirement Costs" to report asset retirement costs as part of line cost. Form 1-F N/A | N/A | N/A |

Appendix C Revised Schedules for FERC Forms 1, 1-F, 2, 2-A, and 6

-87-

| Name of Respondent | This Report is: (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) | Year of Report Dec 31, _____ |
|--|--|--------------------------------|---------------------------------|
| LIST OF SCHEDULES (Electric Utility) | | | |
| Enter in column (d) the terms "none," "not applicable," or "NA," as appropriate, where no information or amounts have been reported for certain pages. Omit pages where the respondents are "none," "not applicable," or "NA". | | | |
| Title of Schedule (a) | Reference Page No. (b) | Date Revised (c) | Remarks (d) |
| GENERAL CORPORATE INFORMATION AND FINANCIAL STATEMENTS | | | |
| General Information | 101 | Ed. 12-87 | |
| Control Over Respondent | 102 | Ed. 12-96 | |
| Corporations Controlled by Respondent | 103 | Ed. 12-96 | |
| Officers | 104 | Ed. 12-96 | |
| Directors | 105 | Ed. 12-96 | |
| Security Holders and Voting Powers | 106-107 | Ed. 12-96 | |
| Important Changes During the Year | 108-109 | Ed. 12-96 | |
| Comparative Balance Sheet | 110-113 | Rev. 12-02 | |
| Statement of Income for the Year | 114-117 | Rev. 12-02 | |
| Statement of Retained Earnings for the Year | 118-119 | Ed. 12-96 | |
| Statement of Cash Flows | 120-121 | Ed. 12-96 | |
| Statement of Accumulated Comprehensive Income and Hedging Activities | 122 (a) (b) | New 12-02 | |
| Notes to Financial Statements | 123 | Ed. 12-02 | |
| BALANCE SHEET SUPPORTING SCHEDULES (Assets and Other Debits) | | | |
| Summary of Utility Plant and Accumulated Provisions for | | | |
| Depreciation, Amortization, and Depletion | 200-201 | Ed. 12-89 | |
| Nuclear Fuel Materials | 202-203 | Ed. 12-89 | |
| Electric Plant in Service | 204-207 | Rev. 12-02 | |
| Electric Plant Leased to Others | 213 | Rev. 12-95 | |
| Electric Plant Held for Future Use | 214 | Ed. 12-89 | |
| Construction work in Progress -- Electric | 216 | Ed. 12-87 | |
| Construction Overheads -- Electric | 217 | Ed. 12-89 | |
| General Description of Construction Overhead Procedure | 218 | Ed. 12-88 | |
| Accumulated Provision for Depreciation of Electric Utility Plant | 219 | Ed. 12-02 | |
| Nonutility Property | 221 | Rev. 12-95 | |
| Investment in Subsidiary Companies | 224-225 | Ed. 12-89 | |
| Materials and Supplies | 227 | Ed. 12-87 | |
| Allowances | 228-229 | Ed. 12-89 | |
| Extraordinary Property Losses | 230 | Ed. 12-88 | |
| Unrecovered Plant and Regulatory Study Costs | 230 | Ed. 12-88 | |
| Other Regulatory Assets | 232 | Ed. 12-95 | |
| Miscellaneous Deferred Debits | 233 | Ed. 12-94 | |
| Accumulated Deferred Income Taxes (Account 190) | 234 | Ed. 12-88 | |
| BALANCE SHEET SUPPORTING SCHEDULES (Liabilities and Other Credits) | | | |
| Capital Stock | 250-251 | Ed. 12-91 | |
| Capital Stock Subscribed, Capital Stock Liability for Conversion, Premium on Capital Stock, and Installments | | | |
| Received on Capital Stock | 252 | Rev. 12-95 | |
| Other Paid-in Capital | 253 | Ed. 12-87 | |
| Discount on Capital Stock | 254 | Ed. 12-87 | |
| Capital Stock Expense | 254 | Ed. 12-86 | |
| Long-Term Debt | 256-257 | Ed. 12-96 | |

Appendix C Revised Schedules for FERC Forms 1, 1-F, 2, 2-A, and 6

-88-

| Name of Respondent | This Report is: (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) | Year of Report Dec 31, ____ |
|--|--|--------------------------------|--------------------------------|
| LIST OF SCHEDULES (Electric Utility) (Continued) | | | |
| Title of Schedule (a) | Reference Page No. (b) | Date Revised (c) | Remarks (d) |
| BALANCE SHEET SUPPORTING SCHEDULES (Liabilities and Other Credits) (Continued) | | | |
| Reconciliation of Reported Net Income with for Federal Income Taxes | 261 | Ed. 12-96 | |
| Taxes Accrued, Prepaid and Charged During Year | 262 - 263 | Ed. 12-96 | |
| Accumulated Deferred Investment Tax Credits | 266 - 267 | Ed. 12-89 | |
| Other Deferred Credits | 269 | Ed. 12-88 | |
| Accumulated Deferred Income Taxes - Accelerated Amortization Property | 272 - 273 | Ed. 12-96 | |
| Accumulated Deferred Income Taxes - Other Property | 274 - 275 | Ed. 12-96 | |
| Accumulated Deferred Income Taxes Other | 276 - 277 | Ed. 12-96 | |
| Other Regulatory Liabilities | 278 | Ed. 12-94 | |
| INCOME ACCOUNT SUPPORTING SCHEDULES | | | |
| Electric Operating Revenues | 300 - 301 | Ed. 12-96 | |
| Sales of Electricity by Rate Schedules | 304 | Ed. 12-95 | |
| Sales of Resale | 310 - 311 | Ed. 12-88 | |
| Electric Operation and Maintenance Expenses | 320 - 323 | Ed. 12-95 | |
| Number of Electric Department Employees | 323 | Ed. 12-93 | |
| Purchased Power | 326 - 327 | Ed. 12-95 | |
| Transmission of Electricity for Others | 328 - 330 | Ed. 12-90 | |
| Transmission of Electricity by Others | 332 | Ed. 12-90 | |
| Miscellaneous General Expenses - Electric | 335 | Ed. 12-94 | |
| Depreciation and Amortization of Electric- Plant | 336 - 337 | Rev. 12-02 | |
| Particulars Concerning Certain Income Deduction and Interest Charges Account | 340 | Ed. 12 - 87 | |
| COMMON SECTION | | | |
| Regulatory Commission Expenses | 350 - 351 | Ed. 12-96 | |
| Research, Development and Demonstration Activities | 352 - 353 | Ed. 12-87 | |
| Distribution of Salaries and Wages | 354 - 355 | Ed. 12-88 | |
| Common Utility Plant and Expenses | 356 | Ed. 12-87 | |
| ELECTRIC PLANT STATISTICAL DATA | | | |
| Electric Energy Account | 401 | Rev. 12-90 | |
| Monthly Peaks and Output | 401 | Rev. 12-90 | |
| Steam-Electric Generating Plant Statistics (Large Plants) | 402 - 403 | Rev. 12-02 | |
| Hydroelectric Generating Plant Statistics (Large Plants) | 406 - 407 | Ed. 12-02 | |
| Pumped Storage Generating Plant Statistics (Large Plants) | 408 - 409 | Ed. 12-02 | |
| Generating Plant Statistics (Small Plants) | 410 - 411 | Ed. 12-02 | |

Appendix C Revised Schedules for FERC Forms 1, 1-F, 2, 2-A, and 6

-89-

| Name of Respondent | This Report is: (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) | Year of Report Dec 31, ____ |
|--|--|--------------------------------|--------------------------------|
| LIST OF SCHEDULES (Electric Utility) (Continued) | | | |
| Title of Schedule (a) | Reference Page No. (b) | Date Revised (c) | Remarks (d) |
| ELECTRIC PLANT STATISTICAL DATA (Continued) | | | |
| Transmission Lines Statistics | 422-423 | Ed. 12-87 | |
| Transmission Lines Added During Year | 424-425 | Ed. 12-02 | |
| Substations | 426-427 | Ed. 12-96 | |
| Electric Distribution Meters and Line Transformers | 429 | Ed. 12-88 | |
| Environmental protection Facilities | 430 | Ed. 12-88 | |
| Environmental Protection Expenses | 431 | Ed. 12-88 | |
| Footnote Data | 450 | Ed. 12-87 | |
| Stockholders' Reports Check appropriate box: <input type="checkbox"/> Four copies will be submitted. <input type="checkbox"/> No annual report to stockholders is prepared. | | | |

Appendix C Revised Schedules for FERC Forms 1, 1-F, 2, 2-A, and 6

-90-

| Name of Respondent | | This Report is: (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) | Year of Report Dec 31, _____ |
|--|--|--|-------------------------------------|---------------------------------|
| COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS) | | | | |
| Line No | Title of Account (a) | Ref. Page No. (b) | Balance at Beginning of year (c) | Balance at End of Year (d) |
| 1 | PROPRIETARY CAPITAL | | | |
| 2 | Common Stock Issued (201) | 250-251 | | |
| 3 | Preferred Stock Issued (204) | 250-251 | | |
| 4 | Capital Stock Subscribed (202, 205) | 252 | | |
| 5 | Stock Liability for Conversion (203, 206) | 252 | | |
| 6 | Premium on Capital Stock (207) | 252 | | |
| 7 | Other Paid in Capital (208-211) | 253 | | |
| 8 | Installments Received on Capital Stock (212) | 252 | | |
| 9 | (Less) Discount on Capital Stock (213) | 254 | | |
| 10 | (Less) Capital Stock expense (214) | 254 | | |
| 11 | Retained Earnings (215, 215.1, 216) | 118-119 | | |
| 12 | Unappropriated Undistributed Subsidiary Earnings (216.1) | 118-119 | | |
| 13 | (Less) Recquired Capital Stock (217) | 250-251 | | |
| 14 | Accumulated Other Comprehensive Income (219) | 122 (a) (b) | | |
| 15 | TOTAL Proprietary Capital (Enter Total of Lines 2 thru 14) | - | | |
| 16 | LONG-TERM DEBT | | | |
| 17 | Bonds (221) | 256-257 | | |
| 18 | (Less) Recquired Bonds (222) | 256-257 | | |
| 19 | Advances from Associated Companies (223) | 256-257 | | |
| 20 | Other Long-Term Debt (224) | 256-257 | | |
| 21 | Unamortized Premium on Long-Term Debt (225) | - | | |
| 22 | (Less) Unamortized Discount on Long-Term Debt-Debit (226) | - | | |
| 23 | TOTAL Long-Term Debt (Enter Total of Lines 16 thru 21) | - | | |
| 24 | OTHER NONCURRENT LIABILITIES | | | |
| 25 | Obligations Under Capital Leases-Noncurrent (227) | - | | |
| 26 | Accumulated Provision for Property Insurance (228.1) | - | | |
| 27 | Accumulated Provision for Injunes and damages (228.2) | - | | |
| 28 | Accumulated Provision for Pensions and Benefits (228.3) | - | | |
| 29 | Accumulated Miscellaneous Operating Provision (228.4) | - | | |
| 30 | Accumulated Provision for Rate Refunds (229) | - | | |
| 31 | Asset Retirement Obligations (230) | - | | |
| 32 | TOTAL OTHER Noncurrent Liabilities (Enter Total of Lines 24 thru 30) | - | | |
| 33 | CURRENT AND ACCRUED LIABILITIES | | | |
| 34 | Notes Payable (231) | - | | |
| 35 | Accounts Payable (232) | - | | |
| 36 | Notes Payable to Associated Companies (233) | - | | |
| 37 | Account Payable to Associated Companies (234) | - | | |
| 38 | Customer Deposits (235) | - | | |
| 39 | Taxes Accrued (236) | 262-263 | | |
| 40 | Interest Accrued (237) | - | | |
| 41 | Dividends Declared (238) | - | | |
| 42 | Matured Long-Term Debt (239) | - | | |
| 43 | Matured Interests (240) | - | | |
| 44 | Tax Collections Payable (241) | - | | |
| 45 | Miscellaneous Current and Accrued Liabilities(242) | - | | |
| 46 | Obligations Under Capital Leases-Current (243) | - | | |

Appendix C Revised Schedules for FERC Forms 1, 1-F, 2, 2-A, and 6

-91-

| Name of Respondent | | This Report is: (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) | Year of Report Dec 31, ____ |
|---|---|--|-------------------------------------|--------------------------------|
| COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS) (Continued) | | | | |
| Line No | Title of Account (a) | Ref. Page No. (b) | Balance at Beginning of year (c) | Balance at End of Year (d) |
| 47 | Derivative Instrument Liabilities (244) | | | |
| 48 | Derivative Instrument Liabilities - Hedging (245) | | | |
| 49 | TOTAL Current and Accrued Liabilities (Enter Total of Lines 34 thru 48) | | | |
| 50 | DEFERRED CREDITS | | | |
| 51 | Customer Advances for Construction (252) | | | |
| 52 | Accumulate Deferred Investment Tax Credits (255) | 266-267 | | |
| 53 | Deferred Gains from Disposition of Utility Plant (256) | | | |
| 54 | Other Deferred Credits (253) | 269 | | |
| 55 | Other Regulatory Liabilities (254) | 278 | | |
| 55 | Unamortized Gain on Recquired Debt (257) | 269 | | |
| 56 | Accumulated Deferred Income Taxes (281-283) | 272-277 | | |
| 57 | TOTAL Deferred Credits (Enter Total of Lines 48 thru 54) | | | |
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| 70 | | | | |
| | TOTAL Liabilities and Other Credits (Enter Total of Lines 15, 23, 32,49 and 57) | | | |

Appendix C Revised Schedules for FERC Forms 1, 1-F, 2, 2-A, and 6 -92-

| Name of Respondent | | This Report is: (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) | Year of Report Dec 31, ____ |
|--|---|--|-------------------------------------|--------------------------------|
| STATEMENT OF INCOME FOR THE YEAR | | | | |
| <p>1. Report amounts for accounts 412 and 413, Revenue and Expenses from Utility Plant Leased to Others, in another Utility column (i,k,m,o) in a similar manner to a utility department. Spread the amount(s) over Lines 02 thru 24 as appropriate. include these amounts in columns (c) and (d) totals.</p> <p>2. Report amounts in account 414, Other Utility Operating income, in the same manner as accounts 412 and 413 above.</p> <p>3. Report data for lines 8, 10, and 11 for Natural Gas companies using accounts 404.1, 404.2, 404.3, 407.1 and 407.2.</p> <p>4. Use page 123 for important notes regarding the statement of income or any account thereof.</p> | | <p>5. Give concise explanations concerning unsettled rate proceedings where a contingency exists such that refunds of a material amount may need to be made to the utility's customers or which may result in a material refund to the utility with respect to power or gas purchases. State for each year affected the gross revenues or costs to which the contingency relates and the tax effects together with an explanation of the major factors which affect the rights of the utility to retain such revenues or recover amounts paid with respect to power and gas purchases.</p> <p>6. Give concise explanations concerning significant amounts of any refunds made or received during the year.</p> | | |
| Line No | Title of Account (a) | Ref. Page No. (b) | Balance at Beginning of year (c) | Balance at End of Year (d) |
| 1 | UTILITY OPERATING INCOME | | | |
| 2 | Operating Revenues (400) | 300-301 | | |
| 3 | Operating Expenses | | | |
| 4 | Operation Expenses (401) | 320-323 | | |
| 5 | Maintenance Expenses (402) | 320-323 | | |
| 6 | Depreciation Expenses (403) | 336-337 | | |
| 7 | Depreciation Expense for Asset Retirement Costs (403.1) | 336-337 | | |
| 8 | Amortization, & Depletion of Utility Plant (404-405) | 336-337 | | |
| 9 | Amortization of Utility Plant Acquisition Adjustment (406) | 336-337 | | |
| 10 | Amortization of Property Losses, Unrecovered Plant and Regulatory Study Costs (407) | | | |
| 11 | Amortization of Conversion Expenses (407) | | | |
| 12 | Regulatory Debits (407.3) | | | |
| 13 | (Less) Regulatory Credits (407.4) | | | |
| 14 | Taxes Other than Income Taxes (408.1) | 262-263 | | |
| 15 | Income Taxes - Federal (409.1) | 262-263 | | |
| 16 | - Other (409.1) | 262-263 | | |
| 17 | Provision for deferred Income Taxes (410.1) | 234,272-277 | | |
| 18 | (Less) Provision for Deferred Income Taxes - Cr. (411.1) | 234,272-277 | | |
| 19 | Investment Tax Credit Adj. - Net (411.4) | 266 | | |
| 20 | (Less) Gains from Disp. Of Utility Plant (411.6) | | | |
| 21 | Losses from Disp. Of Utility Plant (411.7) | | | |
| 22 | (Less) Gains from Disposition of Allowances (411.8) | | | |
| 23 | Losses from Disposition of Allowances (411.9) | | | |
| 24 | Accretion Expense (411.10) | | | |
| 25 | TOTAL Utility Operating Expenses (Enter Total of Lines 4 thru 24) | | | |
| 26 | Net Utility Operating Income (Enter Total of line 2 less 25) (Carry forward to page 117, line 25) | | | |

Appendix C Revised Schedules for FERC Forms 1, 1-F, 2, 2-A, and 6

-93-

| Name of Respondent | | This Report is: (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | | Date of Report (Mo, Da, Yr) | | Year of Report Dec 31, ____ | |
|---|-------------------|--|-------------------|--|-------------------|--------------------------------|--|
| STATEMENT OF INCOME FOR THE YEAR (Continued) | | | | | | | |
| resulting from settlement of any rate proceeding affecting revenues received or costs incurred for power or gas purchases, and a summary of the adjustments made to balance sheet, income, and expense accounts. 7. If any notes appearing in the report to stockholders are applicable to this Statement of Income, such notes should be included on page 123. 8. Enter on page 123 a concise explanation of only those changes in accounting methods made during the year | | | | which had an effect on net income, including the basis of allocations and apportionments from those used in the preceding year. Also give the approximate dollar effect of such changes. 9. Explain in a footnote if the previous year's figures are different from that reported in prior reports. 10. If the columns are insufficient for reporting additional utility departments, supply the appropriate account titles, lines 2 to 23, and report the information on page.123 or in a footnote. | | | |
| ELECTRIC UTILITY | | GAS UTILITY | | OTHER UTILITY | | Line No. | |
| Current Year (e) | Previous Year (f) | Current Year (g) | Previous Year (h) | Current Year (i) | Previous Year (j) | | |
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Appendix C Revised Schedules for FERC Forms 1, 1-F, 2, 2-A, and 6

-94-

| | | | | | | |
|--|------------------|--|------------------|--------------------------------|--------------------------------|-------------------|
| Name of Respondent | | This Report is: (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | | Date of Report (Mo, Da, Yr) | Year of Report Dec 31, ____ | |
| STATEMENT OF INCOME FOR THE YEAR (Continued) | | | | | | |
| | OTHER UTILITY | | OTHER UTILITY | | OTHER UTILITY | |
| Line No. | Current Year (k) | Previous Year (l) | Current Year (m) | Previous Year (n) | Current Year (o) | Previous Year (p) |
| 1 | | | | | | |
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Appendix C Revised Schedules for FERC Forms 1, 1-F, 2, 2-A, and 6

-95-

| Name of Respondent | | This Report is: (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) | Year of Report Dec 31, ____ | |
|--|--|--|--------------------------------|--------------------------------|--|
| STATEMENT OF INCOME FOR THE YEAR (Continued) | | | | | |
| Line No | Account (a) | (Ref.) Page No. (b) | TOTAL | | |
| | | | Current Year (c) | Previous Year (d) | |
| 27 | Net Utility Operating Income (Carried forward from page 114) | - | | | |
| 28 | Other Income and Deductions | | | | |
| 29 | Other Income | | | | |
| 30 | Nonutility Operating Income | | | | |
| 31 | Revenues From Merchandising, Jobbing and Contract Work (415) | | | | |
| 32 | (Less) Costs and Exp. Of Merchandising, Job & Contract Work (416) | | | | |
| 33 | Revenues From Nonutility Operations (417) | | | | |
| 34 | (Less) Expenses of Nonutility Operations (417.1) | | | | |
| 35 | Nonoperating Rental Income (418) | | | | |
| 36 | Equity in Earnings of Subsidiary Companies (418.1) | 119 | | | |
| 37 | Interest and Dividend Income (419) | | | | |
| 38 | Allowance for Other Funds Used During Construction (419.1) | | | | |
| 39 | Miscellaneous Nonoperating Income (421) | | | | |
| 40 | Gain on Disposition of Property (421.2) | | | | |
| 41 | TOTAL Other Income (Enter Total of Lines 31 thru 40) | | | | |
| 42 | Other Income Deductions | | | | |
| 43 | Loss on Disposition of Property (421.2) | | | | |
| 44 | Miscellaneous Amortization (425) | 340 | | | |
| 45 | Miscellaneous Income Deductions (426.1-426.5) | 340 | | | |
| 46 | TOTAL Other Income Deductions (Total of Lines 43 thru 45) | | | | |
| 47 | Taxes Applicable To Other Income and Deductions | | | | |
| 48 | Taxes Other than Income Taxes (408.2) | 262-263 | | | |
| 49 | Income Taxes - Federal (409.2) | 262-263 | | | |
| 50 | Income Taxes - Other (409.2) | 262-263 | | | |
| 51 | Provision for Deferred Inc. Taxes (410.2) | 234,272-277 | | | |
| 52 | (Less) Provision for Deferred Income Taxes - Credit (411.2) | 234,272-277 | | | |
| 53 | Investment Tax Credit Adj. - Net (411.5) | | | | |
| 54 | (Less) Investment Tax Credits (420) | | | | |
| 55 | TOTAL Taxes on Other Income and Deductions (Total of 48 thru 54) | | | | |
| 56 | Net Other Income and Deductions (Enter Total of Lines 41, 46, 55) | | | | |
| 57 | Interest Charges | | | | |
| 58 | Interest on Long-Term Debt (427) | | | | |
| 59 | Amort. Of Debt Disc. And Expense (428) | | | | |
| 60 | Amortization of Loss on Reacquired Debt (428.1) | | | | |
| 61 | (Less) Amort. Of Premium on Debt - credit (429) | | | | |
| 62 | (Less) Amortization of Gain on Reacquired Debt - Credit (429.1) | | | | |
| 63 | Interest on Debt to Assoc. Companies (430) | 340 | | | |
| 64 | Other Interest Expense (431) | 340 | | | |
| 65 | (Less) Allowance for Borrowed Funds Used During Construction-Cr. (432) | | | | |
| 66 | Net Interest Charges (Enter Total of Lines 58 thru 65) | | | | |
| 67 | Income Before Extraordinary Items (Total of Lines 27, 56 and 66) | | | | |
| 68 | Extraordinary Items | | | | |
| 69 | Extraordinary Income (434) | | | | |
| 70 | (Less) Extraordinary Deductions (435) | | | | |
| 71 | Net Extraordinary Items (Enter Total of Line 69 less Line 70) | | | | |
| 72 | Income Taxes-Federal and Other (409.3) | 262-263 | | | |
| 73 | Extraordinary Items After Taxes (Enter Total of Line 71 less Line 72) | | | | |
| 74 | Net Income (Enter Total of Lines 67 and 73) | | | | |

Appendix C Revised Schedules for FERC Forms 1, 1-F, 2, 2-A, and 6

| Name of Respondent | | This Report is: (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) | Year of Report Dec 31, ____ |
|---|--|--|--------------------------------|--------------------------------|
| ELECTRIC PLANT IN SERVICE (Accounts 101, 102, 103, and 106) | | | | |
| <p>1. Report below the original cost of electric plant in service according to the prescribed accounts.</p> <p>2. In addition to Account 101, Electric Plant in Service (Classified), this page and the next include Account 102, Electric Plant Purchased or Sold; Account 103, Experimental Electric Plant Unclassified; and Account 106, Completed Construction Not Classified-Electric.</p> <p>3. Include in column (c) or (d), as appropriate, corrections of additions and retirements for the current or preceding year.</p> <p>4. For revisions to the amount of initial asset retirement costs capitalized, included by primary plant account, increases in column (c) additions and reductions in column (e) adjustments.</p> <p>5. Enclose in parentheses credit adjustments of plant accounts to indicate the negative effect of such accounts.</p> <p>6. Classify Account 106 according to prescribed accounts, on an estimated basis if necessary, and include the entries in column (c). Also to be included in column (c) are entries for reversals of tentative distributions of prior year reported in column (b). Likewise, if the respondent has a significant amount of plant retirements which have not been classified to primary accounts at the end of the year, include in column (d) a tentative distribution of such retirements, on an estimated basis, with appropriate contra entry to the account for accumulated depreciation provision. Include also in</p> | | | | |
| Line No | Account (a) | Balance at Beginning of year (b) | Addition (c) | |
| 1 | 1. INTANGIBLE PLANT | | | |
| 2 | (301) Organization | | | |
| 3 | (302) Franchises and Consents | | | |
| 4 | (303) Miscellaneous Intangible Plant | | | |
| 5 | TOTAL Intangible Plant (Enter Total of Lines 2, 3, and 4) | | | |
| 6 | 2. PRODUCTION PLANT | | | |
| 7 | A. Steam Production Plant | | | |
| 8 | (310) Land and Land Rights | | | |
| 9 | (311) Structures and Improvements | | | |
| 10 | (312) Boiler Plant Equipment | | | |
| 11 | (313) Engines and Engine-Driven Generators | | | |
| 12 | (314) Tubogenerator Units | | | |
| 13 | (315) Accessory Electric Equipment | | | |
| 14 | (316) Misc. Power Plant Equipment | | | |
| 15 | (317) Asset Retirement Costs for Steam Production | | | |
| 16 | TOTAL Steam Production Plant (Enter Total of Lines 8 thru 15) | | | |
| 17 | B. Nuclear Production Plant | | | |
| 18 | (320) Land and Land Rights | | | |
| 19 | (321) Structures and Improvements | | | |
| 20 | (322) Reactor Plant Equipment | | | |
| 21 | (323) Turbo generator Units | | | |
| 22 | (324) Accessory Electric Equipment | | | |
| 23 | (325) Misc. Power Plant Equipment | | | |
| 24 | (326) Asset Retirement Costs for Nuclear Production | | | |
| 25 | TOTAL Nuclear Production Plant (Enter Total of Lines 18 thru 24) | | | |
| 26 | C. Hydraulic Production Plant | | | |
| 27 | (330) Land and Land Rights | | | |
| 28 | (331) Structures and Improvements | | | |
| 29 | (332) Reservoirs, Dams, and Waterways | | | |
| 30 | (333) Water Wheels, Turbines, and Generators | | | |
| 31 | (334) Accessory Electric Equipment | | | |
| 32 | (335) Misc. Power Plant Equipment | | | |
| 33 | (336) Roads, Railroad, and Bridges | | | |
| 34 | (337) Asset Retirement Costs for Hydraulic Production | | | |
| 35 | TOTAL Hydraulic Production Plant (Enter Total of Lines 27 thru 34) | | | |
| 36 | D. Other Production Plant | | | |
| 37 | (340) Land and Land Rights | | | |
| 38 | (341) Structures and Improvements | | | |
| 39 | (342) Fuel Holders, Products, and Accessories | | | |
| 40 | (343) Prime Movers | | | |
| 41 | (344) Generators | | | |
| 42 | (345) Accessory Electric Equipment | | | |

Appendix C Revised Schedules for FERC Forms 1, 1-F, 2, 2-A, and 6

-97-

| Name of Respondent | | This Report is: (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) | Year of Report Dec 31, ____ |
|--|--------------------|--|----------------------------------|--------------------------------|
| ELECTRIC PLANT IN SERVICE (Accounts 101, 102, 103, and 106) (Continued) | | | | |
| <p>column (d) reversals of tentative distributions of prior year of unclassified retirements. Show in a footnote the account distributions of these tentative classifications in columns (c) and (d), including the reversals of the prior years tentative account distributions of these amounts. Careful observance of the above instructions and the texts of Accounts 101 and 106 will avoid serious omissions of the reported amount of respondent's plant actually in service at end of year.</p> <p>7. Show in column (f) reclassifications or transfers within utility plant accounts. Include also in column (f) the additions or reductions of primary account classifications arising from distribution of amounts initially recorded in Account 102, include in column (e)</p> | | <p>the amounts with respect to accumulated provision for depreciation, acquisition adjustments, etc., and show in column (f) only the offset to the debits or credits distributed in column (f) to primary account classifications.</p> <p>8. For Account 399, state the nature and use of plant included in this account and if substantial in amount submit a supplementary statement showing subaccount classification of such plant conforming to the requirement of these pages.</p> <p>9. For each amount comprising the reported balance and changes in Account 102, state the property purchased or sold, name of vendor or purchase, and date of transaction. If proposed journal entries have been filed with the Commission as required by the Uniform System of Accounts, give also date of such filing.</p> | | |
| Retirements (d) | Adjustments (e) | Transfers (f) | Balance at End of Year (g) | Line No. |
| | | | | 1 |
| | | | (301) | 2 |
| | | | (302) | 3 |
| | | | (303) | 4 |
| | | | | 5 |
| | | | | 6 |
| | | | | 7 |
| | | | (310) | 8 |
| | | | (311) | 9 |
| | | | (312) | 10 |
| | | | (313) | 11 |
| | | | (314) | 12 |
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| | | | (317) | 15 |
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| | | | (321) | 19 |
| | | | (322) | 20 |
| | | | (323) | 21 |
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| | | | (330) | 27 |
| | | | (331) | 28 |
| | | | (332) | 29 |
| | | | (333) | 30 |
| | | | (334) | 31 |
| | | | (335) | 32 |
| | | | (336) | 33 |
| | | | (337) | 34 |
| | | | | 35 |
| | | | | 36 |
| | | | (340) | 37 |
| | | | (341) | 38 |
| | | | (342) | 39 |
| | | | (343) | 40 |
| | | | (344) | 41 |
| | | | (345) | 42 |

Appendix C Revised Schedules for FERC Forms 1, 1-F, 2, 2-A, and 6

| Name of Respondent | | This Report is: (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) | Year of Report Dec 31, _____ |
|---|--|--|--------------------------------|---------------------------------|
| ELECTRIC PLANT IN SERVICE (Accounts 101, 102, 103, and 106) | | | | |
| Line No | Account (a) | Balance at Beginning of year (b) | Addition (c) | |
| 43 | (348) Misc. Power Plant Equipment | | | |
| 44 | (347) Asset Retirement Costs for Other Production | | | |
| 45 | TOTAL Other Prod. Plant (Enter Total of Lines 37 thru 44) | | | |
| 46 | TOTAL Prod. Plant (Enter Total of Lines 16, 25, 35, and 45) | | | |
| 47 | 3. TRANSMISSION PLANT | | | |
| 48 | (350) land and Land Rights | | | |
| 49 | (352) Structures and Improvements | | | |
| 50 | (353) Station Equipment | | | |
| 51 | (354) Towers and Fixtures | | | |
| 52 | (355) Poles and Fixtures | | | |
| 53 | (356) Overhead Conductors and Devices | | | |
| 54 | (357) Underground conduit | | | |
| 55 | (358) Underground Conductors and Devices | | | |
| 56 | (359) Roads and Trails | | | |
| 57 | (359.1) Asset Retirement Costs for Transmission Plant | | | |
| 58 | TOTAL Transmission Plant (Enter Total of Lines 44 thru 52) | | | |
| 59 | 4. DISTRIBUTION PLANT | | | |
| 60 | (360) Land and Land Rights | | | |
| 61 | (361) Structures and Improvements | | | |
| 62 | (362) Station Equipment | | | |
| 63 | (363) Storage Battery Equipment | | | |
| 64 | (364) Poles, Towers, and Fixtures | | | |
| 65 | (365) Overhead Conductors and Devices | | | |
| 66 | (366) Underground Conduit | | | |
| 67 | (367) Underground Conductors and Devices | | | |
| 68 | (368) Line Transformers | | | |
| 69 | (369) Services | | | |
| 70 | (370) Meters | | | |
| 71 | (371) Installations on Customer Premises | | | |
| 72 | (372) Leased Property on Customer Premises | | | |
| 73 | (373) Street Lighting and Signal Systems | | | |
| 74 | (374) Asset Retirement Costs for Distribution Plant | | | |
| 75 | Total Distribution Plant (Enter Total of Lines 60 thru 74) | | | |
| 76 | 5. GENERAL PLANT | | | |
| 77 | (389) Land and Land Rights | | | |
| 78 | (390) Structures and Improvements | | | |
| 79 | (391) Office Furniture and Equipment | | | |
| 80 | (392) Transportation Equipment | | | |
| 81 | (393) Stores Equipment | | | |
| 82 | (394) Tools, Shop and Garage Equipment | | | |
| 83 | (395) Laboratory, Equipment | | | |
| 84 | (396) Power Operated Equipment | | | |
| 85 | (397) Communication Equipment | | | |
| 86 | (398) Miscellaneous Equipment | | | |
| 87 | SUBTOTAL (Enter Total of Lines 77 thru 86) | | | |
| 88 | (399) Other Tangible Property | | | |
| 89 | (399.1) Asset Retirement Costs for General Plant | | | |
| 90 | TOTAL General Plant (Enter Total of Lines 87, 88, and 89) | | | |
| 91 | TOTAL (Accounts 101 and 106) (Lines 5, 16, 25, 35, 45, 58, 75, 90) | | | |
| 92 | (102) Electric Plant Purchased (See Instr. 8) | | | |
| 93 | (Less) (102) Electric Plant Sold (See Instr. 8) | | | |
| 94 | (103) Experimental Plant Unclassified | | | |
| 95 | TOTAL Electric Plant in Service (Enter Total of Lines 91 thru 94) | | | |

Appendix C Revised Schedules for FERC Forms 1, 1-F, 2, 2-A, and 6

-99-

| Name of Respondent | | This Report is: (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) | Year of Report Dec 31, _____ |
|---|--------------------|--|----------------------------------|---------------------------------|
| ELECTRIC PLANT IN SERVICE (Accounts 101, 102, 103, and 106) (Continued) | | | | |
| Retirements (d) | Adjustments (e) | Transfers (f) | Balance at End of Year (g) | Line No. |
| | | | (346) | 43 |
| | | | (347) | 44 |
| | | | | 45 |
| | | | | 46 |
| | | | | 47 |
| | | | (350) | 48 |
| | | | (352) | 49 |
| | | | (353) | 50 |
| | | | (354) | 51 |
| | | | (355) | 52 |
| | | | (356) | 53 |
| | | | (357) | 54 |
| | | | (358) | 55 |
| | | | (359) | 56 |
| | | | (359.1) | 57 |
| | | | | 58 |
| | | | | 59 |
| | | | (360) | 60 |
| | | | (361) | 61 |
| | | | (362) | 62 |
| | | | (363) | 63 |
| | | | (364) | 64 |
| | | | (365) | 65 |
| | | | (366) | 66 |
| | | | (367) | 67 |
| | | | (368) | 68 |
| | | | (369) | 69 |
| | | | (370) | 70 |
| | | | (371) | 71 |
| | | | (372) | 72 |
| | | | (373) | 73 |
| | | | (374) | 74 |
| | | | | 75 |
| | | | | 76 |
| | | | (389) | 77 |
| | | | (390) | 78 |
| | | | (391) | 79 |
| | | | (392) | 80 |
| | | | (393) | 81 |
| | | | (394) | 82 |
| | | | (395) | 83 |
| | | | (396) | 84 |
| | | | (397) | 85 |
| | | | (398) | 86 |
| | | | | 87 |
| | | | (399) | 88 |
| | | | (399.1) | 89 |
| | | | | 90 |
| | | | | 91 |
| | | | (102) | 92 |
| | | | | 93 |
| | | | (103) | 94 |
| | | | | 95 |

Appendix C Revised Schedules for FERC Forms 1, 1-F, 2, 2-A, and 6

-100-

| Name of Respondent | | This Report is: (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | | Date of Report (Mo, Da, Yr) | Year of Report Dec 31, _____ |
|--|--|--|-------------------------------|--|-------------------------------------|
| ACCUMULATED PROVISION FOR DEPRECIATION OF ELECTRIC UTILITY PLANT (Account 108) | | | | | |
| <p>1. Explain in a footnote any important adjustments during year. 2. Explain in a footnote any difference between the amount for book cost of plant retired, Line 11, column (c), and that reported for electric plant in service, pages 204-207, column (d), excluding retirements of nondepreciable property. 3. The provisions of Account 108 in the Uniform System of Accounts require that retirements of depreciable plant be recorded when such plant is removed from service.</p> <p>If the respondent has a significant amount of plant retired at year end which has not been recorded and/or classified to the various reserve functional classifications, make preliminary closing entries to tentatively functionalize the book cost of the plant retired. In addition, include all costs included in retirement work in progress at year end in the appropriate functional classifications. 4. Show separately interest credits under a sinking fund or similar method of depreciation accounting.</p> | | | | | |
| Section A. Balances and Changes During Year | | | | | |
| Line No | Item (a) | Total (c+d+e) (b) | Electric Plant in Service (c) | Electric Plant Held for Future Use (d) | Electric Plant Leased to Others (e) |
| 1 | Balance Beginning of Year | | | | |
| 2 | Depreciation Provisions for Year, Charged to: | | | | |
| 3 | (403) Depreciation Expense | | | | |
| 4 | (403.1) Depreciation Expense for Asset Retirement Costs | | | | |
| 5 | (413) Expense of Electric Plant Leased to Others | | | | |
| 6 | Transportation Expenses-Clearing | | | | |
| 7 | Other Clearing Accounts | | | | |
| 8 | Other Accounts (Specify): | | | | |
| 9 | | | | | |
| 10 | Total Depreciation, Provision For Year (Enter Total of Lines 3 thru 9) | | | | |
| 11 | Net Charges for Plant Retired: | | | | |
| 12 | Book Cost of Plant Retired | | | | |
| 13 | Cost of Removal | | | | |
| 14 | Salvage (Credit) | | | | |
| 15 | TOTAL Net Charges For Plant Retired (Enter Total of Lines 12 thru 14) | | | | |
| 16 | Other Debit or Credit Items (Describe): | | | | |
| 17 | | | | | |
| 18 | Book Cost of Asset Retirement Costs Retired | | | | |
| 19 | Balance End of Year (Enter Total of lines 1, 10, 15, 16 and 18) | | | | |
| Section B. Balances at End of Year According to Functional Classifications | | | | | |
| 20 | Steam Production | | | | |
| 21 | Nuclear Production | | | | |
| 22 | Hydraulic Production-Conventional | | | | |
| 23 | Hydraulic Production-Pumped Storage | | | | |
| 24 | Other Production | | | | |
| 25 | Transmission | | | | |
| 26 | Distribution | | | | |
| 27 | General | | | | |
| 28 | TOTAL (Enter Total of Lines 20 thru 27) | | | | |

19642

Federal Register / Vol. 68, No. 76 / Monday, April 21, 2003 / Rules and Regulations

Appendix C Revised Schedules for FERC Forms 1, 1-F, 2, 2-A, and 6

-101-

| | | | | | | |
|--|--|--|---|---|---|--------------|
| Name of Respondent | This Report is: (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) | Year of Report Dec 31, ____ | | | |
| DEPRECIATION AND AMORTIZATION OF ELECTRIC PLANT (Accounts 403, 403.1, 404, 405) (Except Amortization of Acquisition Adjustments) | | | | | | |
| <p>1. Report in Section A for the year the amounts for: (a) Depreciation Expense (Account 403); (b) Amortization of Limited-Term Electric Plant (Account 404); and (c) Amortization of Other Electric Plant (Account 405).</p> <p>2. Report in section 8 the rates used to compute amortization charges for electric plant (Accounts 404 and 405). State the basis used to compute charges and whether any changes have been made in the basis or rates used from the preceding report year.</p> <p>3. Report all available information called for in section C every fifth year beginning with report year 1971, reporting annually only changes to columns (c) through (g) from the complete report of the preceding year.</p> <p>Unless composite depreciation accounting for total depreciable plant is followed, list numerically in column (a) each plant subaccount, account or functional classification, as appropriate, to which a rate is applied. Identify at the bottom of section C the type of plant included in any subaccount used.</p> <p>In column (b) report all depreciable plant balances to which rates are applied showing subtotals by functional</p> | | <p>Classifications and showing composite total. Indicate at the bottom of section C the manner in which column balances are obtained. If average balances, state the method of averaging used.</p> <p>For columns (c), (d), and (e) report available information for each plant subaccount, account or functional classification Listed in column (a). If plant mortality studies are prepared to assist in estimating average service lives, show in column (f) the type mortality curve selected as most appropriate for the account and in column (g), if available, the weighted average remaining life of surviving plant.</p> <p>If composite depreciation accounting is used, report available information called for in columns (b) through (g) on this basis.</p> <p>4. If provisions for depreciation were made during the year in addition to depreciation provided by application of reported rates, state at the bottom of section C the amounts and nature of the provisions and the plant items to which related.</p> | | | | |
| A. Summary of depreciation and Amortization Charges | | | | | | |
| Line No | Functional Classification (a) | Depreciation Expense (Account 403) (b) | Depreciation Expense for Asset Retirement Costs (Account 403.1) (c) | Amortization of Limited-Term Electric Plant (Account 404) (d) | Amortization of Other Electric Plant (Account 405) (e) | Total (f) |
| 1 | Intangible Plant | | | | | |
| 2 | Steam Production Plant | | | | | |
| 3 | Nuclear Production Plant | | | | | |
| 4 | Hydraulic Production Plant -- Conventional | | | | | |
| 5 | Hydraulic Production Plant -- Pumped Storage | | | | | |
| 6 | Other Production Plant | | | | | |
| 7 | Transmission Plant | | | | | |
| 8 | Distribution Plant | | | | | |
| 9 | General Plant | | | | | |
| 10 | Common Plant -- Electric | | | | | |
| 11 | TOTAL | | | | | |
| B. Basis for Amortization Charges | | | | | | |
| | | | | | | |

Appendix C Revised Schedules for FERC Forms 1, I-F, 2, 2-A, and 6

-102-

| Name of Respondent | | This Report is: (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) | Year of Report Dec 31, ____ |
|--|---|--|--------------------------------|--------------------------------|
| STEAM-ELECTRIC GENERATING PLANT STATISTICS (Large Plants) | | | | |
| <p>1. Report data for plant in Service only.</p> <p>2. Large plants are steam plants with installed capacity (name plate rating) of 25,000 Kw or more. Report in this page gas-turbine and internal combustion plants of 10,000 KW or more, and nuclear plants.</p> <p>3. Indicate by a footnote any plant leased or operated as a joint facility.</p> <p>4. If net peak demand for 60 minutes is not available. Give data which is available, specifying period.</p> <p>5. If any employees attend more than one plant, report on line 11 the approximate average number of employees assignable to each plant</p> <p>6. If gas is used and purchased on a therm basis report the Btu content of the gas and the quantity of fuel burned converted to Mct.</p> <p>7. Quantities of fuel burned (line 38) and average cost per unit of fuel burned (line 41) must be consistent with charges to expense accounts 501 and 547 (line 42) as show on line 20.</p> <p>8. If more than one fuel is burned in a plant furnish only the composite heat rate for all fuels burned.</p> | | | | |
| Line No | Item (a) | Plant Name: (b) | Plant Name: (c) | |
| 1 | Kind of Plant (Steam, Internal Combustion, Gas Turbine or Nuclear) | | | |
| 2 | Type of Plant Construction (Convention, Outdoor Boiler, Full Outdoor, Etc.) | | | |
| 3 | Year Originally Constructed | | | |
| 4 | Year Last Unit was Installed | | | |
| 5 | Total Installed Capacity (Maximum Generator Name Plate Ratings in MW) | | | |
| 6 | Next Peak Demand on Plant - MW (60 minutes) | | | |
| 7 | Plant Hours Connected to Load | | | |
| 8 | Net Continuous Plant Capability (Megawatts) | | | |
| 9 | When not Limited by Condenser Water | | | |
| 10 | When Limited by Condenser Water | | | |
| 11 | Average Number of Employees | | | |
| 12 | Net Generation, Exclusive of Plant Use --KWh | | | |
| 13 | Cost of Plant: Land and Land Rights | | | |
| 14 | Structures and Improvements | | | |
| 15 | Equipment Costs | | | |
| 16 | Asset Retirement Costs | | | |
| 17 | Total Cost | | | |
| 18 | Cost per KW of Installed Capacity (Line 17/ Line 5) including Asset Retirement Costs | | | |
| 19 | Production Expenses: Oper. Supv. & Engr. | | | |
| 20 | Fuel | | | |
| 21 | Coolants and Water (Nuclear Plants Only) | | | |
| 22 | Steam Expenses | | | |
| 23 | Steam From Other Sources | | | |
| 24 | Steam Transferred (Cr.) - | | | |
| 25 | Electric Expenses | | | |
| 26 | Misc. Steam (or Nuclear) Power Expenses | | | |
| 27 | Rents | | | |
| 28 | Allowances | | | |
| 29 | Maintenance Supervision and Engineering | | | |
| 30 | Maintenance of Structures | | | |
| 31 | Maintenance of Boiler (Or Reactor) Plant | | | |
| 32 | Maintenance of Electric Plant | | | |
| 33 | Maintenance Misc. Steam (or Nuclear) Plant | | | |
| 34 | Total Production Expenses | | | |
| 35 | Expenses per Net KWh | | | |
| 36 | Fuel: Kind (Coal, Gas, Oil, or Nuclear) | | | |
| 37 | Unit: (Coal-tons of 2,000 lb.) (Oil-barrels of 42 gals.) (Gas=Mcf) (Nuclear-indicate) | | | |
| 38 | Quantity (Units) of Fuel Burned | | | |
| 39 | Avg. Heat Cont. Of Fuel Burned (Btu per lb. Of coal per gal. Of oil or per Mcf of gas) (Give unit if nuclear) | | | |
| 40 | Average Cost of Fuel per Unit, as Delivered f. o. b. Plant During Year | | | |
| 41 | Average Cost of Fuel per Unit Burned | | | |
| 42 | Avg. Cost of Fuel Burned per Million Btu | | | |
| 43 | Avg. Cost of Fuel Burned per Kwh Net Generation | | | |
| 44 | Average Btu per Kwh Net Generation | | | |

Appendix C Revised Schedules for FERC Forms 1, 1-F, 2, 2-A, and 6

-103-

| | | | |
|--|--|--|---------------------------------|
| Name of Respondent | This Report is: (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) | Year of Report Dec 31, _____ |
| STEAM-ELECTRIC GENERATING PLANT STATISTICS (Large Plants) (Continued) | | | |
| 9. Items under Cost of Plant are based on U.S. of A. Accounts. Production expenses do not include Purchased Power, System Control and Load Dispatching, and Other Expenses Classified as Other Power Supply Expenses. | | -turbine unit functions in a combined cycle operation with a conventional steam unit, include the gas-turbine with the steam plant. | |
| 10. For IC and GT plants, report Operating Expenses, Account Nos. 547 and 549 on line 25 "Electric Expenses," and Maintenance Account Nos. 553 and 554 on line 32. "Maintenance of Electric Plant." Indicate plants designed for peak load service. Designate automatically operated plants. | | 12. If a nuclear power generating plant, briefly explain by footnote (a) accounting method for cost of power generated including any excess costs attributed to research and development; (b) types of cost units used for the various components of fuel cost; and (c) any other informative data concerning plant type fuel used, fuel enrichment type and quantity for the report period and other physical and operating characteristics of plant. | |
| 11. For a plant equipped with combinations of fossil fuel steam, nuclear steam, hydro, internal combustion or gas-turbine equipment, report each as a separate plant. However, if a gas | | | |
| Plant Name: | Plant Name: | Plant Name: | Line No. |
| (d) | (e) | (f) | |
| | | | 1 |
| | | | 2 |
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Appendix C Revised Schedules for FERC Forms 1, 1-F, 2, 2-A, and 6

-104-

| Name of Respondent | | This Report is: (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) | Year of Report Dec 31, ____ |
|---|---|--|---|--------------------------------|
| HYDROELECTRIC GENERATING PLANT STATISTICS (Large Plants) | | | | |
| 1. Large plants are hydro plants of 10,000 Kw or more of installed capacity (name plate ratings). 2. If any plant is leased, operated under a license from the Federal Energy Regulatory Commission, or operated as a joint facility, indicate such facts in a footnote. If licensed project, give project number. 3. If net peak demand for 60 minutes is not available, give that which is available specifying period. 4. If a group of employees attends more than one generating plant, report on line 11 the approximate average number of employees assignable to each plant. | | | | |
| Line No | Item (a) | FERC Licensed Project No. Plant Name: (b) | FERC Licensed Project No. Plant Name: (c) | |
| 1 | Kind of Plant (Run-of-River or Storage) | | | |
| 2 | Type of Plant Construction (Conventional or Outdoor) | | | |
| 3 | Year Originally Constructed | | | |
| 4 | Year Last Unit was Installed | | | |
| 5 | Total Installed Capacity (Generator Name Plate Rating in MW) | | | |
| 6 | Net Peak Demand on Plant-Megawatts (60 minutes) | | | |
| 7 | Plant Hours Connected to Load | | | |
| 8 | Net Plant Capability (in megawatts) | | | |
| 9 | (a) Under the Most Favorable Operating Conditions | | | |
| 10 | (b) Under the Most Adverse Operating Conditions | | | |
| 11 | Average Number of Employees | | | |
| 12 | Net Generation, Exclusive of Plant Use-KWh | | | |
| 13 | Cost of Plant: | | | |
| 14 | Land and Land Rights | | | |
| 15 | Structures and Improvements | | | |
| 16 | Reservoirs, Dams, and Waterways | | | |
| 17 | Equipments Costs | | | |
| 18 | Roads, Railroads, and Bridges | | | |
| 19 | Asset Retirement Costs | | | |
| 20 | TOTAL Cost (Enter Total of Lines 14 thru 19) | | | |
| 21 | Cost per KW of Installed Capacity (Line 5) including Asset Retirement Costs | | | |
| 22 | Production Expenses: | | | |
| 23 | Operation Supervision and Engineering | | | |
| 24 | Water for Power | | | |
| 25 | Hydraulic Expenses | | | |
| 26 | Electric Expenses | | | |
| 27 | Misc. Hydraulic Power Generation Expenses | | | |
| 28 | Rents | | | |
| 29 | Maintenance Supervision and Engineering | | | |
| 30 | Maintenance of Structures | | | |
| 31 | Maintenance of Reservoirs, Dams, and Waterways | | | |
| 32 | Maintenance of Electric Plant | | | |
| 33 | Maintenance of Misc. Hydraulic Plant | | | |
| 34 | Total Production Expenses (Total lines 23 thru 33) | | | |
| 35 | Expenses per net KWh | | | |

Appendix C Revised Schedules for FERC Forms 1, 1-F, 2, 2-A, and 6

-105-

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|--|--|--|---|---------------------------------|
| Name of Respondent | | This Report is: (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) | Year of Report Dec 31, _____ |
| HYDROELECTRIC GENERATING PLANT STATISTICS (large Plants) (Continued) | | | | |
| 5. The items under Cost of Plant represent accounts or combinations of accounts prescribed by the uniform System of Accounts. Production Expenses do not include Purchased Power, System control and Load Dispatching, and Other Expenses classified as "Other Power Supply Expenses." | | | 6. Report as a separate plant any plant equipped with combinations of steam, hydro, internal combustion engine, or gas turbine equipment. | |
| FERC Licensed Project No. Plant Name: (d) | FERC Licensed Project No. Plant Name: (e) | FERC Licensed Project No. Plant Name: (f) | Line No | |
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Appendix C Revised Schedules for FERC Forms 1, 1-F, 2, 2-A, and 6

-106-

| Name of Respondent | | This Report is: (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) | Year of Report Dec 31, ____ |
|--|---|--|--------------------------------|--------------------------------|
| PUMPED STORAGE GENERATING PLANT STATISTICS (Large Plants) | | | | |
| 1. Large plants and pumped storage plants of 10,000 Kw or more of installed capacity (name plate ratings). 2. If any plant is leased, operating under a license from the Federal Energy Regulatory Commission, or operated as a joint facility, indicate such facts in a footnote. Give project number. 3. If net peak demand for 60 minutes is not available, give the which is available, specifying period. | | 4. If a group of employees attends more than one generating plant, report on line 8 the approximate average number of employees assignable to each plant. 5. The items under Cost of Plant represent accounts or combinations of accounts prescribed by the Uniform System of Accounts. Production Expenses do not include Purchased Power System Control and Load Dispatching, and Other Expenses classified as "Other Power Supply Expenses." | | |
| Line No | Item (a) | FERC Licensed Project No. Plant Name: (b) | | |
| 1 | Type of Plant Construction (Conventional or Outdoor) | | | |
| 2 | Year Originally Constructed | | | |
| 3 | Year Last Unit was Installed | | | |
| 4 | Total Installed Capacity (Generator Name Plate Ratings in MW) | | | |
| 5 | Net Peak Demand on Plant-Megawatts (60 minutes) | | | |
| 6 | Plant Hours Connected to Load While Generating | | | |
| 7 | Net Plant Capability (In megawatts): | | | |
| 8 | Average Number of Employees | | | |
| 9 | Generation Exclusive of Plant Use-KWh | | | |
| 10 | Energy Used for Pumping-KWH | | | |
| 11 | Net Output for Load (Line 9 minus Line 10)-KWh | | | |
| 12 | Cost of Plant | | | |
| 13 | Land and Land Rights | | | |
| 14 | Structures and Improvements | | | |
| 15 | Reservoirs, Dams, and Waterways | | | |
| 16 | Water Wheels, Turbines, and Generators | | | |
| 17 | Accessory Electric Equipment | | | |
| 18 | Miscellaneous Powerplants Equipment | | | |
| 19 | Roads, Railroads, and Bridges | | | |
| 20 | Asset Retirement Costs | | | |
| 21 | TOTAL Cost (Enter Total of Lines 13 thru 20) | | | |
| 22 | Cost per KW of installed Capacity (Line 21 ÷ Line 4) including Asset Retirement Costs | | | |
| 23 | Production Expenses | | | |
| 24 | Operation Supervision and Engineering | | | |
| 25 | Water for Power | | | |
| 26 | Pumped Storage Expenses | | | |
| 27 | Electric Expenses | | | |
| 28 | Misc. Pumped Storage Power Generation Expenses | | | |
| 29 | Rents | | | |
| 30 | Maintenance Supervision and Engineering | | | |
| 31 | Maintenance of Structures | | | |
| 32 | Maintenance of Reservoirs, Dams, and Waterways | | | |
| 33 | Maintenance of Electric Plant | | | |
| 34 | Maintenance of Misc. Pumped Storage Plant | | | |
| 35 | Production Exp. Before Pumping Exp. (Enter Total of Lines 24 thru 34) | | | |
| 36 | Pumping Expenses | | | |
| 37 | Total Production Expenses (Enter Total of Lines 35 and 36) | | | |
| 38 | Expenses per Kwh (Enter result of line 37 divided by Line 9) | | | |

Appendix C Revised Schedules for FERC Forms 1, 1-F, 2, 2-A, and 6

-107-

| | | | | |
|---|--|--|--------------------------------|--------------------------------|
| Name of Respondent | | This Report is: (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) | Year of Report Dec 31, ____ |
| PUMPED STORAGE GENERATING PLANT STATISTICS (Large Plants) (Continued) | | | | |
| 6. Pumping energy (line 10) is that energy measured as input to the plant for pumping purposes. 7. Include on line 35 the cost of energy used in pumping into the storage reservoir. When this item cannot be accurately computed leave Lines 35, 36 and 37 blank and footnote the company's principal sources of pumping power, the estimated amounts of energy from each station or other source | | that individually provides more than 10 percent of the total energy used for pumping, and production expenses per net MWH as reported herein for each source described. Group together stations and other resources which individually provide less than 10 percent of total pumping energy. If contracts are made with others to purchase power for pumping, give the supplier contract number, and date of contract. | | |
| FERC Licensed Project No. Plant Name: (d) | FERC Licensed Project No. Plant Name: (e) | FERC Licensed Project No. Plant Name: (f) | Line No | |
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Appendix C Revised Schedules for FERC Forms 1, 1-F, 2, 2-A, and 6

-108-

| Name of Respondent | | This Report is: (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | | Date of Report (Mo, Da, Yr) | Year of Report Dec 31, ____ | |
|--|---------------------------------------|--|--|--------------------------------|---|---|
| GENERATING PLANT STATISTICS (Small Plants) (Continued) | | | | | | |
| 3. List plants appropriately under subheadings for steam, hydro, nuclear, internal combustion and gas turbine plants. For nuclear, see instruction 11, page 403: 4. If net peak demand for 60 minutes is not available, give the which is available, specifying period. | | | 5. If any plant is equipped with combinations of steam, hydro internal combustion or gas turbine equipment, report each as a separate plant. However, if the exhaust heat from the gas turbine is utilized in a steam turbine regenerative feed water cycle, or for preheated combustion air in a boiler, report as one plant. | | | |
| Plant Cost (Including Asset Retirement Costs) Per MW Installed Capacity (g) | Operation Excluding Fuel (h) | Production Expenses | | Kind of Fuel (k) | Fuel Cost (In cents per million Btu) (l) | Line No |
| | | Fuel (i) | Maintenance (j) | | | |
| | | | | | | 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 |

Appendix C Revised Schedules for FERC Forms 1, 1-F, 2, 2-A, and 6

-109-

| Name of Respondent | | This Report is: (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | | Date of Report (Mo, Da, Yr) | Year of Report Dec 31, ____ | | |
|---|------------------|--|-----------------------------|--|---------------------------------|------------------------|-----------------|
| TRANSMISSION LINES ADDED DURING YEAR | | | | | | | |
| 7. Report below the information called for concerning Transmission lines added or altered during the year. It is not necessary to report minor revisions of lines. 2. Provide separate subheadings for overhead and under- | | | | ground construction and show each transmission line separately. If actual costs of completed construction are not readily available for reporting columns (l) to (p), it is permissible to report in these columns the estimated final completion. | | | |
| Line No | LINE DESIGNATION | | Line Length in Miles (c) | SUPPORTING STRUCTURE | | CIRCUITS PER STRUCTURE | |
| | From (a) | To (b) | | Type (d) | Average Number Per Miles (e) | Present (f) | Ultimate (g) |
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| 44 | TOTAL | | | | | | |

Appendix C Revised Schedules for FERC Forms 1, 1-F, 2, 2-A, and 6

-110-

| Name of Respondent | | | This Report is: (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | | Date of Report (Mo, Da, Yr) | | Year of Report Dec 31, ____ | | |
|---|----------------------|-------------------------------------|--|------------------------------|---|---------------------------------|-------------------------------------|--------------|-------------|
| TRANSMISSION LINES ADDED DURING YEAR (Continued) | | | | | | | | | |
| costs. Designate, however, if estimated amounts are reported. Include costs of Clearing Land and Rights-of-Way, and Roads and Trails, in column (l) with appropriate footnote, and costs of Underground Conduit in column (m) | | | | | 3. If design voltage differs from operating voltage, indicate such fact by footnote; also where line is other than 60 cycle, 3 phase, indicate such other characteristic. | | | | |
| CONDUCTORS | | | Voltage KV (Operating) (k) | LINE COST | | | | Total (p) | Line No. |
| Size (h) | Specification (i) | Configuration and Spacing (j) | | Land and Rights (l) | Poles, Towers and Fixtures (m) | Conductors and Device (n) | Asset Retirement Costs (o) | | |
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Appendix C Revised Schedules for FERC Forms 1, 1-F, 2, 2-A, and 6

-111-

| Name of Respondent | | This Report is: (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) | Year of Report Dec 31, _____ |
|---|---|--|----------------------------------|---------------------------------|
| PART III: COMPARATIVE BALANCE SHEET (Continued) | | | | |
| | Liabilities and Other Credits (a) | Balance at Beginning of year (b) | Balance at End of Year (c) | |
| 01 | Common Stock Issued (201) | | | |
| 02 | Preferred Stock Issued (204) | | | |
| 03 | Miscellaneous Paid-in Capital (211) | | | |
| 04 | Installments Received on Capital Stock (212) | | | |
| 05 | Discount on Capital Stock - Debit (213) | | | |
| 06 | Capital Stock Expenses - Debit (214) | | | |
| 07 | Retained Earnings (215-216) | | | |
| 08 | Reacquired Capital Stock - Debit (217) | | | |
| 09 | Noncorporate Proprietorship (218) | | | |
| 10 | Accumulated Other Comprehensive Income (219) | | | |
| 11 | TOTAL PROPRIETARY CAPITAL (Enter total of lines 01 thru 10) | | | |
| 12 | Bonds (221) | | | |
| 13 | Advances From Associated Companies (223) | | | |
| 14 | Other Long-term Debt (Specify in footnote) (224) | | | |
| 15 | Unamortized Premium on Long-term Debt (225) | | | |
| 16 | Unamortized Discount on Long-term Debt - Debit (226) | | | |
| 17 | TOTAL LONG-TERM DEBT (Enter total of lines 12 thru 16) | | | |
| 18 | Other Noncurrent Liabilities: | | | |
| 19 | Obligations Under Capital Leases - Noncurrent (227) | | | |
| 20 | Accumulated Provision for Property Insurance (228.1) | | | |
| 21 | Accumulated Provision for Injuries and Damages (228.2) | | | |
| 22 | Accumulated Provision for Pensions and Benefits (228.3) | | | |
| 23 | Accumulated Miscellaneous Operating Provisions (228.4) | | | |
| 24 | Accumulated Provision for Rate Refunds (229) | | | |
| 25 | Asset Retirement Obligations (230) | | | |
| 26 | TOTAL OTHER NONCURRENT LIABILITIES (Enter Total of Lines 19 thru 25) | | | |
| 27 | Current and Accrued Liabilities: | | | |
| 28 | Notes and Accounts Payable (Report amounts applicable to associated companies in a footnote) (231 to 234) | | | |
| 29 | Customer Debits (235) | | | |
| 30 | Taxes Accrued (236) | | | |
| 31 | Interest Accrued (237) | | | |
| 32 | Miscellaneous Current and Accrued Liabilities (242) | | | |
| 33 | Obligations Under Capital Leases-Current (243) | | | |
| 34 | Derivative Instrument Liabilities (244) | | | |
| 35 | Derivative Instrument Liabilities - Hedges (245) | | | |
| 36 | TOTAL CURRENT AND ACCRUED LIABILITIES (Enter total of lines 28 thru 35) | | | |
| 37 | Deferred Credits: | | | |
| 38 | Customer Advances for Construction (252) | | | |
| 39 | Other Deferred Credits (253) | | | |
| 40 | Other Regulatory Liabilities (254) | | | |
| 41 | Accumulated Deferred Investment Tax Credits (255) | | | |
| 42 | Deferred Gains from Disposition of Utility Plant (256) | | | |
| 43 | Unamortized Gain on Reacquired Debt (257) | | | |
| 44 | Accumulated Deferred Income Taxes (261-263) | | | |
| 45 | TOTAL DEFERRED CREDITS (Enter total of lines 38 thru 44) | | | |
| 46 | TOTAL LIABILITIES AND OTHER CREDITS (Enter total of lines 11, 17, 26, 36 and 45) | | | |

Appendix C Revised Schedules for FERC Forms 1, 1-F, 2, 2-A, and 6

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| | | | | | |
|---|---|--|---|--------------------------------|--|
| Name of Respondent | | This Report is: (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | | Date of Report (Mo, Da, Yr) | Year of Report Dec 31, ____ |
| PART IV: STATEMENT OF INCOME FOR THE YEAR (Continued) | | | | | |
| 1. Report amounts for accounts 412 and 413. Revenues and expenses from Utility Plant Leased to Others, in the Other Utility column (h, i or j, k) in a similar manner to a utility department. Spread the amount(s) over lines 01 to 22 as appropriate. Include these amounts in column (b) and (c) totals. 2. Report amounts for account 414. Other Utility Operating Income, in the same manner as accounts 412 and 413. 3. Provide an explanation in Part VII. Notes to Financial Statements, of such unsettled rate | | | proceedings where a contingency exists that refunds of a material amount may need to be made to the utility's customers or which may result in a material refund to the utility with respect to power or gas purchases. State for each year affected the gross revenues or costs to which the contingency relates and the tax effects; include an explanation for the major factors which affect the rights of the utility to retain such revenues or to recover amounts paid with respect to power or gas purchases. | | |
| | Account (a) | Total (d to k) | | Electric Utility | |
| | | Current Year (b) | Change From Previous Year (c) | Current Year (d) | Change From previous Year (e) |
| 01 | UTILITY OPERATING INCOME | | | | |
| 02 | Operating Revenues (400) | | | | |
| 03 | Operating Expenses: | | | | |
| 04 | Operating Expenses (401) | | | | |
| 05 | Maintenance Expense (402) | | | | |
| 06 | Depreciation Expense (403) | | | | |
| 07 | Depreciation Expense for Asset Retirement Costs (403.1) | | | | |
| 08 | Amortization Expense (Specify by account) | | | | |
| 09 | | | | | |
| 10 | Regulatory Debits (407.3) | | | | |
| 11 | (Less) Regulatory Credits (407.4) | | | | |
| 12 | Taxes Other Than Income Taxes (408.1) | | | | |
| 13 | Federal Income Taxes (409.1) | | | | |
| 14 | Other Income Taxes (409.1) | | | | |
| 15 | Provision For Deferred Income Taxes (410.1) | | | | |
| 16 | Provision For Deferred Income Taxes - Credit (411.1) | | | | |
| 17 | Investment Tax Credit Adjustments - Net (411.4) | | | | |
| 18 | Gains From Disposition of Utility Plant (411.6) | | | | |
| 19 | Losses From Disposition of Utility Plant (411.7) | | | | |
| 20 | Gains From Disposition of Allowances (411.8) | | | | |
| 21 | Losses From Disposition of Allowances (411.9) | | | | |
| 22 | Accretion Expense (411.10) | | | | |
| 23 | TOTAL UTILITY OPERATING EXPENSES (Enter total of lines 04 thru 22) | | | | |
| 24 | Net Utility Operating Income (Enter total of line 02 less 23) | | | | |

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Appendix C Revised Schedules for FERC Forms 1, 1-F, 2, 2-A, and 6

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| Name of Respondent | | This Report is: (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | | Date of Report (Mo, Da, Yr) | | Year of Report Dec 31, ____ | |
|--|-------------------------------------|--|-------------------------------------|---|-------------------------------------|--------------------------------|----|
| PART IV: STATEMENT OF INCOME FOR THE YEAR (Continued) | | | | | | | |
| 4. Provide an explanation in Part VII, Notes to Financial Statements, of significant amounts of any refunds made or received during the year resulting from settlement of any rate proceeding affecting revenues received for costs incurred for power or gas purchases and a summary of the adjustment made to balance sheet, income, and expense accounts. | | | | 6. Provide an explanation in Part VII, Notes to Financial Statements of only those changes in account methods made during the year which had an effect on net income, including the basis of allocations and apportionments from those used in the preceding year. Also, give the approximate dollar effects of such changes. | | | |
| 5. If any note appearing in the report to stockholders are applicable to the statement of income, either include such note in an attachment, or enter such data in Part VII. | | | | | | | |
| Gas Utility | | Other Utility | | Other utility | | Account | |
| Current Year (f) | Change From Previous Year (g) | Current Year (h) | Change From Previous Year (i) | Current Year (j) | Change From Previous Year (k) | | |
| | | | | | | | 01 |
| | | | | | | (400) | 02 |
| | | | | | | | 03 |
| | | | | | | (401) | 04 |
| | | | | | | (402) | 05 |
| | | | | | | (403) | 06 |
| | | | | | | (403.1) | 07 |
| | | | | | | | 08 |
| | | | | | | | 09 |
| | | | | | | (407.3) | 10 |
| | | | | | | (407.4) | 11 |
| | | | | | | (408.1) | 12 |
| | | | | | | (409.1) | 13 |
| | | | | | | (409.1) | 14 |
| | | | | | | (410.1) | 15 |
| | | | | | | (411.1) | 16 |
| | | | | | | (411.4) | 17 |
| | | | | | | (411.6) | 18 |
| | | | | | | (411.7) | 19 |
| | | | | | | (411.8) | 20 |
| | | | | | | (411.9) | 21 |
| | | | | | | (411.10) | 22 |
| | | | | | | TOTAL | 23 |
| | | | | | | NET | 24 |

Appendix C Revised Schedules for FERC Forms 1, 1-F, 2, 2-A, and 6

-114-

| Name of Respondent | | This Report is: (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) | Year of Report Dec 31, ____ |
|---|--|--|-------------------------------------|--------------------------------|
| PART IV: STATEMENT OF INCOME FOR THE YEAR (Continued) | | | | |
| | Account | Total | | |
| | (a) | Current Year (b) | Change From Previous Year (c) | |
| 24 | Net Utility Operating Income (Carrier Forward from line 24, page 6) | | | |
| 25 | OTHER INCOME AND DEDUCTIONS | | | |
| 26 | Other Income: | | | |
| 27 | Nonutility Operating Income (415-418) | | | |
| 28 | Interest and Dividend Income (419) | | | |
| 29 | Allowance for Other Funds Used During Construction (419.1) | | | |
| 30 | Miscellaneous Nonoperating Income (421) | | | |
| 31 | Gain on Disposition of Property (415-418) | | | |
| 32 | TOTAL OTHER INCOME (Enter Total of lines 27 thru 31) | | | |
| 33 | Other Income Deductions: | | | |
| 34 | Loss on Disposition of Property (421.2) | | | |
| 35 | Miscellaneous Amortization (425) | | | |
| 36 | Miscellaneous Income Deductions (426.1 - 426.5) | | | |
| 37 | TOTAL OTHER INCOME DEDUCTIONS (Enter total of lines 34 thru 36) | | | |
| 38 | Taxes Applicable to Other Income and Deductions: | | | |
| 39 | Taxes Applicable to Other Income and Deductions: | | | |
| 40 | Federal Income Taxes (409.2) | | | |
| 41 | Other Income Taxes (409.2) | | | |
| 42 | Provision for Deferred Income Taxes (410.2) | | | |
| 43 | Provision for Deferred income (411.2) | | | |
| 44 | Investment Tax Credit Adjustments - Net (411.5) | | | |
| 45 | Investment Tax Credits (420) | | | |
| 46 | TOTAL TAXES APPLICABLE TO OTHER INCOME AND DEDUCTIONS (Enter total of lines 40 thru 45) | | | |
| 47 | Net Other Income and Deductions (Enter total of line 32 less 37 and 46) | | | |
| 48 | INTEREST CHARGES | | | |
| 49 | Interest on Long-term Debt (427) | | | |
| 50 | Amortization of Debt Discount and Expense (428) | | | |
| 51 | Amortization of Loss on Reacquired Debt (428.1) | | | |
| 52 | Amortization of Premium on Debt - Credit (429) | | | |
| 53 | Amortization of Gain on Reacquired Debt - Credit (429.1) | | | |
| 54 | Interest on Debt to Associated Companies (430) | | | |
| 55 | Other Interest Expense (431) | | | |
| 56 | Allowance For Borrowed Funds Used During Construction - Credit (432) | | | |
| 57 | Net Interest Charge (Enter total of lines 49 thru 56) | | | |
| 58 | Income Before Extraordinary Items (Enter total of lines 24 and 47, less 57) | | | |
| 59 | EXTRAORDINARY ITEMS | | | |
| 60 | Extraordinary Income (434) | | | |
| 61 | Extraordinary Deduction - Debit (435) | | | |
| 62 | Net Extraordinary Items (Enter total of line 60 less 61) | | | |
| 63 | Income Taxes - (409.3) | | | |
| 64 | Extraordinary Items After Taxes (Enter total of line 62 less 63) | | | |
| 65 | Net Income (Enter total of lines 58 and 64) | | | |

Appendix C Revised Schedules for FERC Forms 1, 1-F, 2, 2-A, and 6

-115-

(SUBSTITUTE PAGE FOR PART III)

| Name of Respondent | | This Report is: (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) | Year of Report Dec 31, ____ |
|---|--|--|-------------------------------------|--------------------------------|
| COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS) | | | | |
| Line No. | Title of Account (a) | Ref Page No. (b) | Balance at Beginning of Year (c) | Balance at End of Year (d) |
| 1 | PROPRIETARY CAPITAL | | | |
| 2 | Common Stock Issued (201) | 250-251 | | |
| 3 | Preferred Stock Issued (204) | 250-251 | | |
| 4 | Capital Stock Subscribed (202, 205) | 252 | | |
| 5 | Stock Liability for Conversion (203, 206) | 252 | | |
| 6 | Premium on-Capital Stock (207) | 252 | | |
| 7 | Other Paid-In Capital (208-211) | 253 | | |
| 8 | Installments Received on Capital Stock (212) | 252 | | |
| 9 | (Less) Discount on Capital Stock (213) | 254 | | |
| 10 | (Less) Capital Stock Expense (214) | 254 | | |
| 11 | Retained Earnings (215, 215.1, 216) | 118-119 | | |
| 12 | Unappropriated Undistributed Subsidiary Earnings (216.1) | 118-119 | | |
| 13 | (Less) Reacquired Capital Stock (217) | 250-251 | | |
| 14 | Accumulated Other Comprehensive Income (219) | 122 (a) (b) | | |
| 15 | TOTAL Proprietary Capital (Enter Total of lines 2 thru 14) | | | |
| 16 | LONG-TERM DEBT | | | |
| 17 | Bonds (221) | 256-257 | | |
| 18 | (Less) Reacquired Bonds (222) | 256-257 | | |
| 19 | Advances from Associated Companies (223) | 256-257 | | |
| 20 | Other Long-Term Debt (224) | 256-257 | | |
| 21 | Unamortized Premium on Long-Term Debt (225) | - | | |
| 22 | (Less) Unamortized Discount on Long-Term Debt-Debit (226) | - | | |
| 23 | TOTAL Long-Term Debt (Enter Total of lines 17 thru 22) | | | |
| 24 | OTHER NONCURRENT LIABILITIES | | | |
| 25 | Obligations Under Capital Leases - Noncurrent (227) | - | | |
| 26 | Accumulated Provision for Property Insurance (228.1) | - | | |
| 27 | Accumulated Provision for Injuries and Damages (228.2) | - | | |
| 28 | Accumulated Provision for Pensions and Benefits (228.3) | - | | |
| 29 | Accumulated Miscellaneous Operating Provisions (228.4) | - | | |
| 30 | Accumulated Provision for Rate Refunds (229) | - | | |
| 31 | Asset Retirement Obligations (230) | - | | |
| 32 | TOTAL Other Noncurrent Liabilities (Enter Total of lines 25 thru 31) | | | |
| 33 | CURRENT AND ACCRUED LIABILITIES | | | |
| 34 | Notes Payable (231) | - | | |
| 35 | Accounts Payable (232) | - | | |
| 36 | Notes Payable to Associated Companies (233) | - | | |
| 37 | Accounts Payable to Associated Companies (234) | - | | |
| 38 | Customer Deposits (235) | - | | |
| 39 | Taxes Accrued (236) | 262-263 | | |
| 40 | Interest Accrued (237) | - | | |
| 41 | Dividends Declared (238) | - | | |
| 42 | Matured Long-Term Debt (239) | - | | |
| 43 | Matured Interest (240) | - | | |
| 44 | Tax Collections Payable (241) | - | | |
| 45 | Miscellaneous Current and Accrued Liabilities (242) | - | | |
| 46 | Obligations Under Capital Leases-Current (243) | - | | |

Appendix C Revised Schedules for FERC Forms 1, 1-F, 2, 2-A, and 6

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| Name of Respondent | | This Report is: (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) | Year of Report Dec 31, ____ |
|---|--|--|-------------------------------------|--------------------------------|
| COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS) (Continued) | | | | |
| Line No. | Title of Account (a) | Ref Page No. (b) | Balance at Beginning of Year (c) | Balance at End of Year (d) |
| 47 | Derivative Instrument Liabilities (244) | | | |
| 48 | Derivative Instrument Liabilities - Hedging (245) | | | |
| 49 | TOTAL Current and Accrued Liabilities (Enter Total of lines 34 thru 48) | | | |
| 50 | DEFERRED CREDITS | | | |
| 51 | Customer Advances for Construction (252) | | | |
| 52 | Accumulated Deferred Investment Tax Credits (255) | 266-267 | | |
| 53 | Deferred Gains from Disposition of Utility Plant (256) | | | |
| 54 | Other Deferred Credits (253) | 269 | | |
| 55 | Other Regulatory Liabilities (254) | 278 | | |
| 56 | Unamortized Gain on Reacquired Debt (257) | | | |
| 57 | Accumulated Deferred Income Taxes (281-283) | 272-277 | | |
| 58 | TOTAL Deferred Credits (Enter Total of lines 51 thru 57) | | | |
| 59 | | | | |
| 60 | | | | |
| 61 | | | | |
| 62 | | | | |
| 63 | | | | |
| 64 | | | | |
| 65 | | | | |
| 66 | | | | |
| 67 | | | | |
| 68 | | | | |
| 69 | | | | |
| 70 | | | | |
| 71 | | | | |
| 72 | TOTAL Liabilities and Other Credits (Enter Total of lines 15, 23, 32, 49 and 58) | | | |

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Appendix C Revised Schedules for FERC Forms 1, 1-F, 2, 2-A, and 6
(SUBSTITUTE PAGE FOR PART IV)

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| Name of Respondent | | This Report is: (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) | Year of Report Dec 31, ____ |
|---|---|--|--------------------------------|--------------------------------|
| STATEMENT OF INCOME FOR THE YEAR | | | | |
| <p>1. Report amounts for accounts 412 and 413, Revenue and Expenses from Utility Plant Leased to Others, in another utility column (i, k, m, o) in a similar manner to a utility department. Spread the amount(s) over lines 02 thru 24 as appropriate. Include these amounts in columns (c) and (d) totals.</p> <p>2. Report amounts in account 414, Other Utility Operating Income, in the same manner as accounts 412 and 413 above.</p> <p>3. Report data for lines 8, 10, and 11 for Natural Gas companies using accounts 404.1, 404.2, 404.3, 407.1, and 407.2.</p> <p>4. Use page 122 for important notes regarding the statement of income or any account thereof.</p> <p>5. Give concise explanations concerning unsettled rate proceedings where a contingency exists such that refunds of a material amount may need to be made to the utility's customers or which may result in a material refund to the utility with respect to power or gas purchases. State for each year affected the gross revenues or costs to which the contingency relates and the tax effects together with an explanation of the major factors which affect the rights of the utility to retain such revenues or recover amounts paid with respect to power and gas purchases.</p> <p>6. Give concise explanations concerning significant amounts of any refunds made or received during the year.</p> | | | | |
| Line No. | Title of Account (a) | Ref Page No (b) | TOTAL | |
| | | | Current Year (c) | Previous Year (d) |
| 1 | UTILITY OPERATING INCOME | | | |
| 2 | Operating Revenues (400) | 300-301 | | |
| 3 | Operating Expenses | | | |
| 4 | Operation Expenses (401) | 320-325 | | |
| 5 | Maintenance Expenses (402) | 320-325 | | |
| 6 | Depreciation Expense (403) | 336-338 | | |
| 7 | Depreciation Expense for Asset Retirement Costs (403.1) | 336-338 | | |
| 8 | Amortization & Depletion of Utility Plant (404-405) | 336-338 | | |
| 9 | Amortization of Utility Plant Acquisition Adjustment (406) | 336-338 | | |
| 10 | Amortization of Property Losses, Unrecovered Plant and Regulatory Study Costs (407) | | | |
| 11 | Amortization of Conversion Expenses (407) | | | |
| 12 | Regulatory Debits (407-3) | | | |
| 13 | (Less) Regulatory Credits (407.4) | | | |
| 14 | Taxes Other Than Income Taxes (408.1) | 262-263 | | |
| 15 | Income Taxes - Federal (409.1) | 262-263 | | |
| 16 | - Other (409.1) | 262-263 | | |
| 17 | Provision for Deferred Income Taxes (410.1) | 234, 272-277 | | |
| 18 | (Less) Provision for Deferred Income Taxes-Cr. (411.1) | 234, 272-277 | | |
| 19 | Investment Tax Credit Adjustment - Net (411.4) | 266 | | |
| 20 | (Less) Gains from Disp. of Utility Plant (411.6) | | | |
| 21 | Losses from Disp. of Utility Plant (411.7) | | | |
| 22 | (Less) Gains from Disposition of Allowances (411.8) | | | |
| 23 | Losses from Disposition of Allowances (411.9) | | | |
| 24 | Accretion Expense (411.10) | | | |
| 25 | TOTAL Utility Operating Expenses (Enter Total of lines 4 thru 24) | | | |
| 26 | Net Utility Operating Income (Enter Total of line 2 less 25) (Carry forward to page 117, line 27) | | | |

Appendix C Revised Schedules for FERC Forms 1, 1-F, 2, 2-A, and 6

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(SUBSTITUTE PAGE FOR PART IV)

| Name of Respondent | | This Report is: (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) | Year of Report Dec 31, ____ |
|--|---|--|--------------------------------|--------------------------------|
| STATEMENT OF INCOME FOR THE YEAR (Continued) | | | | |
| Line No. | Title of Account (a) | Ref Page No. (b) | TOTAL | |
| | | | Current Year (c) | Previous Year (d) |
| 27 | Net Utility Operating Income (Carried forward from page 114) | | | |
| 28 | Other Income and Deductions | | | |
| 29 | Other Income | | | |
| 30 | Nonutility Operating Income | | | |
| 31 | Revenues From Merchandising, Jobbing and Contract Work (415) | | | |
| 32 | (Less) Costs and Expenses of Merchandising, Jobbing & Contract Work (416) | | | |
| 33 | Revenues From Nonutility Operations (417) | | | |
| 34 | (Less) Expenses of Nonutility operations (417.1.) | | | |
| 35 | Nonoperating Rental Income (418) | | | |
| 36 | Equity in Earnings of Subsidiary Companies (418.1) | 119 | | |
| 38 | Interest and Dividend Income (419) | | | |
| 39 | Allowance for Other Funds Used During Construction (411.1) | | | |
| 40 | Gain on Disposition of Property (421.1) | | | |
| 41 | TOTAL Other income (Enter Total of lines 31 thru 40) | | | |
| 42 | Other Income Deductions | | | |
| 43 | Loss on Disposition of Property (421.2) | | | |
| 44 | Miscellaneous Amortization (425) | 340 | | |
| 45 | Miscellaneous Income Deductions (426.1 thru 426.5) | 340 | | |
| 46 | TOTAL Other Income Deductions (Total of lines 43 thru 45) | | | |
| 47 | Taxes Applicable to Other Income and Deductions | | | |
| 48 | Taxes Other Than income Taxes (408.2) | 262-263 | | |
| 49 | Income Taxes-Federal (409.2) | 262-263 | | |
| 50 | Income Taxes-Other (409.2) | 262-263 | | |
| 51 | Provision for Deferred Inc. Taxes (410.2) | 234,272-277 | | |
| 52 | (Less) Provision for Deferred Income Taxes-Cr. (411.2) | 234,272-277 | | |
| 53 | Investment Tax Credit Adjustment - Net (411.5) | | | |
| 54 | (Less) Investment Tax Credits (420) | | | |
| 55 | TOTAL Taxes on Other Income and Deductions (Enter Total of 48 thru 54) | | | |
| 56 | Net Other Income and Deductions (Enter Total of lines 41, 46, 55) | | | |
| 57 | Interest Charges | | | |
| 58 | Interest on Long-Term Debt (427) | | | |
| 59 | Amort. of Debt Disc. and Expense (428) | | | |
| 60 | Amortization of Loss on Reacquired Debt (428.1) | | | |
| 61 | (Less) Amortization of Premium on Debt-Credit (429) | | | |
| 62 | (Less) Amortization of Gain on Reacquired Debt-Credit (429.1) | | | |
| 63 | Interest on Debt to Assoc. Companies (430) | 340 | | |
| 64 | Other Interest Expense (431) | 340 | | |
| 65 | (Less) Allowance for Borrowed Funds Used During Construction-Cr. (432) | | | |
| 66 | Net Interest Charges (Enter Total of lines 58 thru 65) | | | |
| 67 | Income Before Extraordinary Items (Enter Total of lines 27, 56 and 66) | | | |
| 68 | Extraordinary Items | | | |
| 69 | Extraordinary income (434) | | | |
| 70 | (Less) Extraordinary Deductions (435) | | | |
| 71 | Net Extraordinary Items (Enter Total of line 69 less line 70) | | | |
| 72 | Income Taxes-Federal and Other (409.3) | 262-263 | | |
| 73 | Extraordinary Items After Taxes (Enter Total of line 71 less line 72) | | | |
| 74 | Net Income (Enter Total of lines 67 and 73) | | | |

Appendix C Revised Schedules for FERC Forms 1, 1-F, 2, 2-A, and 6

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(SUBSTITUTE PAGE FOR PART XX)

| Name of Respondent | | This Report is: (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) | Year of Report Dec 31, _____ |
|--|---|--|--------------------------------|---------------------------------|
| ELECTRIC PLANT IN SERVICE (Accounts 101, 102, 103, and 106) | | | | |
| <p>1. Report below the original cost of electric plant in service according to the prescribed accounts.</p> <p>2. In addition to Account 101, Electric Plant in Service (Classified), this page and the next include Account 102, Electric Plant Purchased or Sold; Account 103, Experimental Electric Plant Unclassified; and Account 106, Completed Construction Not Classified-Electric.</p> <p>3. Include in column (c) or (d), as appropriate, corrections of additions and retirements for the current or preceding year.</p> <p>4. For revisions to the amount of initial asset retirement costs capitalized, included by primary plant account, increases in column (c) additions and reductions in column (e) adjustments. 5. Enclose in parentheses credit adjustments of plant accounts</p> <p>to indicate the negative effect of such accounts.</p> <p>5. Classify Account 106 according to prescribed accounts, on an estimated basis if necessary, and include the entries in column (c). Also to be included in column (c) are entries for reversals of tentative distributions of prior year reported in column (b). Likewise, if the respondent has a significant amount of plant retirements which have not been classified to primary accounts at the end of the year, include in column (d) a tentative distribution of such retirements, on an estimated basis, with appropriate contra entry to the account for accumulated depreciation provision. Include also in column (d) reversals of tentative distributions of prior year of unclassified retirements.</p> | | | | |
| Line No | Account (a) | Balance at Beginning of year (b) | Addition (c) | |
| 1 | 1. INTANGIBLE PLANT | | | |
| 2 | (301) Organization | | | |
| 3 | (302) Franchises and Consents | | | |
| 4 | (303) Miscellaneous Intangible Plant | | | |
| 5 | TOTAL Intangible Plant (Enter Total of Lines 2, 3, and 4) | | | |
| 6 | 2. PRODUCTION PLANT | | | |
| 7 | A. Steam Production Plant | | | |
| 8 | (310) Land and Land Rights | | | |
| 9 | (311) Structures and Improvements | | | |
| 10 | (312) Boiler Plant Equipment | | | |
| 11 | (313) Engines and Engine-Driven Generators | | | |
| 12 | (314) Tubogenerator Units | | | |
| 13 | (315) Accessory Electric Equipment | | | |
| 14 | (316) Misc. Power Plant Equipment | | | |
| 15 | (317) Asset Retirement Costs for Steam Production | | | |
| 16 | TOTAL Steam Production Plant (Enter Total of Lines 8 thru 15) | | | |
| 17 | B. Nuclear Production Plant | | | |
| 18 | (320) Land and Land Rights | | | |
| 19 | (321) Structures and Improvements | | | |
| 20 | (322) Reactor Plant Equipment | | | |
| 21 | (323) Turbo generator Units | | | |
| 22 | (324) Accessory Electric Equipment | | | |
| 23 | (325) Misc. Power Plant Equipment | | | |
| 24 | (326) Asset Retirement Costs for Nuclear Production | | | |
| 25 | TOTAL Nuclear Production Plant (Enter Total of Lines 18 thru 24) | | | |
| 26 | C. Hydraulic Production Plant | | | |
| 27 | (330) Land and Land Rights | | | |
| 28 | (331) Structures and improvements | | | |
| 29 | (332) Reservoirs, Dams, and Waterways | | | |
| 30 | (333) Water Wheels, Turbines, and Generators | | | |
| 31 | (334) Accessory Electric Equipment | | | |
| 32 | (335) Misc. Power Plant Equipment | | | |
| 33 | (336) Roads, Railroad, and Bndges | | | |
| 34 | (337) Asset Retirement Costs for Hydraulic Production | | | |
| 35 | TOTAL Hydraulic Production Plant (Enter Total of Lines 27 thru 34) | | | |
| 36 | D. Other Production Plant | | | |
| 37 | (340) Land and Land Rights | | | |
| 38 | (341) Structures and Improvements | | | |
| 39 | (342) Fuel Holders, Products, and Accessories | | | |
| 40 | (343) Prime Movers | | | |
| 41 | (344) Generators | | | |
| 42 | (345) Accessory Electric Equipment | | | |

Appendix C Revised Schedules for FERC Forms 1, 1-F, 2, 2-A, and 6
 (SUBSTITUTE PAGE FOR PART XX)

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| Name of Respondent | | This Report is: (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | | Date of Report (Mo, Da, Yr) | Year of Report Dec 31, ____ |
|---|--------------------|--|---|--------------------------------|--------------------------------|
| ELECTRIC PLANT IN SERVICE (Accounts 101, 102, 103, and 105) (Continued) | | | | | |
| <p>Show in a footnote the account distributions of these tentative classifications in columns (c) and (d), including the reversals of the prior years tentative account distributions of these amounts. Careful observance of the above instructions and the texts of Accounts 101 and 105 will avoid serious omissions of the reported amount of respondent's plant actually in service at end of year.</p> <p>7. Show in column (f) reclassifications or transfers within utility plant accounts. Include also in column (f) the additions or reductions of primary account classifications arising from distribution of amounts initially recorded in Account 102, include in column (e) the amounts with respect to accumulated provision for depreciation, acquisition adjustments, etc., and show in column</p> | | | <p>(f) only the offset to the debits or credits distributed in column (f) to primary account classifications.</p> <p>8. For Account 399, state the nature and use of plant included in this account and if substantial in amount, footnote and provide a supplementary statement showing subaccount classification of such plant conforming to the requirement of these pages.</p> <p>9. For each amount comprising the reported balance and changes in Account 102, state the property purchased or sold, name of vendor or purchase, and date of transaction. If proposed journal entries have been filed with the Commission as required by the Uniform System of Accounts, give also date of such filing.</p> | | |
| Retirements (d) | Adjustments (e) | Transfers (f) | Balance at End of Year (g) | | Line No. |
| | | | | | 1 |
| | | | | (301) | 2 |
| | | | | (302) | 3 |
| | | | | (303) | 4 |
| | | | | | 5 |
| | | | | | 6 |
| | | | | | 7 |
| | | | | (310) | 8 |
| | | | | (311) | 9 |
| | | | | (312) | 10 |
| | | | | (313) | 11 |
| | | | | (314) | 12 |
| | | | | (315) | 13 |
| | | | | (316) | 14 |
| | | | | (317) | 15 |
| | | | | | 16 |
| | | | | | 17 |
| | | | | (320) | 18 |
| | | | | (321) | 19 |
| | | | | (322) | 20 |
| | | | | (323) | 21 |
| | | | | (324) | 22 |
| | | | | (325) | 23 |
| | | | | (326) | 24 |
| | | | | | 25 |
| | | | | | 26 |
| | | | | (330) | 27 |
| | | | | (331) | 28 |
| | | | | (332) | 29 |
| | | | | (333) | 30 |
| | | | | (334) | 31 |
| | | | | (335) | 32 |
| | | | | (336) | 33 |
| | | | | (337) | 34 |
| | | | | | 35 |
| | | | | | 36 |
| | | | | (340) | 37 |
| | | | | (341) | 38 |
| | | | | (342) | 39 |
| | | | | (343) | 40 |
| | | | | (344) | 41 |
| | | | | (345) | 42 |

Appendix C Revised Schedules for FERC Forms 1, 1-F, 2, 2-A, and 6

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(SUBSTITUTE PAGE FOR PART XX)

| Name of Respondent | | This Report is: (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) | Year of Report Dec 31, _____ |
|---|--|--|--------------------------------|---------------------------------|
| ELECTRIC PLANT IN SERVICE (Accounts 101, 102, 103, and 106) | | | | |
| Line No | Account (a) | Balance at Beginning of year (b) | Addition (c) | |
| 43 | (346) Misc. Power Plant Equipment | | | |
| 44 | (347) Asset Retirement Costs for Other Production | | | |
| 45 | TOTAL Other Production Plant (Enter Total of Lines 37 thru 44) | | | |
| 46 | TOTAL Production Plant (Enter Total of Lines 16, 25, 35, and 45) | | | |
| 47 | 3. TRANSMISSION PLANT | | | |
| 48 | (350) Land and Land Rights | | | |
| 49 | (352) Structures and Improvements | | | |
| 50 | (353) Station Equipment | | | |
| 51 | (354) Towers and Fixtures | | | |
| 52 | (355) Poles and Fixtures | | | |
| 53 | (356) Overhead Conductors and Devices | | | |
| 54 | (357) Underground conduit | | | |
| 55 | (358) Underground Conductors and Devices | | | |
| 56 | (359) Roads and Trails | | | |
| 57 | (359.1) Asset Retirement Costs for Transmission Plant | | | |
| 58 | TOTAL Transmission Plant (Enter Total of Lines 48 thru 57) | | | |
| 59 | 4. DISTRIBUTION PLANT | | | |
| 60 | (360) Land and Land Rights | | | |
| 61 | (361) Structures and Improvements | | | |
| 62 | (362) Station Equipment | | | |
| 63 | (363) Storage Battery Equipment | | | |
| 64 | (364) Poles, Towers, and Fixtures | | | |
| 65 | (365) Overhead Conductors and Devices | | | |
| 66 | (366) Underground Conduit | | | |
| 67 | (367) Underground Conductors and Devices | | | |
| 68 | (368) Line Transformers | | | |
| 69 | (369) Services | | | |
| 70 | (370) Meters | | | |
| 71 | (371) Installations on Customer Premises | | | |
| 72 | (372) Leased Property on Customer Premises | | | |
| 73 | (373) Street Lighting and Signal Systems | | | |
| 74 | (374) Asset Retirement Costs for Distribution Plant | | | |
| 75 | Total Distribution Plant (Enter Total of lines 60 thru 75) | | | |
| 76 | 5. GENERAL PLANT | | | |
| 77 | (389) Land and Land Rights | | | |
| 78 | (390) Structures and Improvements | | | |
| 79 | (391) Office Furniture and Equipment | | | |
| 80 | (392) Transportation Equipment | | | |
| 81 | (393) Stores Equipment | | | |
| 82 | (394) Tools, Shop and Garage Equipment | | | |
| 83 | (395) Laboratory Equipment | | | |
| 84 | (396) Power Operated Equipment | | | |
| 85 | (397) Communication Equipment | | | |
| 86 | (398) Miscellaneous Equipment | | | |
| 87 | SUBTOTAL (Enter Total of Lines 77 thru 86) | | | |
| 88 | (399) Other Tangible Property | | | |
| 89 | (399.1) Asset Retirement Costs for General Plant | | | |
| 90 | TOTAL General Plant (Enter Total of Lines 87, 88, and 89) | | | |
| 91 | TOTAL (Accounts 101 and 106) (Lines 5, 16, 25, 35, 45, 58, 75, and 90) | | | |
| 92 | (102) Electric Plant Purchased (See Instr. 8) | | | |
| 93 | (Less) (102) Electric Plant Sold (See Instr. 8) | | | |
| 94 | (103) Experimental Plant Unclassified | | | |
| 95 | TOTAL Electric Plant in Service (Enter Total of Lines 91 thru 94) | | | |

Appendix C Revised Schedules for FERC Forms 1, 1-F, 2, 2-A, and 6
 (SUBSTITUTE PAGE FOR PART XX)

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| Name of Respondent | | This Report is: (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | | Date of Report (Mo, Da, Yr) | Year of Report Dec 31, _____ |
|---|--------------------|--|----------------------------------|--------------------------------|---------------------------------|
| ELECTRIC PLANT IN SERVICE (Accounts 101, 102, 103, and 108) (Continued) | | | | | |
| Retirements (d) | Adjustments (e) | Transfers (f) | Balance at End of Year (g) | | Line No. |
| | | | | (346) | 43 |
| | | | | (347) | 44 |
| | | | | | 45 |
| | | | | | 46 |
| | | | | | 47 |
| | | | | (650) | 48 |
| | | | | (352) | 49 |
| | | | | (353) | 50 |
| | | | | (354) | 51 |
| | | | | (355) | 52 |
| | | | | (356) | 53 |
| | | | | (357) | 54 |
| | | | | (358) | 55 |
| | | | | (359) | 56 |
| | | | | (359.1) | 57 |
| | | | | | 58 |
| | | | | | 59 |
| | | | | (360) | 60 |
| | | | | (361) | 61 |
| | | | | (362) | 62 |
| | | | | (363) | 63 |
| | | | | (364) | 64 |
| | | | | (365) | 65 |
| | | | | (366) | 66 |
| | | | | (367) | 67 |
| | | | | (368) | 68 |
| | | | | (369) | 69 |
| | | | | (370) | 70 |
| | | | | (371) | 71 |
| | | | | (372) | 72 |
| | | | | (373) | 73 |
| | | | | (374) | 74 |
| | | | | | 75 |
| | | | | | 76 |
| | | | | (389) | 77 |
| | | | | (390) | 78 |
| | | | | (391) | 79 |
| | | | | (392) | 80 |
| | | | | (393) | 81 |
| | | | | (394) | 82 |
| | | | | (395) | 83 |
| | | | | (396) | 84 |
| | | | | (397) | 85 |
| | | | | (398) | 86 |
| | | | | | 87 |
| | | | | (399) | 88 |
| | | | | (399.1) | 89 |
| | | | | | 90 |
| | | | | | 91 |
| | | | | (102) | 92 |
| | | | | | 93 |
| | | | | (103) | 94 |
| | | | | | 95 |

Appendix C Revised Schedules for FERC Forms 1, 1-F, 2, 2-A, and 6
 (SUBSTITUTE PAGE FOR PART XII)

-123-

| Name of Respondent | | This Report is: (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | | Date of Report (Mo, Da, Yr) | Year of Report Dec 31, _____ |
|---|---|--|--|--|-------------------------------------|
| ACCUMULATED PROVISION FOR DEPRECIATION OF ELECTRIC UTILITY PLANT (Account 108) | | | | | |
| 1. Explain in a footnote any important adjustments during year. 2. Explain in a footnote any difference between the amount for book cost of plant retired, Line 11, column (c), and that reported for electric plant in service, pages 204-207, column 9d), excluding retirements of nondepreciable property. 3. The provisions of Account 108 in the Uniform System of accounts require that retirements of depreciable plant be recorded when such plant is removed from service. | | | If the respondent has a significant amount of plant retired at year end which has not been recorded and/or classified to the various reserve functional classifications, make preliminary closing entries to tentatively functionalize the book cost of the plant retired. In addition, include all costs included in retirement work in progress at year end in the appropriate functional classifications. 4. Show separately interest credits under a sinking fund or similar method of depreciation accounting. | | |
| Section A. Balances and Changes During Year | | | | | |
| Line No | Item (a) | Total (c+d+e) (b) | Electric Plant in Service (c) | Electric Plant Held for Future Use (d) | Electric Plant leased to Others (e) |
| 1 | Balance Beginning of Year | | | | |
| 2 | Depreciation Provisions for Year, Charged to | | | | |
| 3 | (403) Depreciation Expense | | | | |
| 4 | (403.1) Depreciation Expense for Asset Retirement Costs | | | | |
| 5 | (413) Expenses of Electric Plant Leased to Others | | | | |
| 6 | Transportation Expenses - Clearing | | | | |
| 7 | Other Clearing Accounts | | | | |
| 8 | Other Accounts (Specify): | | | | |
| 9 | | | | | |
| 10 | Total Depreciation Provision For Year (Enter Total of Lines 3 thru 9) | | | | |
| 11 | Net Charges for Plant Retired: | | | | |
| 12 | Book Cost of Plant Retired | | | | |
| 13 | Cost of Removal | | | | |
| 14 | Salvage (Credit) | | | | |
| 15 | TOTAL Net Charges For Plant Retired (Enter Total of Lines 12 thru 14) | | | | |
| 16 | Other Debit or Credit Items (Describe): | | | | |
| 17 | | | | | |
| 18 | Book Cost of Asset Retirement Costs | | | | |
| 19 | Balance End of Year (Enter Total of lines 1, 10, 15, 16, and 18) | | | | |
| Section B. Balances at End of Year According to Functional Classifications | | | | | |
| 20 | Steam Production | | | | |
| 21 | Nuclear Production | | | | |
| 22 | Hydraulic Production-Conventional | | | | |
| 23 | Hydraulic Production-Pumped Storage | | | | |
| 24 | Other Production | | | | |
| 25 | Transmission | | | | |
| 26 | Distribution | | | | |
| 27 | General | | | | |
| 28 | TOTAL (Enter Total of Lines 20 thru 27) | | | | |

Appendix C Revised Schedules for FERC Forms 1, 1-F, 2, 2-A, and 6

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| Name of Respondent | | This Report is: <input type="checkbox"/> An Original <input type="checkbox"/> A Resubmission | | Date of Report (Mo, Da, Yr) | Year of Report Dec 31, ____ |
|---|--|--|------------------|--------------------------------|--------------------------------|
| LIST OF SCHEDULES (Natural Gas Company) | | | | | |
| Enter in column (d) the terms "none," "not applicable," or "NA" as appropriate, where no information or amounts have been reported for certain pages Omit pages where the responses are "none," "not applicable," or "NA" | | | | | |
| Line No | Title of Schedule | Reference Page No (b) | Date Revised (c) | Remarks (d) | |
| GENERAL CORPORATE INFORMATION AND FINANCIAL STATEMENTS | | | | | |
| 1 | General Information | 101 | | | |
| 2 | Control Over Respondent | 102 | | | |
| 3 | Corporations Controlled by Respondent | 103 | | | |
| 4 | Security Holders and Voting Powers | 107 | | | |
| 5 | Important Changes During the Year | 108 | | | |
| 6 | Comparative Balance Sheet | 110-113 | | | |
| 7 | Statement of Income for the Year | 114-116 | | | |
| 8 | Statement of Accumulated Comprehensive Income and Hedging Activities | 117(a)(b) | | | |
| 9 | Statement of Retained Earnings for the Year | 118-119 | | | |
| 10 | Statements of Cash Flows | 120-121 | | | |
| 11 | Notes to Financial Statements | 122 | | | |
| BALANCE SHEET SUPPORTING SCHEDULES (Assets and Other Debits) | | | | | |
| 12 | Summary of Utility Plant and Accumulated Provisions for Depreciation, Amortization, and Depletion | 200-201 | | | |
| 13 | Gas Plant in Service | 204-209 | | | |
| 14 | Gas Property and Capacity Leased from Others | 212 | | | |
| 15 | Gas Property and Capacity Leased to Others | 213 | | | |
| 16 | Gas Plant Held for Future Use | 214 | | | |
| 17 | Construction Work in Progress-Gas | 216 | | | |
| 18 | General Description of Construction Overhead Procedure | 218 | | | |
| 19 | Accumulated Provision for Depreciation of Gas Utility Plant | 219 | | | |
| 20 | Gas Stored | 220 | | | |
| 21 | Investments | 222-223 | | | |
| 22 | Investments in Subsidiary Companies | 224-225 | | | |
| 23 | Prepayment | 230 | | | |
| 24 | Extraordinary Property Losses | 230 | | | |
| 25 | Unrecovered Plant and Regulatory Study Costs | 230 | | | |
| 26 | Other Regulatory Assets | 232 | | | |
| 27 | Miscellaneous Deferred Debits | 233 | | | |
| 28 | Accumulated Deferred Income Taxes | 234-235 | | | |
| BALANCE SHEET SUPPORTING SCHEDULES (Liabilities and Other Credits) | | | | | |
| 29 | Capital Stock | 230-251 | | | |
| 30 | Capital Stock Subscribed, Capital Stock Liability for Conversion, Premium on Capital Stock, and Installments Received on Capital Stock | 252 | | | |
| 31 | Other Paid-in Capital | 253 | | | |
| 32 | Discount on Capital Stock | 254 | | | |
| 33 | Capital Stock Expense | 254 | | | |
| 34 | Securities issued or Assumed and Securities Refunded or Retired During the Year | 255 | | | |
| 35 | Long-Term Debt | 256-257 | | | |
| 36 | Unamortized Debt Expense, Premium, and Discount on Long-Term Debt | 258-259 | | | |
| 37 | Unamortized Loss and Gain on Recquired Debt | 260 | | | |
| 38 | Reconciliation of Reported Net Income with Taxable Income for Federal Income Taxes | 261 | | | |

Appendix C Revised Schedules for FERC Forms 1, 1-F, 2, 2-A, and 6

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| Name of Respondent | | This Report is: <input type="checkbox"/> An Original <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) | Year of Report Dec 31, _____ |
|---|---|--|--------------------------------|---------------------------------|
| LIST OF SCHEDULES (Natural Gas Company) | | | | |
| Enter in column (d) the terms "none," "not applicable," or "NA" as appropriate, where no information or amounts have been reported for certain pages Omit pages where the responses are "none," "not applicable," or "NA" | | | | |
| Line No | Title of Schedule | Reference Page No (b) | Date Revised (c) | Remarks (d) |
| BALANCE SHEET SUPPORTING SCHEDULES (Liabilities and Other Credits) (Continued) | | | | |
| 39 | Taxes Accrued, Prepaid, and Charged During Year | 262-263 | | |
| 40 | Miscellaneous Current and Accrued Liabilities | 268 | | |
| 41 | Other Deferred Credits | 269 | | |
| 42 | Accumulated Deferred Income Taxes-Other Property | 274-275 | | |
| 43 | Accumulated Deferred Income Taxes-Other | 276-277 | | |
| 44 | Other Regulatory Liabilities | 278 | | |
| INCOME ACCOUNT SUPPORTING SCHEDULES | | | | |
| 45 | Gas Operating Revenues | 300-301 | | |
| 46 | Revenues from Transportation of Gas of Others Through Gathering Facilities | 302-303 | | |
| 47 | Revenues from Transportation of Gas of Others Through Transmission Facilities | 304-305 | | |
| 48 | Revenues from Storage Gas of Others | | | |
| 49 | Other Gas Revenues | 306-307 | | |
| 50 | Gas Operation and Maintenance Expenses | 308 | | |
| 51 | Exchange and Imbalance Transactions | 317-325 | | |
| 52 | Gas Used in Utility Operations | 328 | | |
| 53 | Transmission and Compression of Gas by Others | 331 | | |
| 54 | Other Gas Supply Expenses | 332 | | |
| 55 | Miscellaneous General Expenses-Gas | 334 | | |
| 56 | Depreciation, Depletion, and Amortization of Gas Plant | 335 | | |
| 57 | Particulars Concerning Certain Income Deduction and Interest Charges Accounts | 336-338 340 | | |
| COMMON SECTION | | | | |
| 58 | Regulatory Commission Expenses | | | |
| 59 | Distribution of Salaries and Wages | 350-351 | | |
| 60 | Charges for Outside Professional and Other Consultative Services | 354-355 357 | | |
| GAS PLANT STATISTICAL DATA | | | | |
| 61 | Compressor Stations | 508-509 | | |
| 62 | Gas Storage Projects | 512-513 | | |
| 63 | Transmission Lines | 514 | | |
| 64 | Transmission System Peak Deliveries | 518 | | |
| 65 | Auxiliary Peaking Facilities | 519 | | |
| 66 | Gas Account-Natural Gas | 520 | | |
| 67 | System Map | 522 | | |
| 68 | Footnote Reference | 551 | | |
| 69 | Footnote Text | 552 | | |
| 70 | Stockholders' Reports (check appropriate box) | | | |
| | <input type="checkbox"/> Four copies will be submitted | | | |
| | <input type="checkbox"/> No annual report to stockholders is prepared | | | |

Appendix C Revised Schedules for FERC Forms 1, 1-F, 2, 2-A, and 6

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| Name of Respondent | | This Report is: <input type="checkbox"/> An Original <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) | Year of Report Dec 31, _____ |
|--|---|--|---|--|
| COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS) | | | | |
| Line No. | Title of Account (a) | Reference Page Number (b) | Balance at End of Current Year (in dollars) (c) | Balance at End of Previous Year (in dollars) (d) |
| 1 | PROPRIETARY CAPITAL | | | |
| 2 | Common Stock Issued (201) | 250-251 | | |
| 3 | Preferred Stock Issued (204) | 250-251 | | |
| 4 | Capital Stock Subscribed (202, 205) | 252 | | |
| 5 | Stock Liability for Conversion (203, 206) | 252 | | |
| 6 | Premium on Capital Stock (207) | 252 | | |
| 7 | Other Paid-In Capital (208-211) | 253 | | |
| 8 | Installments Received on Capital Stock (212) | 252 | | |
| 9 | (Less) Discount on Capital Stock (213) | 254 | | |
| 10 | (Less) Capital Stock Expense (214) | 254 | | |
| 11 | Retained Earnings (215, 215.1, 216) | 118-119 | | |
| 12 | Unappropriated Undistributed Subsidiary Earnings (216.1) | 118-119 | | |
| 13 | (Less) Reacquired Capital (217) | 250-251 | | |
| 14 | Accumulated Other Comprehensive Income (219) | 118 (a) (b) | | |
| 15 | TOTAL Proprietary Capital (Total of line 2 thru 14) | | | |
| 16 | LONG TERM DEBT | | | |
| 17 | Bonds (221) | 256-257 | | |
| 18 | (Less) Reacquired Bonds (222) | 256-257 | | |
| 19 | Advances from Associated Companies (223) | 256-257 | | |
| 20 | Other Long-Term Debt (224) | 256-257 | | |
| 21 | Unamortized Premium on Long-Term Debt (225) | 258-259 | | |
| 22 | (Less) Unamortized Discount on Long-Term Debt-Dr (226) | 258-259 | | |
| 23 | (Less) Current Portion of Long-Term Debt | | | |
| 24 | TOTAL Long-Term Debt (Total of lines 17 thru 23) | | | |
| 25 | OTHER NONCURRENT LIABILITIES | | | |
| 26 | Obligations Under Capital Leases - Noncurrent (227) | | | |
| 27 | Accumulated Provision for Property Insurance (228.1) | | | |
| 28 | Accumulated provision for Injuries and Damages (228.2) | | | |
| 29 | Accumulated Provision for Pensions and Benefits (228.3) | | | |
| 30 | Accumulated Miscellaneous Operating Provision (228.4) | | | |
| 31 | Accumulated Provision for Rate Refunds (229) | | | |
| 32 | Asset Retirement Obligations (230) | | | |
| 33 | TOTAL Other Noncurrent Liabilities (total of lines 26 thru 32) | | | |

Appendix C Revised Schedules for FERC Forms 1, 1-F, 2, 2-A, and 6

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| Name of Respondent | | This Report is: <input type="checkbox"/> An Original <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) | Year of Report Dec 31, _____ |
|--|--|--|---|--|
| COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS) (Continued) | | | | |
| Line No. | Title of Account (a) | Reference Page Number (b) | Balance at End of Current Year (in dollars) (c) | Balance at End of Previous Year (in dollars) (d) |
| 34 | CURRENT AND ACCRUED LIABILITIES | | | |
| 35 | Current Portion of Long-Term Debt | | | |
| 36 | Notes Payable (231) | | | |
| 37 | Accounts Payable (232) | | | |
| 38 | Notes Payable to Associated Companies (233) | | | |
| 39 | Accounts Payable to Associated Companies (234) | | | |
| 40 | Customer Deposits (235) | | | |
| 41 | Taxes Accrued (236) | 262-263 | | |
| 42 | Interest Accrued (237) | | | |
| 43 | Dividends Declared (238) | | | |
| 44 | Matured Long-Term Debt (239) | | | |
| 45 | Matured Interest (240) | | | |
| 46 | Tax Collections Payable (241) | | | |
| 47 | Miscellaneous Current and Accrued Liabilities (242) | 268 | | |
| 48 | Obligations Under Capital Leases - Current (243) | | | |
| 49 | Derivative Instrument Liabilities (244) | | | |
| 50 | Derivative Instrument Liabilities - Hedges (245) | | | |
| 51 | TOTAL Current and Accrued Liabilities (Total of lines 35 thru 50) | | | |
| 52 | DEFERRED CREDITS | | | |
| 53 | Customer Advances for Construction (252) | | | |
| 54 | Accumulated Deferred Investment Tax Credits (255) | | | |
| 55 | Deferred Gains from Disposition of Utility Plant (256) | | | |
| 56 | Other Deferred Credits (253) | 269 | | |
| 57 | Other Regulatory Liabilities (254) | 278 | | |
| 58 | Unamortized Gain on Reacquired Debt (257) | 260 | | |
| 59 | Accumulated Deferred Income Taxes (281-283) | | | |
| 60 | TOTAL Deferred Credits (Total of lines 53 thru 59) | | | |
| 61 | TOTAL Liabilities and Other Credits (Total of lines 15, 24, 33, 51, and 60) | | | |

Appendix C Revised Schedules for FERC Forms 1, 1-F, 2, 2-A, and 6

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| Name of Respondent | | This Report is: <input type="checkbox"/> An Original <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) | Year of Report Dec 31, ____ |
|---|---|--|---|--|
| STATEMENT OF INCOME FOR THE YEAR | | | | |
| 1 Report amounts for accounts 412 and 413, <i>Revenue and Expenses from Utility Plant Leased to Others</i> , in another utility column (i,j) in a similar manner to a utility department Spread the amount(s) over lines 2 thru 24 as appropriate Include these amounts in columns (c) and (d) totals | | 2 Report amounts in discount 414, <i>Other Utility Operating Income</i> , in the same manner as accounts 412 and 413 above 3 Report data for lines 7, 9, and 10 for Natural Gas companies using accounts 404.1, 404.2, 404.3, 407 1, and 407. 2 | | |
| Line No. | Title of Account (a) | Reference Page Number (b) | Balance at End of Current Year (in dollars) (c) | Balance at End of Previous Year (in dollars) (d) |
| 1 | UTILITY OPERATING INCOME | | | |
| 2 | Gas Operating Revenues (400) | 300-301 | | |
| 3 | Operating Expenses | | | |
| 4 | Operation Expenses (401) | 317-325 | | |
| 5 | Maintenance Expenses (402) | 317-325 | | |
| 6 | Depreciation Expenses (403) | 336-338 | | |
| 7 | Depreciation Expense for Asset Retirement Costs (403.1) | 336-338 | | |
| 8 | Amortization and Depletion of Utility Plant (404-405) | 336-338 | | |
| 9 | Amortization of Utility Plant Acu Adjustment (406) | 336-338 | | |
| 10 | Amortization of Property Losses, Unrecovered Plant and Regulatory Study Costs (407.1) | | | |
| 11 | Amortization of Conversion Expenses (407.2) | | | |
| 12 | Regulatory Debits (407.3) | | | |
| 13 | (Less) Regulatory Credits (407.4) | | | |
| 14 | Taxes Other than Income Taxes (408.1) | 262-263 | | |
| 15 | Income Taxes -- Federal (409.1) | 262-263 | | |
| 16 | Income Taxes -- Other (409.1) | 262-263 | | |
| 17 | Provision of Deferred Income Taxes (410.1) | 234-235 | | |
| 18 | (Less) Provision for Deferred Income Taxes -- Credit (411.1) | 234-235 | | |
| 19 | Investment Tax Credit Adjustment -- Net (411.4) | | | |
| 20 | (Less) Gains from Disposition of Utility Plant (411.6) | | | |
| 21 | Losses from Disposition of Utility Plant (411.7) | | | |
| 22 | (Less) Gains from Disposition of Allowances (411.8) | | | |
| 23 | Losses from Disposition of Allowances (411.9) | | | |
| 24 | Accretion Expense (411.10) | | | |
| 25 | TOTAL Utility Operating Expenses (Total of lines 4 thru 24) | | | |
| 26 | Net Utility Operating Income (Total of lines 2 less 24) (Carry forward to page 116, line 27) | | | |

Appendix C Revised Schedules for FERC Forms 1, 1-F, 2, 2-A, and 6

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| Name of Respondent | | This Report is: <input type="checkbox"/> An Original <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) | Year of Report Dec 31, _____ |
|--|---|--|---|--|
| STATEMENT OF INCOME FOR THE YEAR (Continued) | | | | |
| Line No. | Title of Account (a) | Reference Page Number (b) | Balance at End of Current Year (in dollars) (c) | Balance at End of Previous Year (in dollars) (d) |
| 27 | Net Utility Operating Income (Carrier forward from page 114) | | | |
| 28 | OTHER INCOME AND DEDUCTIONS | | | |
| 29 | Other Income | | | |
| 30 | Nonutility Operating Income | | | |
| 31 | Revenues from Merchandising, Jobbing and Contract Work (415) | | | |
| 32 | (Less) Costs and Expenses of Merchandising, Jobbing & Contract Work (416) | | | |
| 33 | Revenues from Nonutility Operations (417) | | | |
| 34 | (Less) Expenses of Nonutility Operations (417.1) | | | |
| 35 | Nonoperating Rental Income | | | |
| 36 | Equity in Earnings of Subsidiary Companies (418.1) | 119 | | |
| 37 | Interest and Dividend Income (419) | | | |
| 38 | Allowance for Other Funds Used During Construction (419.1) | | | |
| 39 | Miscellaneous Nonoperating Income (421) | | | |
| 40 | Gain on Disposition of Property (421.1) | | | |
| 41 | TOTAL Other Income (Total of lines 31 thru 40) | | | |
| 42 | Other Income Deductions | | | |
| 43 | Loss on Disposition of Property (421.2) | | | |
| 44 | Miscellaneous Amortization (425) | | | |
| 45 | Miscellaneous Income Deductions (426.1 thru 426.5) | 340 | | |
| 46 | TOTAL Other Income Deductions (Total of lines 43 thru 45) | 340 | | |
| 47 | Taxes Applicable to Other Income and Deductions | | | |
| 48 | Taxes Other than Income Taxes (406.2) | 262-263 | | |
| 49 | Income Taxes - Federal (409.2) | 262-263 | | |
| 50 | Income Taxes - Other (409.2) | 262-263 | | |
| 51 | Provision for Deferred Income Taxes (410.2) | 234-235 | | |
| 52 | (Less) Provision for Deferred Income Taxes- Credit (411.2) | 234-235 | | |
| 53 | Investment Tax Credit Adjustments--Net (411.5) | | | |
| 54 | (Less) Investment Tax Credits (420) | | | |
| 55 | TOTAL Taxes on Other Income and Deductions (Total of lines 48-54) | | | |
| 56 | Net Other Income and Deductions (Total of lines 41, 46, and 55) | | | |
| 57 | INTEREST CHARGES | | | |
| 58 | Interest on Long-Term Debt (427) | | | |
| 59 | Amortization of Debt Discount and Expense (428) | 258-259 | | |
| 60 | Amortization of Loss on Reacquired Debt (428.1) | | | |
| 61 | (Less) Amortization of Premium on Debt-Credit (429) | 258-259 | | |
| 62 | (Less) Amortization of Gain on Reacquired Debt- Credit (429.1) | | | |
| 63 | Interest on Debt to Associated Companies (430) | 340 | | |
| 64 | Other Interest Expense (431) | 340 | | |
| 65 | (Less) Allowance for Borrowed Funds Used During Construction-Credit (432) | | | |
| 66 | Net Interest Charges (Total of lines 58 thru 65) | | | |
| 67 | Income Before Extraordinary Items (Total of lines 27, 56 and 66) | | | |
| 68 | EXTRAORDINARY ITEMS | | | |
| 69 | Extraordinary Income (434) | | | |
| 70 | (Less) Extraordinary Deductions (435) | | | |
| 71 | Net Extraordinary Items (Total of line 69 less 70) | | | |
| 72 | Income Taxes--Federal and Other (409.3) | 262-263 | | |
| 73 | Extraordinary Items after Taxes (Total of line 71 less line 72) | | | |
| 74 | Net Income (Total of lines 67 and 73) | | | |

Appendix C Revised Schedules for FERC Forms 1, 1-F, 2, 2-A, and 6

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| Name of Respondent | | This Report is: <input type="checkbox"/> An Original <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) | Year of Report Dec 31, ____ |
|---|---|--|--------------------------------|--------------------------------|
| GAS PLANT IN SERVICE (ACCOUNTS 101, 102, 103, AND 106) | | | | |
| <p>1 Report below the original cost of gas plant in service according to the prescribed accounts</p> <p>2 In addition to Account 101, <i>Gas Plant in Service (Classified)</i>, this page and the next include Account 102, <i>Gas Plant Purchased or Sold</i>, Account 103, <i>Experimental Gas Plant Unclassified</i>, and Account 106, <i>Complete Construction Not Classified-Gas</i></p> <p>3 Include in column (c) and (d), as appropriate corrections of additions and retirements for the current or preceding year</p> <p>4 Include subsequent measurement revisions to the asset retirement costs capitalized in column (e) adjustments</p> <p>5 Enclose in parenthesis credit adjustments of plant accounts to indicate the negative effect of such accounts</p> <p>6. Classify Account 106 according to prescribed accounts, on an estimated basis if necessary, and include the entries in column (c) Also to be included in column (c) are entries for reversals of tentative distributions of prior year reported in column (b) Like wise, if the respondent has a significant amount of plant retirement which have not been classified to primary accounts at the end of the year, include in column (d) a tentative distribution of such retirement, on an estimated basis, with appropriate contra entry to the account for accumulated depreciation provision include also in column (d) reversals of tentative distributions of prior year's unclassified retirement Attach supplemental statement showing the account distributions of these tentative classifications in column (c) and (d).</p> | | | | |
| Line No | Account (a) | Balance at Beginning of Year (b) | Additions (c) | |
| 1 | INTANGIBLE PLANT | | | |
| 2 | 301 Organization | | | |
| 3 | 302 Franchises and Consents | | | |
| 4 | 303 Miscellaneous Intangible Plant | | | |
| 5 | TOTAL Intangible Plant (Enter Total of lines 2 thru 4) | | | |
| 6 | PRODUCTION PLANT | | | |
| 7 | Natural Gas Production and Gathering Plant | | | |
| 8 | 325.1 Producing Lands | | | |
| 9 | 325.2 Producing Leaseholds | | | |
| 10 | 325.3 Gas Rights | | | |
| 11 | 325.4 Rights-of-Way | | | |
| 12 | 325.5 Other Land and Land Rights | | | |
| 13 | 326 Gas Well Structures | | | |
| 14 | 327 Field Compressor Station Structures | | | |
| 15 | 328 Field Measuring and Regulating Station Equipment | | | |
| 16 | 329 Other Structures | | | |
| 17 | 330 Producing Gas Wells-Well Construction | | | |
| 18 | 331 Producing Gas Wells-Well Equipment | | | |
| 19 | 332 Field Lines | | | |
| 20 | 333 Field Compressor Station Equipment | | | |
| 21 | 334 Field Measuring and Regulating Station Equipment | | | |
| 22 | 335 Drilling and Cleaning Equipment | | | |
| 23 | 336 Purification Equipment | | | |
| 24 | 337 Other Equipment | | | |
| 25 | 338 Unsuccessful Exploration and Development Costs | | | |
| 26 | 339 Asset Retirement Costs for Natural Gas Production and Gathering Plant | | | |
| 27 | TOTAL Production and Gathering Plant (Enter Total of lines 8 thru 26) | | | |
| 28 | PRODUCTS EXTRACTION PLANT | | | |
| 29 | 340 Land and Land Rights | | | |
| 30 | 341 Structures and Improvements | | | |
| 31 | 342 Extraction and Refining Equipment | | | |
| 32 | 343 Pipe Lines | | | |
| 33 | 344 Extracted Products Storage Equipment | | | |
| 34 | 345 Compressor Equipment | | | |

Appendix C Revised Schedules for FERC Forms 1, 1-F, 2, 2-A, and 6

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| Name of Respondent | | This Report is: <input type="checkbox"/> An Original <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) | Year of Report Dec 31, ____ |
|--|---|--|--------------------------------|--------------------------------|
| GAS PLANT IN SERVICE (ACCOUNTS 101, 102, 103, AND 106) (Continued) | | | | |
| Line No | Account (a) | Balance at Beginning of Year (b) | Additions (c) | |
| 35 | 346 Gas Measuring and Regulating Equipment | | | |
| 36 | 347 Other Equipment | | | |
| 37 | 348 Asset Retirement Costs for Products Extraction Plant | | | |
| 38 | TOTAL Products Extraction Plant (Enter Total of lines 29 thru 37) | | | |
| 39 | TOTAL Natural Gas Production Plant (Enter Total of lines 27 and 38) | | | |
| 40 | Manufactured Gas Production Plant (Submit Supplementary Statement) | | | |
| 41 | TOTAL Production Plant (Enter Total of lines 39 and 40) | | | |
| 42 | NATURAL GAS STORAGE AND PROCESSING PLANT | | | |
| 43 | Underground Storage Plant | | | |
| 44 | 350.1 Land | | | |
| 45 | 350.2 Rights-of-Way | | | |
| 46 | 351 Structures and Improvements | | | |
| 47 | 352 Wells | | | |
| 48 | 352.1 Storage Leaseholds and Rights | | | |
| 49 | 352.2 Reservoirs | | | |
| 50 | 352.3 Non-recoverable Natural Gas | | | |
| 51 | 353 Lines | | | |
| 52 | 354 Compressor Station Equipment | | | |
| 53 | 355 Measuring and Regulating Equipment | | | |
| 54 | 356 Purification Equipment | | | |
| 55 | 357 Other Equipment | | | |
| 56 | 358 Asset Retirement Costs for Underground Storage Plant | | | |
| 57 | TOTAL Underground Storage Plant (Enter Total of lines 43 thru 56) | | | |
| 58 | 359 Other Storage Plant | | | |
| 59 | 360 Land and Land Rights | | | |
| 60 | 361 Structures and Improvements | | | |
| 61 | 362 Gas Holders | | | |
| 62 | 363 Purification Equipment | | | |
| 63 | 363.1 Liquefaction Equipment | | | |
| 64 | 363.2 Vaporizing Equipment | | | |
| 65 | 363.2 Compressor Equipment | | | |
| 66 | 363.4 Measuring and Regulating Equipment | | | |
| 67 | 363.5 Other Equipment | | | |
| 68 | 363.6 Asset Retirement Costs for Other Storage Plant | | | |
| 69 | TOTAL Other Storage Plant (Enter Total of lines 58 thru 68) | | | |
| 70 | Base Load Liquefied Natural Gas Terminating and Processing Plant | | | |
| 71 | 364.1 Land and Land Rights | | | |
| 72 | 364.2 Structures and Improvements | | | |
| 73 | 364.3 LNG Processing Terminal Equipment | | | |
| 74 | 364.4 LNG Transportation Equipment | | | |
| 75 | 364.5 Measuring and Regulating Equipment | | | |
| 76 | 364.6 Compressor Station Equipment | | | |
| 77 | 364.7 Communications Equipment | | | |
| 78 | 364.8 Other Equipment | | | |
| 79 | 364.9 Asset Retirement Costs for Base Load Liquefied Natural Gas Terminating and Processing Plant | | | |
| 80 | TOTAL Base Load Liquefied Natural Gas Terminating and Processing Plant (Lines 71 thru 79) | | | |
| 81 | TOTAL Natural Gas Storage and Processing Plant (Total of lines 57, 69 and 80) | | | |
| 82 | TRANSMISSION PLANT | | | |
| 83 | 365.1 Land and Land Rights | | | |
| 84 | 365.2 Right-of-Way | | | |
| 85 | 366 Structures and Improvements | | | |

Appendix C Revised Schedules for FERC Forms 1, 1-F, 2, 2-A, and 6

-132-

| Name of Respondent | | This Report is: <input type="checkbox"/> An Original <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) | Year of Report Dec 31, _____ |
|--|--|--|--------------------------------|---------------------------------|
| GAS PLANT IN SERVICE (ACCOUNTS 101, 102, 103, AND 106) (Continued) | | | | |
| Line No | Account (a) | Balance at Beginning of Year (b) | Additions (c) | |
| 86 | 367 Mains | | | |
| 87 | 368 Compressor Station Equipment | | | |
| 88 | 369 Measuring and Regulating Station Equipment | | | |
| 89 | 370 Communication Equipment | | | |
| 90 | 371 Other Equipment | | | |
| 91 | 372 Asset Retirement Costs for Transmission Plant | | | |
| 92 | TOTAL Transmission Plant (Enter Totals of lines 83 thru 91) | | | |
| 93 | DISTRIBUTION PLANT | | | |
| 94 | 374 Land and Land Rights | | | |
| 95 | 375 Structures and Improvements | | | |
| 96 | 376 Mains | | | |
| 97 | 377 Compressor Station Equipment | | | |
| 98 | 378 Measuring and Regulating Station Equipment-General | | | |
| 99 | 379 Measuring and Regulating Station Equipment-City Gate | | | |
| 100 | 380 Services | | | |
| 101 | 381 Meters | | | |
| 102 | 382 Meter Installations | | | |
| 103 | 383 House Regulators | | | |
| 104 | 384 House Regulator Installations | | | |
| 105 | 385 Industrial Measuring and Regulating Station Equipment | | | |
| 106 | 386 Other Property on Customers' Premises | | | |
| 107 | 387 Other Equipment | | | |
| 108 | 388 Asset Retirement Costs for Distribution Plant | | | |
| 109 | TOTAL Distribution Plant (Enter Total of lines 94 thru 108) | | | |
| 1110 | GENERAL PLANT | | | |
| 111 | 389 Land and Land Rights | | | |
| 112 | 390 Structures and Improvements | | | |
| 113 | 391 Office Furniture and Equipment | | | |
| 114 | 392 Transportation Equipment | | | |
| 115 | 393 Stores Equipment | | | |
| 116 | 394 Tools, Shop, and Garage Equipment | | | |
| 117 | 395 Laboratory Equipment | | | |
| 118 | 396 Power Operated Equipment | | | |
| 119 | 397 Communication Equipment | | | |
| 120 | 398 Miscellaneous Equipment | | | |
| 121 | Subtotal (Enter Total of lines 111 thru 120) | | | |
| 122 | 399 Other Tangible Property | | | |
| 123 | 399.1 Asset Retirement Costs for General Plant | | | |
| 124 | TOTAL General Plant (Enter Total of lines 121, 122 and 123) | | | |
| 125 | TOTAL (Accounts 101 and 106) | | | |
| 126 | Gas Plant Purchased (See Instruction 8) | | | |
| 127 | (Less) Gas Plant Sold (See Instruction 8) | | | |
| 128 | Experimental Gas Plant Unclassified | | | |
| 129 | TOTAL Gas Plant in Service (Enter Total of lines 125 thru 128) | | | |

Appendix C Revised Schedules for FERC Forms 1, 1-F, 2, 2-A, and 6

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| Name of Respondent | | This Report is: <input type="checkbox"/> An Original <input type="checkbox"/> A Resubmission | | Date of Report (Mo, Da, Yr) | Year of Report Dec 31, _____ |
|---|---|---|--------------------------|-----------------------------------|---------------------------------|
| ACCUMULATED PROVISION FOR DEPRECIATION OF GAS UTILITY PLANT (ACCOUNT 108) | | | | | |
| 1 Explain in a footnote any important adjustments during year 2 Explain in a footnote any difference between the amount for book cost of plant retired, line 11, column (c), and that reported for gas plant in service, page 204-209, column (d), excluding retirements of nondepreciable property 3 The provisions of Account 108 in the Uniform System of Accounts require that retirements of depreciable plant be recorded when such plant is removed from service if the respondent has a | | significant amount of plant retired at year end which had not been recorded and/or classified to the various reserve functional classifications, make preliminary closing entries to tentatively functionalize the book cost of the plant retired in addition, include all costs included in retirement work in progress at year end in the appropriate functional classifications 4 Show separately interest credits under a sinking fund or similar method of depreciation accounting 5 At lines 8 and 15, add rows as necessary to report all data. Additional rows should be numbered in sequence, e.g., 8.01, 8.02, etc. | | | |
| Line No | Item (a) | Total (c + d + e) (b) | Gas Plant in Service (c) | Gas Plant Held for Future Use (d) | Gas Plant Leased to Others (e) |
| Section A. BALANCES AND CHANGES DURING YEAR | | | | | |
| 1 | Balance Beginning of Year | | | | |
| 2 | Depreciation Provisions for Year, Charged to | | | | |
| 3 | (403) Depreciation Expense | | | | |
| 4 | (403.1) Depreciation Expense for Asset Retirement Costs | | | | |
| 5 | (413) Expense of Gas Plant Leased to Others | | | | |
| 6 | Transportation Expenses - Clearing | | | | |
| 7 | Other Clearing Accounts | | | | |
| 8 | Other Clearing (Specify): | | | | |
| 8.01 | | | | | |
| 9 | TOTAL Depreciation Provision For Year (Total of Lines 3 thru 8) | | | | |
| 10 | Net Charges for Plant Retired: | | | | |
| 11 | Book Cost of Plant Retired | | | | |
| 12 | Cost of Removal | | | | |
| 13 | Salvage (Credit) | | | | |
| 14 | TOTAL Net Charges for Plant Retirements (Total of Lines 11 thru 13) | | | | |
| 15 | Other Debit or Credit Items (Describe): | | | | |
| 15.01 | | | | | |
| 16 | Book Cost of Asset Retirement Costs | | | | |
| 17 | Balance End of Year (Total of lines 1, 9, 14, 15, and 16) | | | | |
| Section B. BALANCES AT END OF YEAR ACCORDING TO FUNCTIONAL CLASSIFICATIONS | | | | | |
| 18 | Productions-Manufactured Gas | | | | |
| 19 | Production and Gathering -Natural Gas | | | | |
| 20 | Products Extraction-Natural Gas | | | | |
| 21 | Underground Gas Storage | | | | |
| 22 | Other Storage Plant | | | | |
| 23 | Base Load LNG Terminating and Processing Plant | | | | |
| 24 | Transmission | | | | |
| 25 | Distribution | | | | |
| 26 | General | | | | |
| 27 | TOTAL (Total of lines 18 thru 26) | | | | |

Appendix C Revised Schedules for FERC Forms 1, 1-F, 2, 2-A, and 6

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| Name of Respondent | | This Report is: <input type="checkbox"/> An Original <input type="checkbox"/> A Resubmission | | Date of Report (Mo, Da, Yr) | Year of Report Dec 31, ____ |
|--|--|--|---|---|--|
| DEPRECIATION, DEPLETION, AND AMORTIZATION OF GAS PLANT (ACCOUNTS 403, 403.1, 404 1, 404 2, 404 3, 405)(Except Amortization of Acquisition Adjustments) | | | | | |
| 1. Report in Section A the amounts of depreciation expense depletion and amortization for the accounts indicated and classified according to the plant functional groups shown | | | 2. Report in Section B, column (b) all depreciable or amortizable plant balances to which rates are applied and show a composite total (if more desirable, report by plant account, subaccount or functional classifications other than those pre-printed in column (a). Indicate in a footnote the manner in which column (b) balances are | | |
| Section A. Summary of Depreciation, Depletion, and Amortization Charges | | | | | |
| Line No | Functional Classification (a) | Depreciation Expense (Account 403) (b) | Depreciation Expense for Asset Retirement Costs (Account 403.1) (c) | Amortization and Depletion of Production Natural Gas Land and Land Rights (Account 404.1) (d) | Amortization of Underground Storage Land and Land Rights (Account 404.2) (e) |
| 1 | Intangible plant | | | | |
| 2 | Production plant, manufactured gas | | | | |
| 3 | Production and gathering plant, natural gas | | | | |
| 4 | Products extraction plant | | | | |
| 5 | Underground gas storage plant | | | | |
| 6 | Other storage plant | | | | |
| 7 | Base load LNG terminaling and processing plant | | | | |
| 8 | Transmission plant | | | | |
| 9 | Distribution plant | | | | |
| 10 | General plant | | | | |
| 11 | Common plant-gas | | | | |
| 12 | TOTAL | | | | |

Appendix C Revised Schedules for FERC Forms 1, 1-F, 2, 2-A, and 6

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| Name of Respondent | | This Report is: <input type="checkbox"/> An Original <input type="checkbox"/> A Resubmission | | Date of Report (Mo, Da, Yr) | Year of Report Dec 31, ____ |
|---|---|--|---|--------------------------------|--------------------------------|
| DEPRECIATION, DEPLETION, AND AMORTIZATION OF GAS PLANT (ACCOUNTS 403, 403.1 404 1, 404 2, 404 3, 405) (Except Amortization of Acquisition Adjustments) (Continued) | | | | | |
| obtained If average balances are used, state the method of averaging used. For column (c) report available information for each plant functional classification listed in column (a). If composite depreciation accounting is used, report available information called for in columns (b) and (d) on this basis. Where the unit-of-production method is used | | | to determine depreciation charges, shown in a footnote any revisions made to estimated gas reserves. 3. If provisions for depreciation were made during the year in addition to depreciation provided by application of reported rates, state in a footnote the amounts and nature of the provisions and the plant items to which related. | | |
| Section A. Summary of Depreciation, Depletion, and Amortization Charges | | | | | |
| Amortization of Other Limited-term Gas Plant (Account 404 3) (f) | Amortization of Other Gas Plant (Account 405) (g) | Total (b to g) (h) | Functional Classification (a) | Line No | |
| | | | Intangible plant | 1 | |
| | | | Production plant, manufactured gas | 2 | |
| | | | Production and gathering plant, natural gas | 3 | |
| | | | Products extraction plant | 4 | |
| | | | Underground gas storage plant | 5 | |
| | | | Other storage plant | 6 | |
| | | | Base Load LNG terminaling and processing plant | 7 | |
| | | | Transmission plant | 8 | |
| | | | Distribution plant | 9 | |
| | | | General plant | 10 | |
| | | | Common plant-gas | 11 | |
| | | | TOTAL | 12 | |

Appendix C Revised Schedules for FERC Forms 1, 1-F, 2, 2-A, and 6

-136-

| Name of Respondent | | This Report is: <input type="checkbox"/> An Original <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) | Year of Report Dec 31, ____ |
|--|---|--|---|--|
| COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS) | | | | |
| Line No. | Title of Account (a) | Reference Page Number (b) | Balance at End of Current Year (in dollars) (c) | Balance at End of Previous Year (in dollars) (d) |
| 1 | PROPRIETARY CAPITAL | | | |
| 2 | Common Stock Issued (201) | 250-251 | | |
| 3 | Preferred Stock Issued (204) | 250-251 | | |
| 4 | Capital Stock Subscribed (202, 205) | 252 | | |
| 5 | Stock Liability for Conversion (203, 206) | 252 | | |
| 6 | Premium on Capital Stock (207) | 252 | | |
| 7 | Other Paid-In Capital (208-211) | 253 | | |
| 8 | Installments Received on Capital Stock (212) | 252 | | |
| 9 | (Less) Discount on Capital Stock (213) | 254 | | |
| 10 | (Less) Capital Stock Expense (214) | 254 | | |
| 11 | Retained Earnings (215, 215.1, 216) | 118-119 | | |
| 12 | Unappropriated Undistributed Subsidiary Earnings (216.1) | 118-119 | | |
| 13 | (Less) Reacquired Capital (217) | 250-251 | | |
| 14 | Accumulated Other Comprehensive Income (219) | 117 | | |
| 15 | TOTAL Proprietary Capital (Total of line 2 thru 14) | | | |
| 16 | LONG TERM DEBT | | | |
| 17 | Bonds (221) | 256-257 | | |
| 18 | (Less) Reacquired Bonds (222) | 256-257 | | |
| 19 | Advances from Associated Companies (223) | 256-257 | | |
| 20 | Other Long-Term Debt (224) | 256-257 | | |
| 21 | Unamortized Premium on Long-Term Debt (225) | 258-259 | | |
| 22 | (Less) Unamortized Discount on Long-Term Debt-Dr (226) | 258-259 | | |
| 23 | (Less) Current Portion of Long-Term Debt | | | |
| 24 | TOTAL Long-Term Debt (Total of lines 17 thru 23) | | | |
| 25 | OTHER NONCURRENT LIABILITIES | | | |
| 26 | Obligations Under Capital Leases - Noncurrent (227) | | | |
| 27 | Accumulated Provision for Property Insurance (228.1) | | | |
| 28 | Accumulated provision for Injures and Damages (228.2) | | | |
| 29 | Accumulated Provision for Pensions and Benefits (228.3) | | | |
| 30 | Accumulated Miscellaneous Operating Provision (228.4) | | | |
| 31 | Accumulated Provision for Rate Refunds (229) | | | |
| 32 | Asset Retirement Obligations (230) | | | |
| 33 | TOTAL Other Noncurrent Liabilities (Total of lines 26 thru 32) | | | |

Appendix C Revised Schedules for FERC Forms 1, 1-F, 2, 2-A, and 6

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| Name of Respondent | | This Report is: <input type="checkbox"/> An Original <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) | Year of Report Dec 31, ____ |
|--|--|--|---|--|
| COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS) (Continued) | | | | |
| Line No. | Title of Account (a) | Reference Page Number (b) | Balance at End of Current Year (in dollars) (c) | Balance at End of Previous Year (in dollars) (d) |
| 34 | CURRENT AND ACCRUED LIABILITIES | | | |
| 35 | Current Portion of Long-Term Debt | | | |
| 36 | Notes Payable (231) | | | |
| 37 | Accounts Payable (232) | | | |
| 38 | Notes Payable to Associated Companies (233) | | | |
| 39 | Accounts Payable to Associated Companies (234) | | | |
| 40 | Customer Deposits (235) | | | |
| 41 | Taxes Accrued (236) | 262-263 | | |
| 42 | Interest Accrued (237) | | | |
| 43 | Dividends Declared (238) | | | |
| 44 | Matured Long-Term Debt (239) | | | |
| 45 | Matured Interest (240) | | | |
| 46 | Tax Collections Payable (241) | | | |
| 47 | Miscellaneous Current and Accrued Liabilities (242) | 268 | | |
| 48 | Obligations Under Capital Leases -- Current (243) | | | |
| 49 | Derivative Instrument Liabilities (244) | | | |
| 50 | Derivative Instrument Liabilities - Hedges (245) | | | |
| 51 | TOTAL Current and Accrued Liabilities (Total of lines 35 thru 50) | | | |
| 52 | DEFERRED CREDITS | | | |
| 53 | Customer Advances for Construction (252) | | | |
| 54 | Accumulated Deferred Investment Tax Credits (255) | | | |
| 55 | Deferred Gains from Disposition of Utility Plant (256) | | | |
| 56 | Other Deferred Credits (253) | 269 | | |
| 57 | Other Regulatory Liabilities (254) | 278 | | |
| 58 | Unamortized Gain on Reacquired Debt (257) | 260 | | |
| 59 | Accumulated Deferred Income Taxes (261-283) | | | |
| 60 | TOTAL Deferred Credits (Total of lines 53 thru 59) | | | |
| 61 | TOTAL Liabilities and Other Credits (Total of lines 15, 24, 33, 51, and 60) | | | |

Appendix C Revised Schedules for FERC Forms 1, 1-F, 2, 2-A, and 6

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| Name of Respondent | | This Report is: <input type="checkbox"/> An Original <input type="checkbox"/> A Resubmission | | Date of Report (Mo, Da, Yr) | Year of Report Dec 31, ____ |
|---|---|--|--|--|--------------------------------|
| STATEMENT OF INCOME FOR THE YEAR | | | | | |
| 1 Report amounts for accounts 412 and 413, <i>Revenue and Expenses from Utility Plant Leased to Others</i> , in another utility column (i,j) in a similar manner to a utility department. Spread the amount(s) over lines 2 thru 26 as appropriate. Include these amounts in columns (c) and (d) totals | | | 2 Report amounts in discount 414, <i>Other Utility Operating Income</i> , in the same manner as accounts 412 and 413 above | | |
| | | | 3 Report data for lines 8, 10, and 11 for Natural Gas companies using accounts 404.1, 404.2, 404.3, 407.1, and 407.2 | | |
| Line No. | Title of Account (a) | Reference Page Number (b) | Balance at End of Current Year (in dollars) (c) | Balance at End of Previous Year (in dollars) (d) | |
| 1 | UTILITY OPERATING INCOME | | | | |
| 2 | Gas Operating Revenues (400) | 300-301 | | | |
| 3 | Operating Expenses | | | | |
| 4 | Operation Expenses (401) | 317-325 | | | |
| 5 | Maintenance Expenses (402) | 317-325 | | | |
| 6 | Depreciation Expense (403) | 336-338 | | | |
| 7 | Depreciation Expense for Asset Retirement Costs (403.1) | 336-338 | | | |
| 8 | Amortization and Depletion of Utility Plant (404-405) | 336-338 | | | |
| 9 | Amortization of Utility Plant Acquisition Adjustment (406) | 336-338 | | | |
| 10 | Amort of Prop Losses, Unrecovered Plant and Reg Study Costs (407.1) | | | | |
| 11 | Amortization of Conversion Expenses (407.2) | | | | |
| 12 | Regulatory Debits (407.3) | | | | |
| 13 | (Less) Regulatory Credits (407.4) | | | | |
| 14 | Taxes Other than Income Taxes (408.1) | 262-263 | | | |
| 15 | Income Taxes -- Federal (409.1) | 262-263 | | | |
| 16 | Income Taxes -- Other (409.1) | 262-263 | | | |
| 17 | Provision of Deferred Income Taxes (410.1) | 234-235 | | | |
| 18 | (Less) Provision for Deferred Income Taxes -- Credit (411.1) | 234-235 | | | |
| 19 | Investment Tax Credit Adjustment -- Net (411.4) | | | | |
| 20 | (Less) Gains from Disposition of Utility Plant (411.6) | | | | |
| 21 | Losses from Disposition of Utility Plant (411.7) | | | | |
| 22 | (Less) Gains from Disposition of Allowances (411.8) | | | | |
| 23 | Losses from Disposition of Allowances (411.9) | | | | |
| 24 | Accretion Expense (411.10) | | | | |
| 25 | TOTAL Utility Operating Expenses (Total of lines 4 thru 24) | | | | |
| 26 | Net Utility Operating Income (Total of lines 2 less 25) (Carry forward to page 116, line 27) | | | | |

Appendix C Revised Schedules for FERC Forms 1, 1-F, 2, 2-A, and 6

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| Name of Respondent | | This Report is: <input type="checkbox"/> An Original <input type="checkbox"/> A Resubmission | | Date of Report (Mo, Da, Yr) | | Year of Report Dec 31, ____ | |
|---|---|--|---|--|--|--------------------------------|----|
| STATEMENT OF INCOME FOR THE YEAR (Continued) | | | | | | | |
| 4 Explain in a footnote if the previous year's figures are different from those reported in prior reports | | | | 5 If the columns are insufficient for reporting additional utility departments, supply the appropriate account titles, lines 2 to 26, and report the information on page 122 or in a supplemental statement. | | | |
| Electric Utility Current Year (in dollars) | Electric Utility Previous Year (in dollars) | Gas Utility Current Year (in dollars) | Gas Utility Current Year (in dollars) | Other Utility Current Year (in dollars) | Other Utility Previous Year (in dollars) | | |
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Appendix C Revised Schedules for FERC Forms 1, 1-F, 2, 2-A, and 6

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| Name of Respondent | | This Report is: <input type="checkbox"/> An Original <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) | Year of Report Dec 31, ____ |
|--|--|--|---|--|
| STATEMENT OF INCOME FOR THE YEAR (Continued) | | | | |
| Line No. | Title of Account (a) | Reference Page Number (b) | Balance at End of Current Year (in dollars) (c) | Balance at End of Previous Year (in dollars) (d) |
| 27 | Net Utility Operating Income (Carried forward from page 114) | | | |
| 28 | OTHER INCOME AND DEDUCTIONS | | | |
| 29 | Other Income | | | |
| 30 | Nonutility Operating Income | | | |
| 31 | Revenues from Merchandising, Jobbing and Contract Work (415) | | | |
| 32 | (Less) Costs and Expense of Merchandising, Job & Contract Work (415.1) | | | |
| 33 | Revenues from Nonutility Operations (417) | | | |
| 34 | (Less) Expenses of Nonutility Operations (417.1) | | | |
| 35 | Nonoperating Rental Income | | | |
| 36 | Equity in Earnings of Subsidiary Companies (418.1) | 119 | | |
| 37 | Interest and Dividend Income (419) | | | |
| 38 | Allowance for Other Funds Used During Construction (419.1) | | | |
| 39 | Miscellaneous Nonoperating Income (421) | | | |
| 40 | Gain on Disposition of Property (421.1) | | | |
| 41 | TOTAL Other Income (Total of lines 29 thru 40) | | | |
| 42 | Other Income Deductions | | | |
| 43 | Loss on Disposition of Property (421.2) | | | |
| 44 | Miscellaneous Amortization (425) | | | |
| 45 | Miscellaneous Income Deductions (426.1 thru 426.5) | 340 | | |
| 46 | TOTAL Other Income Deductions (Total of lines 43 thru 45) | 340 | | |
| 47 | Taxes Applicable to Other Income and Deductions | | | |
| 48 | Taxes Other than Income Taxes (406.2) | 262-263 | | |
| 49 | Income Taxes -- Federal (409.2) | 262-263 | | |
| 50 | Income Taxes -- Other (409.2) | 262-263 | | |
| 51 | Provision for Deferred Income Taxes (410.2) | 234-235 | | |
| 52 | (Less) Provision for Deferred Income Taxes-Credit (410.2) | 234-235 | | |
| 53 | Investment Tax Credit Adjustments--Net (411.5) | | | |
| 54 | (Less) Investment Tax Credits (420) | | | |
| 55 | TOTAL Taxes on Other Income and Deductions (Total of lines 48-54) | | | |
| 56 | Net Other Income and Deductions (Total of lines 41, 46, and 55) | | | |
| 57 | INTEREST CHARGES | | | |
| 58 | Interest on Long-Term Debt (427) | | | |
| 59 | Amortization of Debt Disc and Expense (428) | 258-259 | | |
| 60 | Amortization of Loss on Recquired Debt (428.1) | | | |
| 61 | (Less) Amortization of Premium on Debt-Credit (429) | 258-259 | | |
| 62 | (Less) Amortization of Gain on Recquired Debt-Credit (429.1) | | | |
| 63 | Interest on Debt to Associated Companies (430) | 340 | | |
| 64 | Other Interest Expense (431) | 340 | | |
| 65 | (Less) Allowance for Borrowed Funds Used During Construction- Credit | | | |
| 66 | Net Interest Charges (Total of lines 58 thru 65) | | | |
| 67 | Income Before Extraordinary Items (Total of lines 27, 56 and 66) | | | |
| 68 | EXTRAORDINARY ITEMS | | | |
| 69 | Extraordinary Income (434) | | | |
| 70 | (Less) Extraordinary Deductions (435) | | | |
| 71 | Net Extraordinary Items (Total of line 69 less 70) | | | |
| 72 | Income Taxes--Federal and Other (409.3) | 262-263 | | |
| 73 | Extraordinary Items after Taxes (Total of line 71 less line 72) | | | |
| 74 | Net Income (Total of lines 67 and 73) | | | |

Appendix C Revised Schedules for FERC Forms 1, 1-F, 2, 2-A, and 6

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| Name of Respondent | | This Report is: <input type="checkbox"/> An Original <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) | Year of Report Dec 31, ____ |
|---|---|--|--------------------------------|--------------------------------|
| GAS PLANT IN SERVICE (ACCOUNTS 101, 102, 103, AND 106) | | | | |
| <p>1 Report below the original cost of gas plant in service according to the prescribed accounts.</p> <p>2 In addition to Account 101, <i>Gas Plant in Service (Classified)</i>, this page and the next include Account 102, <i>Gas Plant Purchased or Sold</i>, Account 103, <i>Experimental Gas Plant (Unclassified)</i>, and Account 106, <i>Completed Construction Not Classified-Gas</i>.</p> <p>3 Include in column (c) and (d), as appropriate corrections of additions and retirements for the current or preceding year.</p> <p>4 For subsequent measurement revisions to initial asset retirement costs capitalized include any net increase or net decrease amount by primary plant account for the asset retirement costs in column (c) additions.</p> <p>4 Enclose in parenthesis credit adjustments of plant accounts to indicate the negative effect of such accounts</p> <p>5 Classify Account 106 according to prescribed accounts, on an estimated basis if necessary, and include the entries in column (c) Also to be included in column (c) are entries for reversals of tentative distributions of prior year reported in column (b) Like wise, if the respondent has a significant amount of plant retirement which have not been classified to primary accounts at the end of the year, include in column (d) a tentative distribution of such retirement, on an estimated basis, with appropriate contra entry to the account for accumulated depreciation provision include also in column (d) reversals of tentative distributions of prior year's unclassified retirement Attach supplemental statement showing the account distributions of these tentative classifications in column (c) and (d).</p> | | | | |
| Line No | Account (a) | Balance at Beginning of Year (b) | Additions (c) | |
| 1 | INTANGIBLE PLANT | | | |
| 2 | 301 Organization | | | |
| 3 | 302 Franchises and Consents | | | |
| 4 | 303 Miscellaneous Intangible Plant | | | |
| 5 | TOTAL Intangible Plant (Enter Total of lines 2 thru 4) | | | |
| 6 | PRODUCTION PLANT | | | |
| 7 | Natural Gas Production and Gathering Plant | | | |
| 8 | 325.1 Producing Lands | | | |
| 9 | 325.2 Producing Leaseholds | | | |
| 10 | 325.3 Gas Rights | | | |
| 11 | 325.4 Rights-of-Way | | | |
| 12 | 325.5 Other Land and Land Rights | | | |
| 13 | 326 Gas Well Structures | | | |
| 14 | 327 Field Compressor Station Structures | | | |
| 15 | 328 Field Measuring and Regulating Station Equipment | | | |
| 16 | 329 Other Structures | | | |
| 17 | 330 Producing Gas Wells-Well Construction | | | |
| 18 | 331 Producing Gas Wells-Well Equipment | | | |
| 19 | 332 Field Lines | | | |
| 20 | 333 Field Compressor Station Equipment | | | |
| 21 | 334 Field Measuring and Regulating Station Equipment | | | |
| 22 | 335 Drilling and Cleaning Equipment | | | |
| 23 | 336 Purification Equipment | | | |
| 24 | 337 Other Equipment | | | |
| 25 | 338 Unsuccessful Exploration and Development Costs | | | |
| 26 | 339 Asset Retirement Costs for Natural Gas Production & Gathering Plant | | | |
| 27 | TOTAL Production and Gathering Plant (Enter Total of lines 8 thru 26) | | | |
| 28 | PRODUCTS EXTRACTION PLANT | | | |
| 29 | 340 Land and Land Rights | | | |
| 30 | 341 Structures and Improvements | | | |
| 31 | 342 Extraction and Refining Equipment | | | |
| 32 | 343 Pipe Lines | | | |
| 33 | 344 Extracted Products Storage Equipment | | | |
| 34 | 345 Compressor Equipment | | | |

Appendix C Revised Schedules for FERC Forms 1, 1-F, 2, 2-A, and 6

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| | | | | | |
|---|--------------------|--|---|--------------------------------|--------------------------------|
| Name of Respondent | | This Report is: <input type="checkbox"/> An Original <input type="checkbox"/> A Resubmission | | Date of Report (Mo, Da, Yr) | Year of Report Dec 31, ____ |
| PLANT IN SERVICE (ACCOUNTS 101, 102, 103, AND 106 (Continued)) | | | | | |
| including the reversals of the prior years tentative account distributions of these amounts. Careful observance of the above instructions and the texts of Account 101 and 106 will avoid serious omissions of respondent's reported amount for plant actually in service at end of year. | | | And show in column (f) only the offset to the debits or credits to primary account classifications. | | |
| 7. Show in column (f) reclassifications or transfers within utility plant accounts. Include also in column (f) the additions or reductions of primary account classifications arising from distribution of amounts initially recorded in Account 102. In showing the clearance of Account 102, include in column (e) the amounts with respect to accumulated provision for depreciation, acquisition adjustments, etc., | | | 8. For Account 389, state the nature and use of plant included in this account and if substantial in amount submit a supplementary statement showing subaccount classification of such plant conforming to the requirements of these pages. | | |
| 9. For each amount comprising the reported balance and changes in Account 102, state the property purchased or sold, name of vendor or purchaser, and date of transaction if proposed journal entries have been filed with the commission as required by the Uniform System of Accounts, give date of such filing. | | | | | |
| Retirements (d) | Adjustments (e) | Transfers (f) | Balance at End of Year (g) | Line No | |
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Appendix C Revised Schedules for FERC Forms 1, 1-F, 2, 2-A, and 6

-143-

| Name of Respondent | | This Report is: <input type="checkbox"/> An Original <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) | Year of Report Dec 31, ____ |
|--|---|--|--------------------------------|--------------------------------|
| GAS PLANT IN SERVICE (ACCOUNTS 101, 102, 103, AND 106) (Continued) | | | | |
| Line No | Account (a) | Balance at Beginning of Year (b) | Additions (c) | |
| 35 | 346 Gas Measuring and Regulating Equipment | | | |
| 36 | 347 Other Equipment | | | |
| 37 | 348 Asset Retirement Costs for Products Extraction Plant | | | |
| 38 | TOTAL Products Extraction Plant (Enter Total of lines 29 thru 37) | | | |
| 39 | TOTAL Natural Gas Production Plant (Enter Total of lines 27 and 38) | | | |
| 40 | Manufactured Gas Production Plant (Submit Supplementary Statement) | | | |
| 41 | TOTAL Production Plant (Enter Total of lines 39 and 40) | | | |
| 42 | NATURAL GAS STORAGE AND PROCESSING PLANT | | | |
| 43 | Underground Storage Plant | | | |
| 44 | 350.1 Land | | | |
| 45 | 350.2 Rights-of-Way | | | |
| 46 | 351 Structures and Improvements | | | |
| 47 | 352 Wells | | | |
| 48 | 352.1 Storage Leaseholds and Rights | | | |
| 49 | 352.2 Reservoirs | | | |
| 50 | 352.3 Non-recoverable Natural Gas | | | |
| 51 | 353 Lines | | | |
| 52 | 354 Compressor Station Equipment | | | |
| 53 | 355 Measuring and Regulating Equipment | | | |
| 54 | 356 Purification Equipment | | | |
| 55 | 357 Other Equipment | | | |
| 56 | 358 Asset Retirement Costs for Underground Storage Plant | | | |
| 57 | TOTAL Underground Storage Plant (Enter Total of lines 44 thru 56) | | | |
| 58 | Other Storage Plant | | | |
| 59 | 360 Land and Land Rights | | | |
| 60 | 361 Structures and Improvements | | | |
| 61 | 362 Gas Holders | | | |
| 62 | 363 Purification Equipment | | | |
| 63 | 363.1 Liquefaction Equipment | | | |
| 64 | 363.2 Vaporizing Equipment | | | |
| 65 | 363.2 Compressor Equipment | | | |
| 66 | 363.4 Measuring and Regulating Equipment | | | |
| 67 | 363.5 Other Equipment | | | |
| 68 | 363.6 Asset Retirement Costs for Other Storage Plant | | | |
| 69 | TOTAL Other Storage Plant (Enter Total of lines 59 thru 68) | | | |
| 70 | Base Load Liquefied Natural Gas Terminating and Processing Plant | | | |
| 71 | 364.1 Land and Land Rights | | | |
| 72 | 364.2 Structures and Improvements | | | |
| 73 | 364.3 LNG Processing Terminal Equipment | | | |
| 74 | 364.4 LNG Transportation Equipment | | | |
| 75 | 364.5 Measuring and Regulating Equipment | | | |
| 76 | 364.6 Compressor Station Equipment | | | |
| 77 | 364.7 Communications Equipment | | | |
| 78 | 364.8 Other Equipment | | | |
| 79 | 364.9 Asset Retirement Costs for Base Load Liquefied Natural Gas Terminating and Processing Plant | | | |
| 80 | TOTAL Base Load Liquefied Natural Gas, Terminating and Processing Plant (Lines 71 thru 79) | | | |
| 81 | TOTAL Natural Gas Storage and Processing Plant (Total of lines 57, 69 and 80) | | | |
| 82 | TRANSMISSION PLANT | | | |
| 83 | 365.1 Land and Land Rights | | | |
| 84 | 365.2 Rights-of-Way | | | |
| 85 | 366 Structures and Improvements | | | |

Appendix C Revised Schedules for FERC Forms 1, 1-F, 2, 2-A, and 6

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| Name of Respondent | | This Report is: <input type="checkbox"/> An Original <input type="checkbox"/> A Resubmission | | Date of Report (Mo, Da, Yr) | Year of Report Dec 31, _____ |
|--|--------------------|--|----------------------------------|--------------------------------|---------------------------------|
| GAS PLANT IN SERVICE (ACCOUNTS 101, 102, 103, AND 106) (Continued) | | | | | |
| Retirements (d) | Adjustments (e) | Transfers (f) | Balance at End of Year (g) | Line No | |
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Appendix C Revised Schedules for FERC Forms 1, 1-F, 2, 2-A, and 6

-145-

| Name of Respondent | | This Report is: <input type="checkbox"/> An Original <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) | Year of Report Dec 31, _____ |
|--|--|--|--------------------------------|---------------------------------|
| GAS PLANT IN SERVICE (ACCOUNTS 101, 102, 103, AND 106) (Continued) | | | | |
| Line No | Account (a) | Balance at Beginning of Year (b) | Additions (c) | |
| 86 | 367 Mains | | | |
| 87 | 368 Compressor Station Equipment | | | |
| 88 | 369 Measuring and Regulating Station Equipment | | | |
| 89 | 370 Communication Equipment | | | |
| 90 | 371 Other Equipment | | | |
| 91 | 372 Asset Retirement Costs for Transmission Plant | | | |
| 92 | TOTAL Transmission Plant (Enter Totals of lines 83 thru 91) | | | |
| 93 | DISTRIBUTION PLANT | | | |
| 94 | 374 Land and Land Rights | | | |
| 95 | 375 Structures and Improvements | | | |
| 96 | 376 Mains | | | |
| 97 | 377 Compressor Station Equipment | | | |
| 98 | 378 Measuring and Regulating Station Equipment-General | | | |
| 99 | 379 Measuring and Regulating Station Equipment-City Gate | | | |
| 100 | 380 Services | | | |
| 101 | 381 Meters | | | |
| 102 | 382 Meter Installations | | | |
| 103 | 383 House Regulators | | | |
| 104 | 384 House Regulator Installations | | | |
| 105 | 385 Industrial Measuring and Regulating Station Equipment | | | |
| 106 | 386 Other Property on Customers' Premises | | | |
| 107 | 387 Other Equipment | | | |
| 108 | 388 Asset Retirement Costs for Distribution Plant | | | |
| 109 | TOTAL Distribution Plant (Enter Total of lines 94 thru 108) | | | |
| 110 | GENERAL PLANT | | | |
| 111 | 389 Land and Land Rights | | | |
| 112 | 390 Structures and Improvements | | | |
| 113 | 391 Office Furniture and Equipment | | | |
| 114 | 392 transportation Equipment | | | |
| 115 | 393 Stores Equipment | | | |
| 116 | 394 Tools, Shop, and Garage Equipment | | | |
| 117 | 395 Laboratory Equipment | | | |
| 118 | 396 Power Operated Equipment | | | |
| 119 | 397 Communication Equipment | | | |
| 120 | 398 Miscellaneous Equipment | | | |
| 121 | Subtotal (Enter Total of lines 111 thru 120) | | | |
| 122 | 399 Other Tangible Property | | | |
| 123 | 399.1 Asset Retirement Costs for General Plant | | | |
| 124 | TOTAL General Plant (Enter Total of lines 121, 122 and 123) | | | |
| 125 | TOTAL (Accounts 101 and 106) | | | |
| 126 | Gas Plant Purchased (See Instruction 8) | | | |
| 127 | (Less) Gas Plant Sold (See Instruction 8) | | | |
| 128 | Experimental Gas Plant Unclassified | | | |
| 129 | TOTAL Gas Plant in Service (Enter Total of lines 125 thru 128) | | | |

Appendix C Revised Schedules for FERC Forms 1, 1-F, 2, 2-A, and 6

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| Name of Respondent | | This Report is: <input type="checkbox"/> An Original <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) | Year of Report Dec 31, ____ |
|--|--------------------|--|----------------------------------|--------------------------------|
| GAS PLANT IN SERVICE (ACCOUNTS 101, 102, 103, AND 106 (Continued)) | | | | |
| Retirements (d) | Adjustments (e) | Transfers (f) | Balance at End of Year (g) | Line No |
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Appendix C Revised Schedules for FERC Forms 1, 1-F, 2, 2-A, and 6

-147-

| Name of Respondent | | This Report is: <input type="checkbox"/> An Original <input type="checkbox"/> A Resubmission | | Date of Report (Mo, Da, Yr) | | Year of Report Dec 31, ____ | |
|--|---|--|--------------------------|--|--------------------------------|--------------------------------|--|
| ACCUMULATED PROVISION FOR DEPRECIATION OF GAS UTILITY PLANT (ACCOUNT 108) | | | | | | | |
| <p>1 Explain in a footnote any important adjustments during year</p> <p>2 Explain in a footnote any difference between the amount for book cost of plant retired, line 11, column (c), and that reported for gas plant in service, page 204-209, column (d), excluding retirements of nondepreciable property.</p> <p>3 The provisions of Account 108 in the Uniform System of Accounts require that retirements of depreciable plant be recorded when such plant is removed from service. If the respondent has a</p> | | | | <p>significant amount of plant retired at year end which had not been recorded and/or classified to the various reserve functional classifications, make preliminary closing entries to tentatively functionalize the book cost of the plant retired in addition, include all costs included in retirement work in progress at year end in the appropriate functional classifications</p> <p>4 Show separately interest credits under a sinking fund or similar method of depreciation accounting</p> <p>5 At lines 8 and 15, add rows as necessary to report all data. Additional rows should be numbered in sequence, e.g., 8.01, 8.02, etc.</p> | | | |
| Line No | Item (a) | Total (c + d + e) (b) | Gas Plant in Service (c) | Gas Plant Held for Future Use (d) | Gas Plant Leased to Others (e) | | |
| Section A. BALANCES AND CHANGES DURING YEAR | | | | | | | |
| 1 | Balance Beginning of Year | | | | | | |
| 2 | Depreciation Provisions for Year, Charged to | | | | | | |
| 3 | (403) Depreciation Expense | | | | | | |
| 4 | (403.1) Depreciation Expense for Asset Retirement Costs | | | | | | |
| 5 | (413) Expense of Gas Plant Leased to Others | | | | | | |
| 6 | Transportation Expenses - Clearing | | | | | | |
| 7 | Other Clearing Accounts | | | | | | |
| 8 | Other Clearing (Specify): | | | | | | |
| 8.01 | | | | | | | |
| 9 | TOTAL Depreciation Provision For Year (Total of lines 3 thru 7) | | | | | | |
| 10 | Net Charges for Plant Retired: | | | | | | |
| 11 | Book Cost of Plant Retired | | | | | | |
| 12 | Cost of Removal | | | | | | |
| 13 | Salvage (Credit) | | | | | | |
| 14 | TOTAL Net Charges for Plant Ret. (Total of lines 11 thru 13) | | | | | | |
| 15 | Other Debit or Credit Items (Describe): | | | | | | |
| 15.01 | | | | | | | |
| 16 | Book Cost of Asset Retirement Costs Retired | | | | | | |
| 17 | Balance End of Year (Total of lines 1, 9, 14, 15 and 16) | | | | | | |
| Section B. BALANCES AT END OF YEAR ACCORDING TO FUNCTIONAL CLASSIFICATIONS | | | | | | | |
| 18 | Productions-Manufactured Gas | | | | | | |
| 19 | Production and Gathering -Natural Gas | | | | | | |
| 20 | Products Extraction-Natural Gas | | | | | | |
| 21 | Underground Gas Storage | | | | | | |
| 22 | Other Storage Plant | | | | | | |
| 23 | Base Load LNG Terminating and Processing Plant | | | | | | |
| 24 | Transmission | | | | | | |
| 25 | Distribution | | | | | | |
| 26 | General | | | | | | |
| 27 | TOTAL (Total of lines 18 thru 26) | | | | | | |

Appendix C Revised Schedules for FERC Forms 1, 1-F, 2, 2-A, and 6

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| Name of Respondent | This Report Is: (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) | Year of Report Dec. 31, 20__ |
|--|--|--------------------------------|---------------------------------|
| LIST OF SCHEDULES | | | |
| Enter in column (d) the terms "none," "not applicable," or "NA," as appropriate, where no information or amounts have been reported for certain pages. Omit pages where the responses are "none," "not applicable," or "NA." | | | |
| Title of Schedule (a) | Reference Page No. (b) | Date Revised (c) | Remarks (d) |
| GENERAL CORPORATE INFORMATION AND FINANCIAL STATEMENTS | | | |
| General Information | 101 | ED 12-91 | |
| Control Over Respondent | 102 | REV 12-95 | |
| Companies Controlled by Respondent | 103 | NEW 12-95 | |
| Principal General Officers | 104 | ED 12-91 | |
| Directors | 105 | REV 12-95 | |
| Important Changes During the Year | 108-109 | REV 12-95 | |
| Comparative Balance Sheet Statement | 110-113 | REV 12-02 | |
| Income Statement | 114 | REV 12-02 | |
| Statement of Accumulated Comprehensive Income and Hedging Activities | 115 (a) (b) | NEW 12-02 | |
| Appropriated Retained Income | 118 | REV 12-95 | |
| Unappropriated Retained Income Statement | 119 | REV 12-95 | |
| Dividend Appropriations of Retained Income | 119 | REV 12-95 | |
| Statement of Cash Flows | 120-121 | REV 12-95 | |
| Notes to Financial Statements | 122-123 | REV 12-95 | |
| BALANCE SHEET SUPPORTING SCHEDULES (Assets and Other Debts) | | | |
| Receivables From Affiliated Companies | 200 | REV 12-00 | |
| General Instructions Concerning Schedules 202 thru 205 | 201 | REV 12-95 | |
| Investments in Affiliated Companies | 202-203 | ED 12-91 | |
| Investments in Common Stocks of Affiliated Companies | 204-205 | ED 12-91 | |
| Companies Controlled Directly by Respondent Other Than Through Title to Securities | 204-205 | ED 12-02 | |
| Instructions for Schedules 212 Thru 217 | 211 | REV 12-00 | |
| Carrier Property | 212-213 | REV 12-02 | |
| Undivided Joint Interest Property | 214-215 | REV 12-02 | |
| Accrued Depreciation-Carrier Property | 216 | REV 12-02 | |
| Accrued Depreciation-Undivided Joint Interest Property | 217 | REV 12-02 | |
| Amortization Base and Reserve | 218-219 | REV 12-02 | |
| Noncarrier Property | 220 | REV 12-00 | |
| Other Deferred Charges | 221 | REV 12-00 | |
| BALANCE SHEET SUPPORTING SCHEDULES (Liabilities and Other Credits) | | | |
| Payables to Affiliated Companies | 225 | REV 12-00 | |
| Long-Term Debt | 226-227 | ED 12-00 | |
| Analysis of Federal Income and Other Taxes Deferred | 230-231 | REV 12-00 | |
| Capital Stock | 250-251 | REV 12-95 | |
| Capital Stock Changes During the Year | 252-253 | ED 12-91 | |
| Additional Paid-in Capital | 254 | ED 12-87 | |

Appendix C Revised Schedules for FERC Forms 1, 1-F, 2, 2-A, and 6

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| Name of Respondent | | This Report Is: (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) | Year of Report Dec. 31, 20__ |
|---|--|--|---|--|
| COMPARATIVE BALANCE SHEET STATEMENT - LIABILITIES (Continued) | | | | |
| For instructions covering this schedule, see the text and instructions pertaining to Balance Sheet Accounts in the USofA. The entries in this balance sheet should be consistent with those in the supporting schedules on the pages indicated. | | | | |
| Line No. | Item (a) | Reference Page No. (b) | Balance at End of Current Year (In dollars) (c) | Balance at End of Previous Year (In dollars) (d) |
| CURRENT LIABILITIES | | | | |
| 47 | Notes Payable (50) | | | |
| 48 | Payables to Affiliated Companies (51) | | | |
| 49 | Accounts Payable (52) | | | |
| 50 | Salaries and Wages Payable (53) | | | |
| 51 | Interest Payable (54) | | | |
| 52 | Dividends Payable (55) | | | |
| 53 | Taxes Payable (56) | | | |
| 54 | Long - Term Debt - Payable Within One Year (57) | 226-227 | | |
| 55 | Other Current Liabilities (58) | | | |
| 56 | Deferred Income Tax Liabilities (59) | 230-231 | | |
| 57 | TOTAL Current Liabilities (Total of lines 47 thru 56) | | | |
| NONCURRENT LIABILITIES | | | | |
| 58 | Long-Term Debt - Payable After One Year (60) | 226-227 | | |
| 59 | Unamortized Premium on Long-Term Debt (61) | | | |
| 60 | (Less) Unamortized Discount on Long-Term Debt-Dr. (62) | | | |
| 61 | Other Noncurrent Liabilities (63) | | | |
| 62 | Accumulated Deferred Income Tax Liabilities (64) | 230-231 | | |
| 63 | Derivative Instrument Liabilities (65) | | | |
| 64 | Derivative Instrument Liabilities - Hedges (66) | | | |
| 65 | Asset Retirement Obligations (67) | | | |
| 66 | TOTAL Noncurrent Liabilities (Total of lines 58 thru 65) | | | |
| 67 | TOTAL Liabilities (Total of lines 57 and 66) | | | |
| STOCKHOLDERS' EQUITY | | | | |
| 68 | Capital Stock (70) | 250-251 | | |
| 69 | Premiums on Capital Stock (71) | | | |
| 70 | Capital Stock Subscriptions (72) | | | |
| 71 | Additional Paid-In Capital (73) | 254 | | |
| 72 | Appropriated Retained Income (74) | 118 | | |
| 73 | Unappropriated Retained Income (75) | 119 | | |
| 74 | (Less) Unrealized Loss on Noncarrier Marketable Equity-Securities (75.5) | | | |
| 75 | (Less) Treasury Stock (76) | | | |
| 76 | TOTAL Stockholders' Equity (Total of lines 68 thru 75) | | | |
| 77 | TOTAL Liabilities and Stockholders' Equity (Total of lines 67 and 76) | | | |

Appendix C Revised Schedules for FERC Forms 1, 1-F, 2, 2-A, and 6

-150-

| INSTRUCTIONS FOR SCHEDULES 212-213 | |
|---|---|
| 1.) Give an analysis of changes during the year in Account No. 30, <i>Carrier Property</i> , by carrier property accounts, excluding investments in undivided joint interest property reported on pages 214 and 215. The total carrier property reported on page 213 (column i, line 44) and the total undivided joint interest property reported on all pages 215 (column i, line 44) should represent all carrier property owned by the reporting entity at year end. | or sale if it exceeded \$250,000. Include the following in the footnote: the name of the company the property was acquired from or sold to, the mileage acquired or sold, and the date of acquisition or sale. Include termini, the original cost of property acquired from an affiliate or other common carrier (see instruction 3-1, <i>Property acquired</i> , Instructions for Carrier Property Accounts in Uniform System of Accounts), and the cost of the property to the respondent. Also give the amount debited or credited to each company account representing such property acquired or disposed of. |
| 2.) Enter in column (c) the cost of newly constructed property, additions, and improvements made to existing property. Include amounts distributed to carrier property accounts during the year which were previously charged to Account No. 187, <i>Construction Work in Progress</i> . In column (d) enter expenditures for existing pipeline property purchased or otherwise acquired. Enter in column (e) - property sold, abandoned, or otherwise retired during the year. This will generally be a positive number, so that the calculation in column (f) works properly. | 4.) Enter in column (g) for each account the net of all other accounting adjustments, transfers, and clearances applicable to prior years' accounting. |
| 3.) If pipeline operating property was acquired from or sold to some other company during the year, footnote the acquisition | 5.) Explain fully each adjustment, clearance, or transfer in excess of \$500,000 in a footnote. Explain transfers to or from Account No. 34, <i>Noncarrier Property</i> , in Schedule 219. |
| | 6.) Indicate in parenthesis any entry in columns (f), (g), or (h) which represents an excess of credits over debits. |
| INSTRUCTIONS FOR SCHEDULES 214-215 | |
| 1.) Give an analysis of changes during the year in Account No. 30, <i>Carrier Property</i> , by carrier property accounts, for investments in undivided joint interest property. The respondent will only report its portion of the carrier property of any undivided joint interest pipeline in which it has an interest. If the respondent owns an interest in multiple undivided joint interest pipelines, prepare and submit a separate schedule 214-215 for each undivided joint interest pipeline in which it has an interest. If multiple schedules 214-215 are submitted, number all schedules subsequent to the first with a number and letter page designator (For example ... 214, 215; 214a, 215a; 214b, 215b; etc...). | company during the year, footnote the acquisition or sale if it exceeded \$250,000. Include the following in the footnote: the name of the company the property was acquired from or sold to, the mileage acquired or sold, and the date of acquisition or sale. Include termini, the original cost of property acquired from an affiliate or other common carrier (see instruction 3-1, <i>Property acquired</i> , Instructions for Carrier Property Accounts in Uniform System of Accounts), and the cost of the property to the respondent. Also give the amount debited or credited to each company account representing such property acquired or disposed of. |
| 2.) Enter in column (c) the cost of newly constructed property, additions, and improvements made to existing property. Include amounts distributed to carrier property accounts during the year which were previously charged to Account No. 187 <i>Construction Work in Progress</i> . In column (d) enter expenditures for existing pipeline property purchased or otherwise acquired. Enter in column (e) property sold, abandoned, or otherwise retired during the year. This will generally be a positive number so that the calculation in column (f) works properly. | 4.) Enter in column (g) for each account the net of all other accounting adjustments, transfers, and clearances applicable to prior years' accounting. |
| 3.) If pipeline operating property was acquired from or sold to some other | 5.) Explain fully each adjustment, clearance, or transfer in excess of \$500,000 in a footnote. Explain transfers to or from Account No. 34, <i>Noncarrier Property</i> , in Schedule 219. |
| | 6.) Indicate in parenthesis any entry in columns (f), (g), or (h) which represents an excess of credits over debits. |
| INSTRUCTIONS FOR SCHEDULES 216-217 | |
| 1.) On schedule 216, give an analysis of changes during the year in Account No. 31, <i>Accrued Depreciation - Carrier Property</i> , by carrier property accounts, excluding depreciation on undivided joint interest property reported on page 217. On schedule 217, give an analysis of changes during the year in Account No. 31, <i>Accrued Depreciation - Carrier Property</i> , by carrier property accounts for property owned as part of an undivided joint interest pipeline. If the respondent owns an interest in multiple undivided joint interest pipelines, prepare and submit a separate schedule 217 for each undivided joint interest pipeline in which it has an interest. If multiple schedules 217 are submitted, number all schedules subsequent to the first with a number and letter page designator (For example ... 217, 217a, 217b, etc...). | 2.) In column (c), enter debits by carrier property account to Account No. 540, <i>Depreciation and Amortization</i> , and 541, <i>Depreciation Expense for Asset Retirement Costs</i> , during the year. |
| | 3.) In column (d), enter all debits to Account No. 31, <i>Accrued Depreciation - Carrier Property</i> , during the year resulting from the retirement of carrier property. |
| | 4.) In column (e), enter the net of any other debits and credits made to Account No. 31, <i>Accrued Depreciation - Carrier Property</i> , during the year. |
| | 5.) If composite annual depreciation rates are prescribed, enter those in effect at the end of the year in column (g). If component rates are prescribed, the composite rates entered in column (g) should be computed from the charges developed for December by using the prescribed component rates. Whether component or composite rates are prescribed, the entries on lines 17, 34, 42, and 43 of column (g) should be computed from December depreciation charges. |

Appendix C Revised Schedules for FERC Forms 1, 1-F, 2, 2-A, and 6

-151-

| Name of Respondent | | This Report Is: (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) | Year of Report Dec. 31, 20__ |
|-------------------------|---|--|---|---|
| CARRIER PROPERTY | | | | |
| Line No. | Account (a) | Balance at Beginning of Year (In dollars) (b) | PROPERTY CHANGES DURING THE YEAR (In dollars) | |
| | | | Expenditures for New Construction, Additions, and Improvements (c) | Expenditures for Existing Property Purchased or Otherwise Acquired (d) |
| GATHERING LINES | | | | |
| 1 | Land (101) | | | |
| 2 | Right of Way (102) | | | |
| 3 | Line Pipe (103) | | | |
| 4 | Line Pipe Fittings (104) | | | |
| 5 | Pipeline Construction (105) | | | |
| 6 | Buildings (106) | | | |
| 7 | Boilers (107) | | | |
| 8 | Pumping Equipment (108) | | | |
| 9 | Machine Tools and Machinery (109) | | | |
| 10 | Other Station Equipment (110) | | | |
| 11 | Oil Tanks (111) | | | |
| 12 | Delivery Facilities (112) | | | |
| 13 | Communication Systems (113) | | | |
| 14 | Office Furniture and Equipment (114) | | | |
| 15 | Vehicles and Other Work Equipment (115) | | | |
| 16 | Other Property (116) | | | |
| 17 | Asset Retirement Costs for Gathering Lines (117) | | | |
| 18 | TOTAL (Lines 1 thru 17) | | | |
| TRUNK LINES | | | | |
| 19 | Land (151) | | | |
| 20 | Right of Way (152) | | | |
| 21 | Line Pipe (153) | | | |
| 22 | Line Pipe Fittings (154) | | | |
| 23 | Pipeline Construction (155) | | | |
| 24 | Buildings (156) | | | |
| 25 | Boilers (157) | | | |
| 26 | Pumping Equipment (158) | | | |
| 27 | Machine Tools and Machinery (159) | | | |
| 28 | Other Station Equipment (160) | | | |
| 29 | Oil Tanks (161) | | | |
| 30 | Delivery Facilities (162) | | | |
| 31 | Communication Systems (163) | | | |
| 32 | Office Furniture and Equipment (164) | | | |
| 33 | Vehicles and Other Work Equipment (165) | | | |
| 34 | Other Property (166) | | | |
| 35 | Asset Retirement Costs for Trunk Lines (167) | | | |
| 36 | TOTAL (Lines 19 thru 35) | | | |
| GENERAL | | | | |
| 37 | Land (171) | | | |
| 38 | Buildings (176) | | | |
| 39 | Machine Tools and Machinery (179) | | | |
| 40 | Communication Systems (183) | | | |
| 41 | Office Furniture and Equipment (184) | | | |
| 42 | Vehicles and Other Work Equipment (185) | | | |
| 43 | Other Property (186) | | | |
| 44 | Asset Retirement Costs for General Property (186.1) | | | |
| 45 | Construction Work in Progress (187) | | | |
| 46 | TOTAL (Lines 37 thru 45) | | | |
| 47 | GRAND TOTAL (Lines 18, 36 and 46) | | | |

Appendix C Revised Schedules for FERC Forms 1, 1-F, 2, 2-A, and 6

-152-

| Name of Respondent | | This Report Is: (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) | Year of Report Dec. 31, 20__ | |
|---|---------------------------|--|---|---|-------------|
| CARRIER PROPERTY (Continued) | | | | | |
| PROPERTY CHANGES DURING | | | | | |
| Property Sold, Abandoned, or Otherwise Retired During the Year (e) | Net (c + d - e) (f) | Other Adjustments, Transfers and Clearances (In dollars) (g) | Increase or Decrease During the Year (f ± g) (In dollars) (h) | Balance at End of Year (b ± h) (In dollars) (i) | Line No. |
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Appendix C Revised Schedules for FERC Forms 1, 1-F, 2, 2-A, and 6

-153-

| Name of Respondent | | This Report is: (1) - An Original (2) - A Resubmission | Date of Report (Mo, Da, Yr) | Year of Report Dec. 31, 20__ |
|--|---|--|---|---|
| UNDIVIDED JOINT INTEREST PROPERTY | | | | |
| Name of Undivided Joint Interest Pipeline: | | | | |
| Line No. | Account (a) | Balance at Beginning of Year (in dollars) (b) | PROPERTY CHANGES DURING THE YEAR (in dollars) | |
| | | | Expenditures for New Construction, Additions, and Improvements (c) | Expenditures for Existing Property Purchased or Otherwise Acquired (d) |
| GATHERING LINES | | | | |
| 1 | Land (101) | | | |
| 2 | Right of Way (102) | | | |
| 3 | Line Pipe (103) | | | |
| 4 | Line Pipe Fittings (104) | | | |
| 5 | Pipeline Construction (105) | | | |
| 6 | Buildings (106) | | | |
| 7 | Boilers (107) | | | |
| 8 | Pumping Equipment (108) | | | |
| 9 | Machine Tools and Machinery (109) | | | |
| 10 | Other Station Equipment (110) | | | |
| 11 | Oil Tanks (111) | | | |
| 12 | Delivery Facilities (112) | | | |
| 13 | Communication Systems (113) | | | |
| 14 | Office Furniture and Equipment (114) | | | |
| 15 | Vehicles and Other Work Equipment (115) | | | |
| 16 | Other Property (116) | | | |
| 17 | Asset Retirement Costs for Gathering Lines (117) | | | |
| 18 | TOTAL (Lines 1 thru 17) | | | |
| TRUNK LINES | | | | |
| 19 | Land (151) | | | |
| 20 | Right of Way (152) | | | |
| 21 | Line Pipe (153) | | | |
| 22 | Line Pipe Fittings (154) | | | |
| 23 | Pipeline Construction (155) | | | |
| 24 | Buildings (156) | | | |
| 25 | Boilers (157) | | | |
| 26 | Pumping Equipment (158) | | | |
| 27 | Machine Tools and Machinery (159) | | | |
| 28 | Other Station Equipment (160) | | | |
| 29 | Oil Tanks (161) | | | |
| 30 | Delivery Facilities (162) | | | |
| 31 | Communication Systems (163) | | | |
| 32 | Office Furniture and Equipment (164) | | | |
| 33 | Vehicles and Other Work Equipment (165) | | | |
| 34 | Other Property (166) | | | |
| 35 | Asset Retirement Costs for Trunk Lines (167) | | | |
| 36 | TOTALS (Lines 19 thru 35) | | | |
| GENERAL | | | | |
| 37 | Land (171) | | | |
| 38 | Buildings (176) | | | |
| 39 | Machine Tools and Machinery (178) | | | |
| 40 | Communication Systems (183) | | | |
| 41 | Office Furniture and Equipment (184) | | | |
| 42 | Vehicles and Other Work Equipment (185) | | | |
| 43 | Other Property (186) | | | |
| 44 | Asset Retirement Costs for General Property (186.1) | | | |
| 45 | Construction Work in Progress (187) | | | |
| 46 | TOTAL (Lines 37 thru 45) | | | |
| 47 | GRAND TOTAL (Lines 18, 36, and 46) | | | |

Appendix C Revised Schedules for FERC Forms 1, 1-F, 2, 2-A, and 6

-154-

| Name of Respondent | | This Report Is: (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo, Da, Yr) | Year of Report Dec. 31, 20__ | |
|--|-----------------|--|---|---|----------|
| UNDIVIDED JOINT INTEREST PROPERTY (Continued) | | | | | |
| PROPERTY CHANGES DURING THE YEAR (In dollars) | | Other Adjustments, Transfers, and Clearances (In dollars) (g) | Increase or Decrease During the Year (I ± g) (In dollars) (h) | Balance at End of Year (b ± h) (In dollars) (i) | Line No. |
| Property Sold, Abandoned, or Otherwise Retired During the Year (e) | Net (c+d-e) (f) | | | | |
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Appendix C Revised Schedules for FERC Forms 1, 1-F, 2, 2-A, and 6

-155-

| Name of Respondent | | This Report Is: (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | | Date of Report (Mo, Da, Yr) | Year of Report Dec. 31, 20__ | | |
|---|---|--|--|--|---|--|---|
| ACCRUED DEPRECIATION - CARRIER PROPERTY (EXCLUSIVE OF DEPRECIATION ON UNDIVIDED JOINT INTEREST PROPERTY REPORTED IN SCHEDULE 217) | | | | | | | |
| Give particulars (details) of the credits and debits to Account No. 31, <i>Accrued Depreciation - Carrier Property</i> , during the year. | | | | | | | |
| Line No. | Account (a) | Balance at Beginning of Year (In dollars) (b) | Debits to Accounts No. 540 and 541 of USoIA (In dollars) (c) | Net Debit From Retirement of Carrier Property (In dollars) (d) | Other Debits and Credits-Net (In dollars) (e) | Balance at End of Year (b + c + d + e) (In dollars) (f) | Annual Composite/Component Rates (In percent) (g) |
| GATHERING LINES | | | | | | | |
| 1 | Right of Way (102) | | | | | | |
| 2 | Line Pipe (103) | | | | | | |
| 3 | Line Pipe Fittings (104) | | | | | | |
| 4 | Pipeline Construction (105) | | | | | | |
| 5 | Buildings (106) | | | | | | |
| 6 | Boilers (107) | | | | | | |
| 7 | Pumping Equipment (108) | | | | | | |
| 8 | Machine Tools and Machinery (109) | | | | | | |
| 9 | Other Station Equipment (110) | | | | | | |
| 10 | Oil Tanks (111) | | | | | | |
| 11 | Delivery Facilities (112) | | | | | | |
| 12 | Communication Systems (113) | | | | | | |
| 13 | Office Furniture and Equip (114) | | | | | | |
| 14 | Vehicles and Other Work Equip (115) | | | | | | |
| 15 | Other Property (116) | | | | | | |
| 16 | Asset Retirement Costs for Gathering Lines (117) | | | | | | |
| 17 | TOTAL (Lines 1 thru 16) | | | | | | |
| TRUNK LINES | | | | | | | |
| 18 | Right of Way (152) | | | | | | |
| 19 | Line Pipe (153) | | | | | | |
| 20 | Line Pipe Fittings (154) | | | | | | |
| 21 | Pipeline Construction (155) | | | | | | |
| 22 | Buildings (156) | | | | | | |
| 23 | Boilers (157) | | | | | | |
| 24 | Pumping Equipment (158) | | | | | | |
| 25 | Machine Tools and Machinery (159) | | | | | | |
| 26 | Other Station Equipment (160) | | | | | | |
| 27 | Oil Tanks (161) | | | | | | |
| 28 | Delivery Facilities (162) | | | | | | |
| 29 | Communication Systems (163) | | | | | | |
| 30 | Office Furniture and Equip (164) | | | | | | |
| 31 | Vehicles and Other Work Equip (165) | | | | | | |
| 32 | Other Property (166) | | | | | | |
| 33 | Asset Retirement Costs for Trunk Lines (167) | | | | | | |
| 34 | TOTAL (Lines 18 thru 33) | | | | | | |
| GENERAL | | | | | | | |
| 35 | Buildings (176) | | | | | | |
| 36 | Machine Tools and Machinery (179) | | | | | | |
| 37 | Communication Systems (183) | | | | | | |
| 38 | Office Furniture and Equip (184) | | | | | | |
| 39 | Vehicles and Other Work Equip (185) | | | | | | |
| 40 | Other Property (186) | | | | | | |
| 41 | Asset Retirement Costs for General Property (186.1) | | | | | | |
| 42 | TOTAL (Lines 35 thru 41) | | | | | | |
| 43 | GRAND TOTAL (Lines 17, 34, 42) | | | | | | |

Appendix C Revised Schedules for FERC Forms 1, 1-F, 2, 2-A, and 6

-156-

| Name of Respondent | | This Report Is: (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | | Date of Report (Mo, Da, Yr) | Year of Report Dec. 31, 20__ | | |
|---|---|--|--|--|---|--|---|
| ACCRUED DEPRECIATION - UNDIVIDED JOINT INTEREST PROPERTY | | | | | | | |
| Give particulars (details) of the credits and debits to Account No. 31, <i>Accrued Depreciation - Carrier Property</i> , during the year. | | | | | | | |
| Name of Undivided Joint Interest Pipeline: | | | | | | | |
| Line No. | Account (a) | Balance at Beginning of Year (in dollars) (b) | Debits to Accounts No. 540 and 541 of USofA (in dollars) (c) | Net Debit From Retirement of Carrier Property (in dollars) (d) | Other Debits and Credits-Net (in dollars) (e) | Balance at End of Year (b + c + d + e) (in dollars) (f) | Annual Component/Rates (in percent) (g) |
| GATHERING LINES | | | | | | | |
| 1 | Right of Way (102) | | | | | | |
| 2 | Line Pipe (103) | | | | | | |
| 3 | Line Pipe Fittings (104) | | | | | | |
| 4 | Pipeline Construction (105) | | | | | | |
| 5 | Buildings (106) | | | | | | |
| 6 | Boilers (107) | | | | | | |
| 7 | Pumping Equipment (108) | | | | | | |
| 8 | Machine Tools and Machinery (109) | | | | | | |
| 9 | Other Station Equipment (110) | | | | | | |
| 10 | Oil Tanks (111) | | | | | | |
| 11 | Delivery Facilities (112) | | | | | | |
| 12 | Communication Systems (113) | | | | | | |
| 13 | Office Furniture and Equip. (114) | | | | | | |
| 14 | Vehicles and Other Work Equip. (115) | | | | | | |
| 15 | Other Property (116) | | | | | | |
| 16 | Asset Retirement Costs for Gathering Lines (117) | | | | | | |
| 17 | TOTAL (Lines 1 thru 16) | | | | | | |
| TRUNK LINES | | | | | | | |
| 18 | Right of Way (152) | | | | | | |
| 19 | Line Pipe (153) | | | | | | |
| 20 | Line Pipe Fittings (154) | | | | | | |
| 21 | Pipeline Construction (155) | | | | | | |
| 22 | Buildings (156) | | | | | | |
| 23 | Boilers (157) | | | | | | |
| 24 | Pumping Equipment (158) | | | | | | |
| 25 | Machine Tools and Machinery (159) | | | | | | |
| 26 | Other Station Equipment (160) | | | | | | |
| 27 | Oil Tanks (161) | | | | | | |
| 28 | Delivery Facilities (162) | | | | | | |
| 29 | Communication Systems (163) | | | | | | |
| 30 | Office Furniture and Equip. (164) | | | | | | |
| 31 | Vehicles and Other Work Equip. (165) | | | | | | |
| 32 | Other Property (166) | | | | | | |
| 33 | Asset Retirement Costs for Trunk Lines (167) | | | | | | |
| 34 | TOTAL (Lines 18 thru 33) | | | | | | |
| GENERAL | | | | | | | |
| 35 | Buildings (176) | | | | | | |
| 36 | Machine Tools and Machinery (179) | | | | | | |
| 37 | Communication Systems (183) | | | | | | |
| 38 | Office Furniture and Equip. (184) | | | | | | |
| 39 | Vehicles and Other Work Equip. (185) | | | | | | |
| 40 | Other Property (186) | | | | | | |
| 41 | Asset Retirement Costs for General Property (186.1) | | | | | | |
| 42 | TOTAL (Lines 35 thru 41) | | | | | | |
| 43 | GRAND TOTAL (Lines 17, 34, 42) | | | | | | |

Appendix C Revised Schedules for FERC Forms 1, 1-F, 2, 2-A, and 6

-157-

| Name of Respondent | | This Report Is: (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | | Date of Report (Mo, Da, Yr) | Year of Report Dec. 31, 20__ |
|---|--------------|--|---|--|---|
| AMORTIZATION BASE AND RESERVE | | | | | |
| 1.) Enter in columns (b) thru (e) the cost of pipeline property used as the base in computing amortization charges included in Account 540, <i>Depreciation and Amortization</i> , and Account 541, <i>Depreciation Expense for Asset Retirement Costs</i> of the accounting company. | | the year in Account No. 32, <i>Accrued Amortization - Carrier Property</i> . | | | |
| 2.) Enter in columns (f) thru (i) the balances at the beginning and end of the year and the total credits and debits during | | 3.) The information requested for columns (b) thru (i) may be shown by projects or for totals only. | | | |
| | | 4.) If reporting by project, briefly describe in a foot- | | | |
| BASE (540 and 541) | | | | | |
| Line No. | Items (a) | Balance at Beginning of Year (in dollars) (b) | Debits During Year (in dollars) (c) | Credits During Year (in dollars) (d) | Balance at End of Year (in dollars) (e) |
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| 47 | TOTAL | | | | |

Appendix C Revised Schedules for FERC Forms 1, 1-F, 2, 2-A, and 6

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| Name of Respondent | | This Report is: (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | Date of Report (Mo., Da., Yr) | Year of Report Dec. 31, 20__ |
|--|--|---|---|---------------------------------|
| AMORTIZATION BASE AND RESERVE (Continued) | | | | |
| note each project amounting to \$100,000 or more. Reference the kind of property reported; do not include location. Items less than \$100,000 may be combined in a single entry titled Minor Items, each less than \$100,000. 5.) If the amounts in column (g) do not correspond to the | | amounts actually charged to Account No. 540 and/or 541, explain such differences in a footnote. 6.) Explain in a footnote adjustments included in column (h) that affect operating expenses. | | |
| RESERVE (32) | | | | |
| Balance at Beginning of Year (In dollars) (f) | Credits During Year (In dollars) (g) | Debits During Year (In dollars) (h) | Balance at End of Year (In dollars) (i) | Line No. |
| | | | | 1 |
| | | | | 2 |
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Appendix C Revised Schedules for FERC Forms 1, 1-F, 2, 2-A, and 6

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| | | | | | |
|--|---|--|--------------|--------------------------------|---------------------------------|
| Name of Respondent | | This Report is: (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | | Date of Report (Mo, Da, Yr) | Year of Report Dec. 31, 20__ |
| OPERATING EXPENSE ACCOUNTS (Account 610) | | | | | |
| Report the respondent's pipeline operating expenses for the year, classifying them in accordance with the USofA. | | | | | |
| Line No. | Operating Expense Accounts (a) | CRUDE OIL (In dollars) | | | |
| | | Gathering (b) | Trunk (c) | Delivery (d) | Total (b + c + d) (e) |
| | OPERATIONS and MAINTENANCE | | | | |
| 1 | Salaries and Wages (300) | | | | |
| 2 | Materials and Supplies (310) | | | | |
| 3 | Outside Services (320) | | | | |
| 4 | Operating Fuel and Power (330) | | | | |
| 5 | Oil Losses and Shortages (340) | | | | |
| 6 | Rentals (350) | | | | |
| 7 | Other Expenses (390) | | | | |
| 8 | TOTAL Operations and Maintenance Expenses | | | | |
| | GENERAL | | | | |
| 9 | Salaries and Wages (500) | | | | |
| 10 | Materials and Supplies (510) | | | | |
| 11 | Outside Services (520) | | | | |
| 12 | Rentals (530) | | | | |
| 13 | Depreciation and Amortization (540) | | | | |
| 14 | Depreciation Expense for Asset Retirement Costs (541) | | | | |
| 15 | Employee Benefits (550) | | | | |
| 16 | Insurance (560) | | | | |
| 17 | Casualty and Other Losses (570) | | | | |
| 18 | Pipeline Taxes (580) | | | | |
| 19 | Other Expenses (590) | | | | |
| 20 | Accretion Expense (591) | | | | |
| 21 | Gains or losses on Asset Retirement Obligations (592) | | | | |
| 22 | TOTAL General Expenses | | | | |
| 23 | GRAND TOTALS. | | | | |

Appendix C Revised Schedules for FERC Forms 1, 1-F, 2, 2-A, and 6 -160-

| | | | | | |
|---|-----------------------|--|-----------------------|--------------------------------|---------------------------------|
| Name of Respondent | | This Report Is: (1) <input type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission | | Date of Report (Mo, Da, Yr) | Year of Report Dec. 31, 20__ |
| OPERATING EXPENSE ACCOUNTS (Continued) | | | | | |
| Line No. | Products (in dollars) | | | | Grand Total (e+h) (i) |
| | Trunk (f) | Delivery (g) | Total (f+g) (h) | | |
| 1 | | | | | |
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Appendix I

FERC Order 552

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be shown above or below the line based upon whether customers or stockholders bear the expense or receive the benefits of the transaction. Instead, the nature of the transaction determines whether it is shown as utility operating income (above-the-line) or as other income and deductions (below-the-line). With enactment of the CAAA, allowance transactions are expected to become an integral part of utility operations, especially if the market for allowance trading develops as intended. The above-the-line classification required herein does not dictate how gains and losses on dispositions of allowances should be apportioned between ratepayer and stockholders, but merely reflects the fact that allowance transactions are a part of utility operations.

G. Regulatory Assets and Liabilities

The Commission proposed in the NOPR to provide accounting for regulatory assets and liabilities, i.e., assets and liabilities created through the ratemaking actions of regulatory agencies and not specifically provided for in other accounts. The NOPR proposed to create four new accounts for regulatory assets and liabilities: Account 182.3, Other Regulatory Assets; Account 244, Other Regulatory Liabilities; Account 407.3, Regulatory Debits; and Account 407.4, Regulatory Credits. The first two are balance sheet accounts; the latter two are income accounts.

As proposed, Account 182.3 would include costs incurred and charged to expense which have been, or are soon expected to be,

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authorized for recovery through rates and which are not specifically provided for in other accounts. Regulatory assets would be recorded by charges to Account 182.3 and credits to Account 407.4. Amounts in Account 182.3 would be amortized to Account 407.3 over the appropriate rate recognition period.

Account 244 would include liabilities imposed by the ratemaking actions of regulatory agencies and not specifically provided for in other accounts. Included in Account 244 would be revenues or gains realized and credited to income that the company is required, or is expected to be required, to use to reduce future rates. Regulatory liabilities would be established by credits to Account 244 and debits to Account 407.3. Amounts included in Account 244 would be amortized to Account 407.4 over the appropriate rate recognition period.

Support for the NOPR. National Fuel Gas, the Florida Commission and the Ohio Staff support the proposed rule. The Ohio Staff states that the proposed treatment will provide uniformity in the way utilities report the economic effects of regulatory actions and will facilitate review of regulatory assets and liabilities.

Support for the Status Quo. Virginia Power and PSI Energy oppose any change in current accounting practices for regulatory assets and liabilities. Virginia Power argues that the accounting practices used over the years have worked well and should be considered GAAP for regulated entities. PSI Energy argues that the USofA already provides sufficient guidance and

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accounts for regulatory assets and liabilities and that financial reporting rules ensure the itemization in financial statements of significant regulatory assets or liabilities.

Procedural Objections. A large number of commenters urge deletion of this issue from this proceeding and initiation of a separate rulemaking on regulatory assets and liabilities. 81/ Many of these commenters assert that the issue of regulatory assets and liabilities is too important and complex to be included in a rulemaking on accounting for allowances.

Pennsylvania Power & Light and Wisconsin Electric argue that this proceeding should address only those regulatory assets and liabilities related to allowances and that other regulatory assets and liabilities should be considered in a separate rulemaking.

AICPA, Arthur Andersen and Deloitte & Touche argue that the following issues should be exempted from the final rule pending further study: whether FASB instructs regulated enterprises to account for certain effects on income taxes only on the balance sheet, not on the income statement; whether deferred returns from phase-in plans and other similar deferrals should be reported below-the-line; and whether some items are classified in a way unique to the regulatory process and are not accounted for as proposed in the NOPR.

81/ AICPA, Arthur Andersen, Coopers & Lybrand, Deloitte & Touche, EEI, Central & South West, Commonwealth Edison, Con Edison, Detroit Edison, Duke Power, Gulf States, Kansas City Power & Light, Kentucky Utilities, PJM, Potomac Electric, PSE&G and Wisconsin Public Service.

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General Substantive Objections. AEP argues that, according to FASB, regulatory assets and related deferred income taxes should be reflected only on the balance sheet. PSI Energy argues that the income statement presentation of phase-in plans should be specifically excluded from the final rule.

AEP also argues that, if a utility is deferring significant costs, e.g., through a phase-in plan, and is accruing a return on the unrecovered balances, the NOPR may wrongly move the credit for the deferred return from below-the-line to above-the-line. AEP argues that this result would distort both operating and non-operating income and is contrary to the regulatory intent to provide the credit as compensation to investors, not as a reduction of the cost of service.

Centerior argues that a new account is needed for the deferral of return through a carrying charge because crediting such amounts to Account 407.4, an above-the-line account, would be inconsistent with past Commission practice. Centerior argues that the Commission has consistently required the carrying charge to be credited to Account 421, Miscellaneous Nonoperating Income, a below-the-line account.

EI argues that the Commission should allow certain regulatory assets and liabilities, such as the gross-up of portions of previously-recorded AFUDC, to be classified with the plant accounts. EI also argues that certain costs should be presented separately from other regulatory assets and liabilities. EI states, for example, that the net phase-in

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costs capitalized in each period or the net amount of previously allowable phase-in costs recovered during each period should be reported as a separate item of other income or expense in the income statement.

Applicability of Accounts 407.3 and 407.4. EEI argues that utilities should be allowed to use accounts other than 407.3 and 407.4 if state regulators have previously allowed such use. EEI argues that if state regulators have allowed the use of other accounts, the requirement to use Accounts 407.3 and 407.4 should apply only prospectively. Allegheny Power and Kansas City Power & Light assert that use of the new accounts should not be required if the commission with primary ratemaking jurisdiction requires the use of other accounts.

Southern Company argues that the new accounts should apply only to new regulatory assets and liabilities. Southern Company asserts that the new accounts could lead to cost recovery problems under existing contracts and joint ownership agreements under which costs previously deferred are now being amortized to an account reflected in formulary billings. Southern Company argues that a change in account classification would jeopardize cost recovery and could require costly renegotiation of contracts and agreements.

AEP argues that, if Accounts 407.3 and 407.4 are adopted, these accounts should not apply to deferred income taxes. AEP argues that the needed information is not always available for individual book/tax timing differences, especially those

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involving plant-in-service. AEP argues that identifying the proper accounts in which deferred taxes should be recorded can be difficult or impossible.

Several commenters argue that regulatory assets and liabilities should be recorded in income statement accounts reflecting the nature of the underlying transactions, regardless of when the transactions are recognized. 82/ The American Gas Association, for example, asserts that financial statement readers are more interested in the nature of a company's transactions than in the differences between GAAP for non-regulated and regulated businesses. The Association asserts that, when necessary, utilities and regulators can determine the effect of regulation for ratemaking purposes and that these differences should not be the focus of the statements.

Effect on Coverage Ratios. EEI, AEP, Gulf States and Virginia Power assert that using new Accounts 407.3 and 407.4 will distort the computation of coverage ratios under SEC rules. They assert that, under the standard coverage formula, the adjustments to income taxes would be added back to determine earnings for coverage purposes, but the related adjustments to the regulatory asset and liability income statement accounts would not be added back.

Defining Regulatory Assets and Liabilities. A number of commenters argue that regulatory assets and liabilities should be

82/ American Gas Association, Baltimore Gas & Electric, Columbia Gas, Con Edison, Virginia Power and Wisconsin Public Service.

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defined more consistently with FASB Statement No. 71. 83/
They argue, for example, that the USofA should allow recognition of regulatory assets and liabilities only when rate recovery is probable, i.e., likely to occur, not just reasonably expected. Otherwise, they argue, utilities might have to report the same transactions under two sets of accounting principles.

NARUC notes that Account 182.3 includes regulatory assets related to the amortization or normalization of certain costs, and suggests that the account be clarified to include only those regulatory assets "related to the amortization of specific and significant non-recurring or infrequent operating or maintenance expense items" In support, NARUC states that the word "normalization" is ambiguous. The North Carolina Staff similarly argues that, in any ratemaking decision, regulators may adopt several adjustments to set rates at an average, or "normal" level, but not to provide for recovery of a specific cost in a period other than the one in which it would be recognized for accounting purposes. The North Carolina Staff argues that, contrary to the implication in the NOPR, it would be inappropriate to record a regulatory asset or liability for such adjustments.

Inconsistent Classification. Many commenters note that proposed Account 182.3, Other Regulatory Assets, is classified as

83/ AEP, AICPA, Arthur Andersen, EEI, Centerior, Commonwealth Edison, Consumers Power, the Georgia Commission, NARUC, the North Carolina Staff, Price Waterhouse, PSI Energy and Virginia Power.

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a deferred asset while proposed Account 244, Other Regulatory Liabilities, is classified as a current liability. A number of commenters argue that regulatory assets and liabilities should both be classified in deferred accounts. 84/ Others propose the establishment of both current and deferred accounts for both regulatory assets and liabilities. 85/ Still others find either of these two approaches acceptable. 86/ The American Gas Association and Con Edison argue that the classification of a regulatory asset or liability as current or deferred should be determined by GAAP.

Commission Response. The Commission now believes that, although separate accounts for regulatory assets and liabilities should still be established in this rulemaking, the two-step process described in the NOPR is not generally necessary and in some instances may contribute to inappropriate results. Based upon the comments received, the Commission will make certain changes in the accounting required for regulatory assets and liabilities.

For consistency in the balance sheet presentation of regulatory assets and liabilities, the Commission will renumber

84/ AEP, Baltimore Gas & Electric, Centerior, Delmarva Power, PacifiCorp, PJM, Ohio Edison, Penn Power and Wisconsin Electric.

85/ Allegheny Power, Central & South West, PG&E, Virginia Power, Price Waterhouse and Potomac Electric.

86/ EEI, Cincinnati Gas & Electric, Commonwealth Edison, Gulf States, IES Industries, NYSE&G, PSI Energy and Wisconsin Public Service.

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proposed Account 244, Other Regulatory Liabilities, to Account 254. Account 254 will be in the deferred credits section of the balance sheet, thus paralleling the placement of Account 182.3, Other Regulatory Assets, in the deferred debits section of the balance sheet.

The Commission will require that deferred returns and/or carrying charges accrued on regulatory assets and liabilities be credited to Account 421, Miscellaneous Nonoperating Income, or charged to Account 431, Other Interest Expense, as appropriate. Both of these accounts are below-the-line. This change, recommended by several commenters, is needed to conform the required accounting treatment to the accounting used in recording deferred returns and/or carrying charges in other circumstances.

The Commission will also redefine regulatory assets and liabilities to use terms more similar to those used in FASB Statement No. 71, in order to avoid unnecessary differences between financial statements issued for regulatory purposes and general purpose financial statements. The term "probable," as used in the definition adopted herein for regulatory assets and liabilities, refers to that which can reasonably be expected or believed on the basis of available evidence or logic but is neither certain nor proved. 87/

87/ Webster's New World Dictionary of the American Language, 2d college ed. [New York: Simon and Schuster, 1982] at 1132. This is the meaning referred to in FASB Concepts Statement No. 6, Elements of Financial Statements, 25 n.18 and 35 n.21, (1985) (superseding FASB Concepts Statement No. 3), in Accounting Statements - Original Pronouncements (1991).

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Finally, to reduce other possible conflicts with current practices, the Commission will modify the proposed text of the accounts for regulatory assets and liabilities. Under the originally-proposed accounting for regulatory assets and liabilities, all entries to Accounts 182.3 and 244 (now 254) would have been through charges or credits to Accounts 407.3 and 407.4. Also, the proposed accounting would have required current expense (revenue) recognition consistent with the USofA requirements as determined without regard to the creation of regulatory assets and liabilities; whereas, the current practice is generally not to recognize the expense (revenue) but to capitalize the cost (or recognize a liability). The proposed accounting would therefore have affected income statement accounts even though net income was not affected (i.e., a liability would be recorded along with an equal regulatory asset or an asset would be recorded along with an equal regulatory liability). Although net income would not have been affected, the NOPR's proposed accounting could have distorted various financial ratios, such as pre-tax interest coverage calculations. Thus, the Commission will adopt Accounts 407.3 and 407.4, as modified, to provide for separate income and expense recognition only in appropriate situations, such as for the net amount capitalized for phase-in plans in each period and the net amount of previously capitalized allowable costs recovered during each period.

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Definitions

* * * * *

31. Regulatory Assets and Liabilities are assets and liabilities that result from rate actions of regulatory agencies. Regulatory assets and liabilities arise from specific revenues, expenses, gains, or losses that would have been included in net income determinations in one period under the general requirements of the Uniform System of Accounts but for it being probable: 1) that such items will be included in a different period(s) for purposes of developing the rates the utility is authorized to charge for its utility services; or 2) in the case of regulatory liabilities, that refunds to customers, not provided for in other accounts, will be required.

9. In Part 201, Balance Sheet Accounts, Accounts 182.3 and 254 are added to read as follows:

Balance Sheet Accounts

* * * * *

182.3 Other regulatory assets.

A. This account shall include the amounts of regulatory-created assets, not includible in other accounts, resulting from the ratemaking actions of regulatory agencies. (See Definition No. 31.)

B. The amounts included in this account are to be established by those charges which would have been included in net income determinations in the current period under the general requirements of the Uniform System of Accounts but for it being

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probable that such items will be included in a different period(s) for purposes of developing the rates that the utility is authorized to charge for its utility services. Where specific identification of the particular source of the regulatory asset cannot be made, such as in plant phase-ins, rate moderation plans, or rate levelization plans, Account 407.4, Regulatory Credits, shall be credited. The amounts recorded in this account are generally to be charged, concurrently with the recovery of the amounts in rates, to the same account that would have been charged if included in income when incurred, except all regulatory assets established through the use of Account 407.4 shall be charged to Account 407.3, Regulatory Debits, concurrent with the recovery of the amounts in rates.

C. If rate recovery of all or part of an amount included in this account is disallowed, the disallowed amount shall be charged to Account 426.5, Other Deductions, or Account 435, Extraordinary Deductions, in the year of the disallowance.

D. The records supporting the entries to this account shall be kept so that the utility can furnish full information as to the nature and amount of each regulatory asset included in this account, including justification for inclusion of such amounts in this account.

* * * * *

254 Other regulatory liabilities.

A. This account shall include the amounts of regulatory liabilities, not includible in other accounts, imposed on the

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utility by the ratemaking actions of regulatory agencies. (See Definition No. 30.)

B. The amounts included in this account are to be established by those credits which would have been included in net income determinations in the current period under the general requirements of the Uniform System of Accounts but for it being probable that: 1) such items will be included in a different period(s) for purposes of developing the rates that the utility is authorized to charge for its utility services; or 2) refunds to customers, not provided for in other accounts, will be required. When specific identification of the particular source of the regulatory liability cannot be made or when the liability arises from revenues collected pursuant to tariffs on file at a regulatory agency, Account 407.3, Regulatory Debits, shall be debited. The amounts recorded in this account generally are to be credited to the same account that would have been credited if included in income when earned except: 1) all regulatory liabilities established through the use of Account 407.3 shall be credited to Account 407.4, Regulatory Credits; and 2) in the case of refunds, a cash account or other appropriate account should be credited when the obligation is satisfied.

C. If it is later determined that the amounts recorded in this account will not be returned to customers through rates or refunds, such amounts shall be credited to Account 421, Miscellaneous Nonoperating Income, or Account 434, Extraordinary Income, as appropriate, in the year such determination is made.

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D. The records supporting the entries to this account shall be so kept that the utility can furnish full information as to the nature and amount of each regulatory liability included in this account, including justification for inclusion of such amounts in this account.

10. In Part 201, Income Accounts, Accounts 407.3 and 407.4 are added to read as follows:

Income Accounts

* * * * *

407.3 Regulatory debits.

This account shall be debited, when appropriate, with the amounts credited to Account 254, Other Regulatory Liabilities, to record regulatory liabilities imposed on the utility by the ratemaking actions of regulatory agencies. This account shall also be debited, when appropriate, with the amounts credited to Account 182.3, Other Regulatory Assets, concurrent with the recovery of such amounts in rates.

407.4 Regulatory credits.

This account shall be credited, when appropriate, with the amounts debited to Account 182.3, Other Regulatory Assets, to establish regulatory assets. This account shall also be credited, when appropriate, with the amounts debited to Account 254, Other Regulatory Liabilities, concurrent with the return of such amounts to customers through rates.

NOTE: This appendix will not be published in the Code of Federal Regulations.

Appendix A

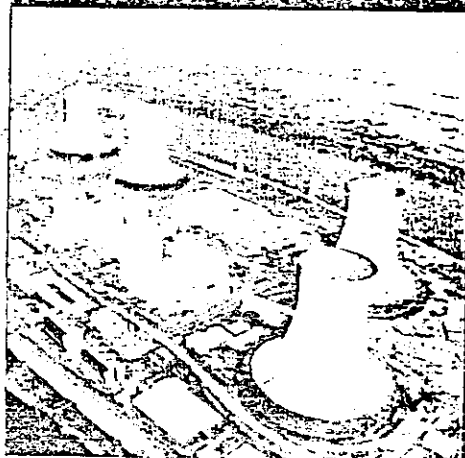
Appendix J
EEI White Paper

EET EDISON ELECTRIC
INSTITUTE

AGA
American Gas
Association

**Statement of
Financial Accounting
Standards No. 143,
Accounting for Asset
Retirement Obligations**

**Asset Retirement
Obligations
Implementation Issues**



October 2002

Acknowledgements

Dane A. Watson of TXU Business Services acted as the industry project manager representing the Edison Electric Institute (EEI) and was instrumental in coordinating the task force of individuals who created the enclosed industry position paper.

Both EEI and The American Gas Association (AGA) would like to offer our gratitude and thanks to the individuals listed below who devoted extensive time and industry expertise in developing our positions. The individuals on the task force are, in most cases, active members of the EEI Property Accounting & Valuation and AGA Accounting Services Committees:

| | |
|---------------------|------------------------------------|
| Doug Allen | The American Gas Association |
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| Richard Clarke | Southern California Edison Company |
| Steve Cushman | NICOR |
| Leonard Delozier | Baltimore Gas & Electric Company |
| Michael Donahue | Minnesota Power |
| Peter (Matt) Gordon | Duke Energy |
| James Henderson | American Electric Power Company |
| Cathy Muszynski | Xcel Energy |
| Lisa Perkett | Xcel Energy |
| Alina Rocha | PSEG Services Corporation |
| Paul Stetz | PSEG Energy Technologies |
| Julia Valliere | Edison Electric Institute |
| Dane Watson | TXU Business Services |

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Statement of Financial Accounting Standards No. 143 Accounting For Asset Retirement Obligations

Overview¹

In June 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 143, "Accounting for Asset Retirement Obligations" (ARO's). SFAS No. 143 changes the way companies recognize and measure legal retirement obligations that result from the acquisition, construction and normal operation of tangible long-lived assets. In general, companies will be required to recognize much sooner any legal liability associated with the future retirement of tangible long-lived assets.

SFAS No. 143 is effective for fiscal years beginning after June 15, 2002 (January 1, 2003 for calendar year companies). Asset retirement obligations must be recognized as a liability and measured at fair value. The cost associated with the recognition of the asset retirement obligation is capitalized as part of the related asset's book cost and is depreciated over the expected life of the asset.

The asset retirement obligation is initially recorded at fair value, so the increase in that liability causes accretion expense (similar to interest) to be recognized each period as an operating expense in the income statement.

SFAS No. 143 does not grandfather any current accounting for existing obligations. Companies will convert to the new standard and recognize the cumulative effect of initially applying the statement as a change in accounting principle. The amount to be reported as a cumulative effect adjustment in the statement of operations is the difference between the amounts, if any, recognized in the statement of financial position prior to the application of SFAS No. 143 and the net amount that is recognized in the financial statements by applying the new Standard. Any asset retirement obligations that are currently reported as part of accumulated depreciation will be reversed as part of the cumulative effect adjustment.

Scope

The scope of SFAS No. 143 is set forth in paragraph 2 of the Statement: "This Statement applies to **legal obligations** associated with the retirement of a tangible

¹ The methods, processes, and procedures contained in this paper are intended to illustrate and provide examples for one or more analytical models by which certain Asset Retirement Obligations (ARO's) could be evaluated. This material is intended neither to exclude the validity of other models, nor to be an exhaustive and comprehensive presentation of all valid models. The models described in this paper may not be applicable to particular situations and are not necessarily recommended for the reader's specific application. It is the conclusion of the authors that each entity assessing ARO's should consult with its auditor, accountants, and legal counsel.

long-lived asset" (emphasis added). The obligations included within the scope of the standard are those associated with the retirement of a long-lived asset that result from the acquisition, construction, or the normal operation of a long-lived tangible asset. An ARO liability should be recognized if it meets the definition of a liability in FASB Concepts Statement No. 6, "Elements of Financial Statements." In assessing whether an ARO meets this definition, an entity should determine if:

- a) It has a present duty or responsibility to one or more other entities that entails settlement by probable future transfer or use of assets,
- b) It has little or no discretion to avoid a future transfer of use of assets, and
- c) An obligating event has already happened.

What does this mean and how does a company determine if a long-lived asset is within this scope definition? Only assets that are defined as tangible and long-lived are included. There has been much discussion concerning what constitutes a tangible long-lived asset. While there is no clear definition given, examples of tangible long-lived assets include items such as generation plants, mines, gas mains and compressor stations, substations, transformers, buildings, capacitors, lines, poles, streetlights and fee property. Examples of assets that are not tangible long-lived assets include software, organization costs, and goodwill. A company must then determine if any legal obligations exist that are associated with the retirement of these long-lived assets. Retirement is defined as other-than-temporary removal of a long-lived asset from service. It includes sale, abandonment, recycling, or disposal in some other manner. However, it does not include the temporary idling of a long-lived asset.

Identifying ARO's and measuring the liability is the most critical part in the adoption of SFAS No. 143. It is recommended that utilities form working teams and include representatives from legal, accounting, financial, operations and other business units as deemed necessary. These teams will need to define very specifically what the scope of SFAS No. 143 is for their company and how the review of what is within the scope will take place. This entire process should be well documented.

Basically the determination of whether assets are within the scope of SFAS No. 143 is a review of legal obligations past and present that relate to the purchase, construction, development, or normal operation of the asset. Utilities have substantial tangible long-lived assets, many of which were constructed over several decades. As a result, a significant amount of work may be required to identify the legal obligations associated with utility assets. Also an obligation may result from only a portion of an asset (e.g., disposal of PCBs from a transformer) and only that portion must be recognized under the Standard. For purposes of SFAS No. 143, a legally enforceable obligation can result from:

- a) A government action, such as law, statute, or ordinance,
- b) An agreement between entities, such as a written or oral contract,
- c) Conduct, which would obligate the promisor to perform under the doctrine of promissory estoppel.

To identify ARO's, the legal department may perform a review of codes, statutes, regulations, ordinances and typical obligating documents including contracts, permits, certificates of need, etc. It is important to establish ground rules to prevent the review from becoming impossible in size. Start with a definition of tangible long-lived assets and a list of those assets that meet the definition. It is important to give this definition to the legal team and any area assisting on this project because the areas outside of accounting may not be cognizant of useful lives. For areas where there is a large magnitude of similar documents, use of a sampling technique may be employed. However, it should be noted that if the result of the sampling does not produce evidence of a legal obligation, one might want to include an ARO disclosure if there could be an obligation, albeit remote, in the contracts not sampled. An example of such a document is the easement associated with distribution property.

By assessing plant assets and reviewing documents including contracts, licenses, leases, etc., the team can develop potential ARO's. Although the chance of determining that a legal obligation has accrued under a doctrine of promissory estoppel is small, the team should consider potential areas where such liability might arise. The review of promissory estoppel is difficult, and varies state by state. The recommendation is to identify relationships or other documentation that employees know about or have in their possession. Companies may query their corporate communications archives, and staff, company counsel, and field personnel, where necessary, to identify conduct that may involve the doctrine of promissory estoppel. An inventory questionnaire may be used to assist with the field review. The discovery of a promise alone is not enough to create a retirement obligation through promissory estoppel. A determination must be made that a third party relied upon such a promise to its detriment and that a court is likely to order equitable relief.

Many utilities have included removal costs in depreciation rates or some other rate recovery mechanism. For ratemaking purposes, the collection of depreciation expense, including the salvage, and gross removal cost should remain intact. If customers have been paying for the cost of removal through rates, they may have a reasonable expectation that the utility will expend the costs to remove the asset at the end of its useful life. The inclusion of a cost of removal component in depreciation rates, in and of itself, does not constitute a legal obligation to remove or dispose of the asset under the doctrine of promissory estoppel. However, promises made by utilities in rate case proceedings or the specific orders issued by regulatory bodies in rate cases could be evaluated as a potential legal obligation. This determination is a legal question that should be evaluated with the assistance of legal counsel. Barring any legal obligations, the inclusion of removal costs in depreciation rates does not constitute an ARO.

Prior to adoption of SFAS No. 143, Generally Accepted Accounting Principles (GAAP) as applied by utilities included an accrual of many estimated removal costs over the life of the asset and to classify the accrued removal cost liability as a part of the provision for accumulated depreciation. If all or a portion of asset retirements are not included in the scope of SFAS No. 143, GAAP continues to allow the accrual of the removal cost liability over the life of the asset. GAAP generally does not address where regulatory assets or liabilities should be recorded. Accordingly, the removal cost liability related to

these types of assets that is recorded in accordance with rate recovery need not be reclassified as a regulatory liability. If an asset does fall under the scope of SFAS No. 143 and a company is subject to SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation," any removal cost related to that asset currently classified as a part of the provision for accumulated depreciation should be removed and replaced with an ARO liability in accordance with SFAS No. 143. Additionally, for SFAS 71 companies, any cumulative effect adjustments and/or any ongoing differences between the application of removal costs in a regulated environment and SFAS 143 should be recorded as a regulatory liability or asset.

To summarize, the scope of the final statement includes only liabilities for legal obligations that compel the owner to remove or dispose of the asset or of some component at retirement. If the "company has a legal obligation to perform decontamination activities when the plant ceases operations" (A12), then there is an ARO related to that plant. A conceptual framework for the ARO includes:

- a) A legal requirement to remove an asset or component part must exist first before any ARO is recognized for removal costs. However, if there is no legal obligation to remove a component, then no ARO is required. For example, if an exhaust stack is retired in place at a production facility and there are no legal requirements to remove the stack, there is no ARO. Conversely, if there is a state requirement to remove any structure over 25 feet upon cessation of service, then there likely is an ARO.
- b) A legal obligation may exist to dispose of a component part of an asset: "Any legal obligations that require disposal of the replaced part are within the scope of this Statement" (A9). For example, there may not be a legal requirement to remove a component part, but the component part may wear out or be removed for other reasons. In this case, the removal cost of the asset would not constitute an ARO. However, there may be legal requirements to dispose of the component part once it has been removed. The legal requirement to dispose of the component would constitute an ARO (A15).
- c) All ARO liabilities must meet the liability criteria in FAS Concepts Statement Number 6, "Elements of Financial Statements." Only present (current) obligations meet these criteria.

The Standard identifies examples of potential ARO's including landfill closure and nuclear decommissioning, however, there are probably more in existence. The following are examples of types of assets that may be within the scope of SFAS No. 143 and circumstances that may or may not create an ARO:

1. Nuclear Production

- a) *Final Nuclear Decommissioning* – a company has a legal obligation to perform decontamination activities when the plant ceases operations. Contamination results from the normal operation of the plant and a liability should be recorded. A company needs to review

contracts, licenses, operating agreements, leases, etc. to assess their extent of liability. In addition to obligations surrounding contamination, there may be legal requirements to return the plant to a "greenfields" state. These costs are usually identified in required decommissioning studies. If the legal obligation is determined to include only the contaminated portions of the plant, then adjustments to the entire decommissioning study will need to be made to reflect only those portions as an ARO.

- b) *Nuclear Fuel Storage Facilities* – a company needs to review associated documents, which surround this asset. It is generally assumed that the federal government will bear the responsibility for spent nuclear fuel when it is finally removed from the plant site. The removal of the storage facilities for spent nuclear fuel (i.e., Independent Spent Fuel Storage Installations) after the spent fuel has been removed will be the obligation of the company. This obligation would create an ARO and may be included already in final decommissioning. If no storage facilities currently exist but they will be required when the spent fuel pool reaches capacity, the removal obligation of such facilities would need to be considered when assessing an entity's obligation when the obligating event has occurred.
- c) *Interim Retirements* - an asset retirement obligation may exist for component parts of the larger system. The retirement of this component part may happen prior to retirement of the entire system and may constitute an obligation separate from the final retirement or decommissioning. An example is a steam generator that needs replacement prior to the end of the life of the unit. An obligation associated with the disposal of a second steam generator will occur at the time of replacement of the generator (resulting in the irradiation of a second generator). The cash flow of the removal obligation to dispose of the second steam generator may be linked with the final decommissioning of the plant (e.g. if the replaced steam generator is left on site and factored into the decommissioning study) or can be reflected in a new ARO. Since it will probably be included in future plant decommissioning estimates, recording as a change in the existing ARO cash flow will simplify future accounting. Not all interim retirements will create an ARO. The recommendation is that a company will need to assess interim retirements individually as to frequency and materiality to determine when an ARO should be recognized and also what costs should be captured as an ARO.

An example of this follows: Entity A has a highly contaminated nuclear asset with a cost of removal of approximately \$2 million. \$.8 million is for labor and supplies needed to remove the asset and \$1.2 million is for the "special" disposition costs for disposing of the contaminated asset. Because this is an interim retirement, the recommendation is that only the \$1.2 million of disposition costs be

accounted for in the ARO. For interim retirements such as these, it is generally assumed that there is no legal obligation to remove the asset, only a legal obligation to dispose of the asset. In contrast, when the plant is closed and the replaced asset is being removed, it is generally assumed that the entire \$2 million of costs be included in the ARO due to the legal obligations associated with closing the plant. In a similar example, suppose the labor and supplies to remove the asset are \$1.98 million and the disposition costs are only \$.02 million. In this example a company may choose not to record any ARO based on immateriality. Each company will need to address its own specific materiality thresholds.

2. Steam Production

- a) *General* – after reviewing legal documents, which include easements, licenses, leases, etc., a company may discover they have no legal obligations associated with asset retirement. Alternatively, a company may discover legal obligations associated with assets such as intake structures, ash ponds, underground storage tanks, coal piles, tanks used to accumulate hazardous waste, or coal mines. In some instances, there is no legal obligation to remove an asset or restore the land. In another instance, an existing law or a lease on the land may require decommissioning of the plant or components of the plant.
- b) *Environmental Obligations* – a company may have certain environmental obligations. If these environmental obligations result from environmental law, contract, or other agreement or license that require the remediation of an obligation at a specific point (e.g., a specific time after ceasing operations or at retirement), then they are legal obligations. An ARO results only from environmental remediation liabilities arising from the normal operation of the power plants. A company may have some liability associated with the retirement and removal of a segment of the power plant such as ash ponds or intake structures. Asbestos to be removed as part of an asset retirement is subject to the requirements of SFAS No. 143 and the cost of removal should be included in determining the obligation. If asbestos clean-up is performed prior to the asset retirement then it should be accounted for in accordance with the guidance of the American Institute of Certified Public Accountants (AICPA) Statement of Position (SOP) 96-1, "Environmental Remediation Liabilities."
- c) *Shared Assets* – some generating facilities are co-owned or have many joint owners. Co-owners should cooperate to the extent possible regarding consistent treatment of SFAS 143. For example, a situation may arise here one party defines an ARO and the other owners do not. In this situation, it would be helpful for the company to review the circumstances behind why the one of the companies chose to recognize an ARO. There could be instances where one company has made commitments and the other company will need

to have their legal staffs decide whether or not this promise could be construed as their obligation, as well. However, legitimate differences may occur between joint owners. Differences in the amount of the estimated ARO may occur, but different judgments about whether an ARO exists should be rare.

3. Hydro Production

- a) *Federal Government* – many hydro dams are operated under governmental water rights or flowage rights licenses issued by the Federal Energy Regulatory Commission (FERC). These licenses may not have explicit terms stating that a company is responsible for removal or closure costs related to the ultimate retirement of the dams. These dams have an extremely long useful life if operated and maintained properly and it is often presumed that the asset will be operated into perpetuity. Since removal of the dam property is not required under current operations, there is no ARO arising from the FERC licenses. But that may not always be the case. If the plant will be decommissioned, an application to FERC would be made and if a FERC order is issued, and the utility starts the surrender application process, then an ARO would be created. Also, if a dam is structurally impaired and legally, it must be removed, an ARO is created.
- b) *State Government* – although the dams and spillways are controlled by Federal licenses, there may be additional requirements placed on the facility by the state or local agencies. A review of such requirements may produce an ARO even though the review of the Federal license did not.

4. Electric Transmission And Distribution

- a) *Transmission and Distribution Lines* – a company may have transmission or distribution lines that operate under property easement agreements. Most utilities hold perpetual easements. Whether or not the easement is perpetual, a company, in general, operates the transmission and distribution lines as if the assets will be operated in perpetuity. If a perpetual easement were to be released, a company may have a legal obligation to remove the lines, or in some instances, a state may require removal if the entire line is retired. A legal obligation may exist if the contract for the easement requires removal of the lines at a given point. In both instances, legal counsel should be consulted to determine whether a legal obligation exists. The issue of whether these types of obligation can be measured is dealt with in the next section.
- b) *Interim Retirements* - there are interim retirements of transmission and distribution (T&D) plant that are components of the system occurring annually that may have retirement obligations associated with them. These may be due to environmental or other contractual agreements. Examples of these would be wood poles and electrical equipment containing PCB's, such as transformers and capacitors. However, where a utility intends to remove PCB's and return the unit to service, the PCB removal might constitute maintenance cost rather than an ARO since it is not related to the retirement

of an asset. The disposal of treated wood poles may be regulated under state law and may require special handling and disposal. These retirements need to be addressed for frequency and materiality to determine when the interim retirement would fall within the scope of SFAS No. 143.

5. Gas Transmission and Distribution

- a) *Gas Transmission and Distribution Mains and Services* – a company may have a gas transmission or distribution system that operates under property easement agreements. The company would usually hold perpetual easements. If an easement were to be released, the company may not have an obligation to remove the system but would allow a retirement in place. In this case, no ARO is required. Gas pipelines containing PCBs must meet certain requirements prior to abandonment or when removed for disposal. These requirements may trigger an ARO. In some instances, a state may require removal if the entire line is retired. In this case the line would have an ARO. Generally, a company operates the gas transmission and distribution system as if the assets will be operated in perpetuity. A legal obligation may be construed to exist due to the easement requiring removal of the lines or, if material, a requirement to cut and cap the line at retirement. The issue of whether these types of obligation can be measured is dealt with in the next section.
- b) *Interim Retirements* - there are interim retirements of components of gas transmission and distribution assets occurring annually. Some of these may have retirement obligations due to environmental or other contractual reasons. Generally, replacing sections of pipe or other interim replacement of gas assets will not create an ARO as long as the replacement will satisfy any material legal removal requirements (e.g., cutting and capping pipe). Environmental-related disposal requirements, if any, should be addressed based on materiality and timing.

6. Other Long-Lived Assets

- a) *Underground tanks* could be considered as a retirement obligation. In some instances, state requirements create an obligation when the tanks are initially installed. In other cases, there are no legal obligations surrounding the disposal of the tanks until the entity does something with the land the tanks are on. (i.e., sells the property). In this latter case, a legal obligation would exist, but the ARO may not be reasonably determinable. There still may be no obligation if the clean-up is performed under SOP 96-1.
- b) *Coal mines* could possibly be considered an ARO with regard to potential closure and/or site reclamation requirements. If the assumption is made that the mines are the assets and they are reclaimed in 12-18 months, there may not be an ARO as the mines would not be considered long-lived assets. If the mines were open for longer periods and there are legal reclamation requirements, then the reclamation at these mines may constitute an ARO.

7. Lease Obligations

- a) SFAS No. 143 applies to companies that incur retirement obligations including companies that lease assets to others. There may be costs associated with a lease that should be recorded as an asset retirement obligation.
- b) An obligation to remove leasehold improvements at the end of the lease may be an ARO under the Standard if the landlord can contractually require the lessee to remove the leasehold improvements at the end of the lease. The timing of the recognition of the ARO is when the obligating event occurs (*i.e.*, when the improvements are made that may later be required to be removed).
- c) Obligations of a lessee imposed by a lease agreement or by a party other than the lessor that meet the definition of either minimum lease payments or contingent rentals in paragraph 5 of FASB Statement No. 13, "Accounting for Leases" are not within the scope of SFAS No. 143.

8. Remediation Responsibilities

- a) SFAS No. 143 does not apply to obligations resulting from improper operation of an asset or a system. Environmental damage that requires immediate clean-up resulting from improper operations (*e.g.*, an oil spill) would probably be liable under SOP 96-1 and not subject to the Standard.
- b) If the clean-up is delayed and can be completed with the system retirement, it is determined as due to proper operations and is an obligation under SFAS No. 143.

Measurement

Once it is determined that an asset retirement obligation falls within the scope of SFAS No. 143 - the next step is measurement of the liability. The amount of the liability would initially be measured at fair value. An entity 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 fair value can be determined. 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 a reasonable estimate of fair value can be made. In subsequent periods, an entity would recognize any changes in the amount resulting from the passage of time and revisions to either the timing or amount of estimated cash flows.

The initial measurement of the liability will be at fair value (*i.e.* the amount that an entity would be required to pay in an active market to settle the asset retirement obligation). The guidelines require a fair value measurement even though some entities may perform the retirement activities using internal resources. If quoted market prices are not available, an estimate of fair value can be calculated using valuation techniques such as the expected present value method. SFAS No. 143 states "a present value technique is often the best available technique with which to estimate the fair value of a liability." If a present value technique is used to estimate fair value, estimates of future

cash flows used in that technique must be consistent with the objective of measuring fair value. FASB Concepts Statement No. 7, "Using Cash Flow Information and Present Value in Accounting Measurements," discusses two present value techniques: a traditional approach, in which a single set of estimated cash flows and a single interest rate (a rate commensurate with the risk) are used to estimate fair value and an expected cash flow approach, in which multiple cash flow scenarios that reflect the range of possible outcomes and a credit-adjusted risk-free rate are used to estimate fair value. The expected cash flow approach will usually be the only appropriate technique for an ARO. In estimating the probability of estimated cash flows, if the probability is evenly distributed around the estimate, no further probability assessment is required.

For periods subsequent to the initial measurement, entities are required to recognize changes in the liability resulting from the passage of time and from revisions in the timing or amount of estimated cash flows. Changes resulting from the passage of time will increase the carrying amount of the liability over time and will be recognized as an operating cost rather than as interest expense in the financial statements. Entities will use the effective interest method and the credit-adjusted risk-free rate for interest allocation to the liability. The objective of the method is to recognize a level effective interest rate that is equivalent to the entity's risk-free rate (rate of zero coupon US Treasury bonds) adjusted for the entity's credit standing. The credit-adjusted risk-free rate may be adjusted as a result of the amount of funding that has been provided to an external nuclear decommissioning trust based on its relationship to the related ARO.

Revisions in the timing or amount of estimated cash flows are to be recognized as changes in the carrying amount of the liability and the related capitalized asset and are to be measured using the current credit-adjusted risk-free rate for upward revisions, or using the credit-adjusted risk-free rate applied in the initial measurement for downward revisions. Such increments to retirement assets and liabilities will have to be tracked and accounted for separately. The tracking of layers would be similar to the multiple years cash flows demonstrated in Appendix A – "Multiple Year Cash Flows".

The statement requires a company to recognize the present value of its total estimated cash flows as a liability with a corresponding increase to the related long-lived asset. Use of cost-accumulation-based estimated engineering studies or removal cost studies might be discounted at the company's credit-adjusted risk-free interest rate to record the initial value of the liability, plus cumulative unrecognized interest accretion if the liability occurred in the past. The cumulative effect adjustment for unrecognized depreciation and accretion expense may be recoverable/refundable in rates and, therefore, a company may recognize an additional regulatory asset/liability rather than a cumulative adjustment to the income statement.

In developing expected retirement cash flows, most entities will use the expected present value method due to the non-existence of an active market for settling ARO's. Removal costs should be based on gross removal costs instead of net. The estimated salvage value is included in determining the depreciation base of the asset. Therefore, the estimated salvage should be excluded from the cash flows used to estimate the ARO. When an entity uses the expected present value method, the entity would need to

incorporate assumptions into its cash flows that would reflect the assumptions that third parties would be required to consider in order to take on the settlement of the obligation. Such third party or market assumptions include the following:

- a) The costs that a third party would incur in performing the tasks necessary to retire the asset,
- b) Other amounts that a third party would normally include such as inflation, overhead, equipment charges, profit margin, and advances in technology,
- c) The extent that a third party's costs or timing would differ due to different future scenarios and relative probability,
- d) The market risk premium that a third party would demand for them to take on the risks (similar to a contingency factor).

An example would be two entities using nuclear decommissioning studies to determine an ARO for their nuclear power plants. In one case, Entity A intends to decommission their plant using internal resources. Entity B had planned to have their decommissioning performed by a third party. Both entities reflected their intentions in their decommissioning studies. In developing their ARO, Entity A would add assumptions about profit margins, overheads and other third party costs to their ARO estimate, similar to Entity B. Failure to include certain third party costs would be inconsistent with SFAS No. 143.

Some general guidelines for determining whether to recognize an ARO and corresponding examples are described below:

- a) When it has been established that a liability exists, a cash flow can be determined and there is a high or medium probability of the settlement date - as is the case for nuclear decommissioning costs - a liability must be recorded. Cash flows are estimated by cost-accumulation-based engineering studies and the settlement date is provided by the license date.
- b) When it has been established that a liability exists - a cash flow can be determined but there is a low probability of the settlement date - the measurement will reflect the low probability in the expected cash flows. An example would be the removal of an asset when the retirement is indefinite. Removal costs and a corresponding estimate of cash flows could be obtained. However, since retirement is indefinite, no reasonable estimate of the timing can be made. If a reasonable estimate can be made of the timing, that probability estimate should be used in the expected cash flow analysis to determine the ARO to be recorded.
- c) When it has been established that a liability exists - a cash flow cannot be determined and there is not a reasonable estimate of the settlement date - no liability is recorded but disclosure of the ARO is required. In subsequent periods, the ARO must be re-evaluated until sufficient information exists to determine a reasonable estimate of fair value. Generally, mass assets such

as transmission and distribution assets have indeterminate estimated cash flows and settlement dates.

An entity shall disclose the following information about its asset retirement obligations:

- a) A general description of the asset retirement obligations and the associated long-lived assets,
- b) The fair value of assets that are legally restricted for purposes of settling asset retirement obligations,
- c) A reconciliation of the beginning and ending aggregate carrying amount of asset retirement obligations showing separately the changes attributable to (1) liabilities incurred in the current period, (2) liabilities settled in the current period, (3) accretion expense, and (4) revisions in estimated cash flows, whenever there is a significant change in one or more of those four components during the reporting period.

If the fair value of an asset retirement obligation cannot be reasonably estimated, that fact and the reasons why must be disclosed. For the year of adoption, pro forma disclosure is required for the amount of the liability for asset retirement obligations as if SFAS No. 143 had been applied for all periods affected.

Calculation Process Overview

This section is intended to provide some general guidelines for the calculation and measurement of ARO liabilities. The calculation of estimated cash flows and present values, accretion, and depreciation with corresponding amounts needed for journal entries will be illustrated. Examples for subsequent cash flow increases and decreases will also be shown. An example footnote disclosure for interim retirements for regulated companies is illustrated and the assumptions used for the multiple cash flows found in Appendix A are summarized. Some general guidelines for the calculation and measurement of ARO liabilities are as follows:

- a) Estimates must be based on current active market pricing or prices for similar valuation, not at a cost using internal labor resources.
- b) If removal will take longer than one year, estimated cash flows should be determined for each year.
- c) The accretion schedule and present value depreciation schedules should be prepared individually for each cash flow, rather than as a sum total.
- d) If variable removal options exist, probability analysis should be done to determine the appropriate cash flows. Also, if there is a potential license extension, inflation factors should be applied to cash flows for the time periods added.

- e) Re-evaluation of estimated cash flow: for increases in estimates, current risk-free rates should be used; for decreases, the risk free rate in effect when the original liability was calculated would be used.
- f) If more than one generating unit is at a facility, depending on timing, each unit may carry its own ARO. Additionally common-area removal costs are presumed to be included with the final unit being removed. This could result in a layering effect on the books.
- g) Exclude salvage value from cash flow estimates.
- h) New asset calculations would still apply except there would be no accumulated depreciation or accretion to date when placed in service.

1. Calculating Expected Cash Flows

Assumptions – for this example, the expected cash flows are based on the components of the cost of removal including labor, overheads, contractor's mark-up, and market risk-premium. The overhead rate is 80% of labor, a profit margin based on contractor's mark-up of 20%, and a market risk premium of 5%. The asset was placed in service on January 1, 1995 and has an estimated useful life of 20 years; the implementation date is January 1, 2003. Inflation from the time the asset was installed until the date of retirement is 4%. Removal expenditures will take place in the year 2014. The credit-adjusted risk-free rate of 6.5% is used to compute the expected present value. The cost of removal liability accrued to date for a non-regulated company or the cost embedded in accumulated depreciation for a regulated company is assumed to be \$500,000.

| | |
|--|------------------|
| Labor | \$200,000 |
| OH & Equipment: (80% x 200,000) | 160,000 |
| Contractor's Mark-up: (20% x (200,000 + 160,000)) | 72,000 |
| | ----- |
| Expected Cash Flows Before Inflation | \$432,000 |
| | ----- |
| Inflation Rate | 4% |
| | ----- |
| Inflated Cash Flows: $432,000 \times (1 + 4\%)^{20}$ | 946,565 |
| Market Risk Premium (5% x 946,565) | 47,328 |
| | ----- |
| Total Expected Cash Flows | \$993,893 |
| | ===== |

Inflated Cash Flows: Cash Flows x (1 + rate) ^ #years

2. Calculate the Present Value of the Estimated Cash Flows

Using a credit-adjusted risk-free rate, the future expected cash flows are present valued to the point where the liability was incurred. In this example the asset life is assumed to be 20 years.

| | |
|--------------------------------|----------------|
| Expected Cash Flow | \$993,893 |
| Credit-Adjusted Risk-Free Rate | 6.5% |
| Present Value | 282,064 |
| | ===== |

Present Value (Cash Flow / (1 + rate) ^ #years)

3. Calculate Accretion Schedule using the same risk-free rate

The present value is accreted over the life of the asset at the specific rate so at the end of the term the total equals the future expected cash flows.

| | Present Value | Annual Accretion | Liability Balance |
|------|----------------------|-------------------------|--------------------------|
| 1995 | 282,064 | 18,334 | 300,398 |
| 1996 | 300,398 | 19,526 | 319,924 |
| 1997 | 319,924 | 20,795 | 340,719 |
| 1998 | 340,719 | 22,147 | 362,866 |
| 1999 | 362,866 | 23,586 | 386,452 |
| 2000 | 386,452 | 25,119 | 411,572 |
| 2001 | 411,572 | 26,752 | 438,324 |
| 2002 | 438,324 | 28,491 | 466,815 |
| 2003 | 466,815 | 30,343 | 497,158 |
| 2004 | 497,158 | 32,315 | 529,473 |
| 2005 | 529,473 | 34,416 | 563,889 |
| 2006 | 563,889 | 36,653 | 600,541 |
| 2007 | 600,541 | 39,035 | 639,577 |
| 2008 | 639,577 | 41,572 | 681,149 |
| 2009 | 681,149 | 44,275 | 725,424 |
| 2010 | 725,424 | 47,153 | 772,576 |
| 2011 | 772,576 | 50,217 | 822,794 |
| 2012 | 822,794 | 53,482 | 876,275 |
| 2013 | 876,275 | 56,958 | 933,233 |
| 2014 | 933,233 | 60,660 | 993,893 |

Annual Accretion = Present Value x Credit-Adjusted Risk-Free Rate
Liability Balance = Present Value + Annual Accretion

4. Calculate Depreciation Expense Schedule

Present Value of the asset retirement cost is depreciated over the life of the asset.

The total at end of the asset's life must equal the Present Value.

| Year | Depreciation Expense |
|-------|----------------------|
| 1995 | 14,103 |
| 1996 | 14,103 |
| 1997 | 14,103 |
| 1998 | 14,103 |
| 1999 | 14,103 |
| 2000 | 14,103 |
| 2001 | 14,103 |
| 2002 | 14,103 |
| 2003 | 14,103 |
| 2004 | 14,103 |
| 2005 | 14,103 |
| 2006 | 14,103 |
| 2007 | 14,103 |
| 2008 | 14,103 |
| 2009 | 14,103 |
| 2010 | 14,103 |
| 2011 | 14,103 |
| 2012 | 14,103 |
| 2013 | 14,103 |
| 2014 | 14,103 |
| Total | 282,064 |

Depreciation Expense = Present Value of \$282,064 / 20 years (estimated useful life)

5. Create Expense Worksheet (combine above schedules)

Annual accretion and annual depreciation of the Present Value are added together to get the total new expenses. A total line can be inserted into the worksheet to accumulate totals to date for use in the journal entry at implementation.

| | Annual Accretion Expense | Annual Depreciation Expense | Total Expenses |
|------|--------------------------|-----------------------------|----------------|
| 1995 | 18,334 | 14,103 | 32,437 |
| 1996 | 19,526 | 14,103 | 33,629 |
| 1997 | 20,795 | 14,103 | 34,898 |

| | Annual Accretion Expense | Annual Depreciation Expense | Total Expenses |
|---------------------------|--------------------------------|-----------------------------------|-------------------|
| 1998 | 22,147 | 14,103 | 36,250 |
| 1999 | 23,586 | 14,103 | 37,689 |
| 2000 | 25,119 | 14,103 | 39,223 |
| 2001 | 26,752 | 14,103 | 40,855 |
| 2002 | 28,491 | 14,103 | 42,594 |
| Totals to Date | 184,751 | 112,826 | 297,577 |
| 2003 | 30,343 | 14,103 | 44,446 |
| 2004 | 32,315 | 14,103 | 46,418 |
| 2005 | 34,416 | 14,103 | 48,519 |
| 2006 | 36,653 | 14,103 | 50,756 |
| 2007 | 39,035 | 14,103 | 53,138 |
| 2008 | 41,572 | 14,103 | 55,676 |
| 2009 | 44,275 | 14,103 | 58,378 |
| 2010 | 47,153 | 14,103 | 61,256 |
| 2011 | 50,217 | 14,103 | 64,321 |
| 2012 | 53,482 | 14,103 | 67,585 |
| 2013 | 56,958 | 14,103 | 71,061 |
| 2014 | 60,660 | 14,103 | 74,763 |
| Total | 711,831 | 282,062 | 993,893 |

Annual Accretion Expense + Annual Depreciation Expense = Total Expenses

6. Summary of Journal data

Sample journal entries are shown in Appendix B. Information needed for journal entry consideration is shown below:

| | |
|--|--------------------------|
| Asset Retirement Liability (ARO) = PV element | <u>Amount</u> 282,064 |
| Asset Retirement Liability (ARO) = Accretion to date element | 184,751 |
| Additional Accumulated depreciation = PV depreciated thru 2002 | 112,826 |
| 2003 Depreciation Expense = PV depreciation per schedule | 14,103 |
| 2003 Accretion expense = per schedule | 30,343 |

7. Subsequent Cash Flow Increases

Increases in cash flows must use the current risk free rate.

| | | |
|---------------------------------|-----------|--------------|
| Original Cash Flow Estimate | 993,893 | Year 2002 |
| Original Risk- Free Rate used | 6.50% | Year 2002 |
| Subsequent Revised Cash Flow | 1,493,893 | Year 2003 |
| DELTA Increase in Cash Flow | 500,000 | Year 2003 |
| Current Risk Free Rate | 7.50% | Year 2003 |

New Layer of ARO

| | |
|--|---------|
| Incremental Increase | 500,000 |
| Present Value (500,000.00 / (1+7.5%) ^12) | 209,927 |

PV Calculation = incremental cash flow / (1+rate)^# Remaining years
(1995 + 20 years = 2015, 2015 - CY 2003 = 12 yr. Remaining)

New Layer of Accretion/Depreciation

Accretion Expense

Accretion expense is calculated using the new credit-adjusted risk-free rate in effect at the time of the change in estimate (2003). The rate in effect in 2003 is 7.50%.

| Year | Present Value | Annual Accretion Expense | Liability Balance |
|------|---------------|--------------------------|-------------------|
| 2003 | 209,927 | 15,745 | 225,672 |
| 2004 | 225,672 | 16,925 | 242,597 |
| 2005 | 242,597 | 18,195 | 260,792 |
| 2006 | 260,792 | 19,559 | 280,351 |
| 2007 | 280,351 | 21,026 | 301,377 |
| 2008 | 301,377 | 22,603 | 323,981 |
| 2009 | 323,981 | 24,299 | 348,279 |
| 2010 | 348,279 | 26,121 | 374,400 |
| 2011 | 374,400 | 28,080 | 402,480 |

| Year | Present Value | Annual Accretion Expense | Liability Balance |
|------|---------------|--------------------------|-------------------|
| 2012 | 402,480 | 30,186 | 432,666 |
| 2013 | 432,666 | 32,450 | 465,116 |
| 2014 | 465,116 | 34,884 | 500,000 |

Annual Accretion = Present Value x New Credit-Adjusted Risk-Free Rate

(209,927 x 7.5%)

Depreciation Expense

Depreciation expense is calculated over the remaining life of the asset (12 years).

| Year | Depreciation Expense |
|-------|----------------------|
| 2003 | 17,494 |
| 2004 | 17,494 |
| 2005 | 17,494 |
| 2006 | 17,494 |
| 2007 | 17,494 |
| 2008 | 17,494 |
| 2009 | 17,494 |
| 2010 | 17,494 |
| 2011 | 17,494 |
| 2012 | 17,494 |
| 2013 | 17,494 |
| 2014 | 17,494 |
| Total | 209,927 |

Annual Depreciation Expense = Present Value / Remaining Life of Asset
(\$209,927 / 12)

8. Subsequent Cash Flow Decreases

Decreases in cash flow estimates must use the rate applied to the asset at the time the original ARO was calculated.

| | | |
|-------------------------------|-----------|-----------|
| Original Cash Flow Estimate | 993,893 | Year 2002 |
| Original Risk- Free Rate used | 6.50% | Year 2002 |
| Subsequent Revised Cash Flow | 793,893 | Year 2010 |
| DELTA Decrease in Cash | (200,000) | Year 2010 |

Flow
 Original Risk-Free Rate Used 6.50% Year 2002

New Layer of ARO

Incremental Decrease (200,000)
 Present Value (-200,000.00 / (1+6.5%)⁵) (145,976)

PV Calculation = incremental cash flow / (1+rate)^{# Remaining years}
 (1995 + 20 years = 2015, 2015 - CY 2010 = 5 yr. Remaining)

New Layer of Accretion/Depreciation

Accretion Expense

Accretion expense is calculated using the original credit-adjusted risk-free rate in effect at the time of implementation. The rate in effect in 2002 is 6.50%.

| Year | Present Value | Annual Accretion Expense | Liability Balance |
|------|---------------|--------------------------|-------------------|
| 2010 | (145,976) | (9,488) | (155,465) |
| 2011 | (155,465) | (10,105) | (165,570) |
| 2012 | (165,570) | (10,762) | (176,332) |
| 2013 | (176,332) | (11,462) | (187,793) |
| 2014 | (187,793) | (12,207) | (200,000) |

Annual Accretion = Present Value x Original Credit-Adjusted Risk-Free Rate
 (145,976 x 6.5%)

Depreciation Expense

Depreciation expense is calculated over the remaining life of the asset (5 years).

| Year | Depreciation Expense |
|-------|----------------------|
| 2010 | (29,195) |
| 2011 | (29,195) |
| 2012 | (29,195) |
| 2013 | (29,195) |
| 2014 | (29,195) |
| Total | (145,976) |

Annual Depreciation Expense = Present Value / Remaining Life of Asset
 (145,976 / 5)

Calculating Multiple Year Cash Flows – (See Appendix A)

Assumptions used for the calculation of multiple year cash flows in Appendix A are shown below:

Nuclear Plant Dismantlement Schedule

- Assumptions
 - 40 Year Life
 - 4 years of estimated cash flows
 - Placed in Service 1990
 - Discount/Accretion Rate is 5%
- Estimated Annual Cash Flows
- Accretion Schedules
- PV Depreciation Schedules

Summary of Data for Journal Entry Consideration

Journal Entry Accounting for Regulated and Unregulated Operations

The purpose of this section is to provide accounting guidance on journal entry preparation for both regulated and unregulated operations resulting from the implementation of SFAS No. 143 including implementation, monthly journal entries subsequent to implementation, settlement of the obligation, and the retirement of the initial asset.

The impact on regulated entities resulting from SFAS No. 143 (implementation to settlement) will be income neutral and will be reflected as a regulatory asset/liability on the balance sheet as long as the recovery/refunding of the regulatory asset/liability is probable under SFAS No. 71. To the extent such recovery/refunding is not probable, there will be an impact on the income statement.

Journal entries from the example in Appendix B are shown for illustrative purposes. See Appendix B for "Unregulated and Regulated Operations – ARO Journal Entry Assumptions."

Unregulated Operations

1) *Journal Entries Required at Implementation:* there are a number of journal entries required at implementation to properly reflect the effect of SFAS No. 143. These journal entries are:

- To record the initial fair value of the ARO asset and ARO liability,
- To record the effect of depreciation on the ARO asset from the time the ARO liability was incurred to implementation (offset is cumulative effect),
- To record the effect of accretion on the ARO liability from the time the ARO liability was incurred to implementation (offset is cumulative effect),

- To record the reversal of gross cost of removal liability accrued to date (offset is cumulative effect), if any
- To record taxes on the net cumulative effect on income (offset is cumulative effect).

Consolidated Entry at Implementation

| DESCRIPTION | DEBIT | CREDIT |
|---|---------|---------|
| Long Lived Assets - ARO - (New Account) | 282,064 | |
| COR Liability Accrued to Date | 500,000 | |
| Cumulative Effect Adjustments | | 111,333 |
| Accumulated Depreciation of ARO Asset - (New Account) | | 112,826 |
| ARO Liability - (New Account) | | 466,815 |
| Taxes Payable | | 91,090 |
| <i>To record the implementation of FAS 143</i> | | |

Individual Entries

To record the initial fair value of the ARO asset and ARO liability

Upon implementation of SFAS No. 143, the ARO liability (in current dollars) must be future valued at the anticipated inflation rate to when the projected cash outflows will occur and adjusted for a market risk premium as required by the Statement. The ARO liability must then be present valued back to when the liability was first incurred using the company's credit-adjusted risk-free rate. This present value of the future cash flows at the time the liability was first incurred is the ARO asset, which is to be depreciated using a systematic and rational allocation method. This amount is also the initial ARO liability before any accretion on the ARO liability to date of implementation and beyond.

| DESCRIPTION | DEBIT | CREDIT |
|--|---------|---------|
| Long Lived Assets - ARO - (New Account) | 282,064 | |
| ARO Liability - (New Account) | | 282,064 |
| <i>To record the initial present value of ARO liability</i> | | |
| The ARO asset is valued at the present value of the liability at the time the liability is incurred. | | |
| The offset ARO Asset is the ARO Liability at implementation | | |

To record the effect of depreciation on the ARO asset from the time the ARO liability was incurred to implementation

The ARO asset must be depreciated using a systematic and rational allocation method. This adjustment to the cumulative effect is for the accumulated depreciation that would have been recorded if the asset had been established at the time the ARO liability was incurred to date of implementation of SFAS No. 143.

| DESCRIPTION | DEBIT | CREDIT |
|---|---------|---------|
| Cumulative Effect Adjustment | 112,826 | |
| Accumulated Depreciation of ARO Asset - <i>(New Account)</i> | | 112,826 |
| <i>To record cumulative effect of ARO depreciation</i> | | |
| Assumes the ARO Asset is depreciated over the same life and method as the asset for which the ARO is attached. | | |
| The total depreciation that would have been incurred if the asset was established at the time the liability was incurred and depreciated to date is reflected as a Cumulative Effect of an Accounting Change. | | |

To record the effect of accretion on the ARO liability from the time the liability was incurred to implementation

The ARO liability must be accreted to the final future value of the ARO liability at the company's credit-adjusted risk-free rate. This adjustment to the cumulative effect is for the total life to date accretion that would have occurred if the ARO liability was established and accreted from the time the ARO liability was incurred to date of implementation of SFAS No. 143.

| DESCRIPTION | DEBIT | CREDIT |
|---|---------|---------|
| Cumulative Effect Adjustment | 184,751 | |
| ARO Liability - <i>(New Account)</i> | | 184,751 |
| <i>To record cumulative effect of accretion expense</i> | | |
| The ARO liability must be accreted to the anticipated cash outlay | | |
| The total accretion expense that would have been incurred if the liability was accreted from the time the liability was incurred to date is reflected as a Cumulative Effect of an Accounting Change. | | |

To record the reversal of gross cost of removal liability accrued to date

Any gross cost of removal liability accrued to date must be reversed from the balance sheet and offset against the cumulative effect.

| DESCRIPTION | DEBIT | CREDIT |
|--|---------|---------|
| COR Liability Accrued to Date | 500,000 | |
| Cumulative Effect Adjustment | | 500,000 |
| <i>To record the reversal of COR liability accrued to date</i> | | |
| The COR liability currently reflected on the Balance Sheet must be fully reversed. | | |
| The offset will be a Cumulative Effect of an Accounting Change. | | |

To record taxes payable or receivable on the net cumulative effect

The tax effect (based on the company's effective tax rate) of the cumulative effect must be reflected. *Note:* the deferred tax effect (based on the combined statutory tax rate) of the associated cumulative book versus tax timing difference must be reflected but is not

illustrated here. Deferred taxes need to be reflected at the combined statutory tax rate equal to the cumulative book and tax timing recognition on an ongoing basis.

| DESCRIPTION | DEBIT | CREDIT |
|--|--------|--------|
| Cumulative Effect Adjustment (tax effect of total adjustments) | 91,090 | |
| Taxes Payable | | 91,090 |
| <i>To record taxes payable on cumulative effect</i> | | |

2) *Monthly Journal Entries Subsequent to Implementation:* there are a number of journal entries that are required each month to properly reflect the effect of SFAS No. 143 on operations. These journal entries are:

- To record annual depreciation expense,
- To record annual accretion expense.

To record annual depreciation expense

Depreciation expense on the present value of the future cash flows at the time the liability was first incurred (ARO asset) must be recorded using a systematic and rational allocation method.

| DESCRIPTION | DEBIT | CREDIT |
|--|--------|--------|
| Depreciation Expense | 14,103 | |
| Accumulated Depreciation of ARO Asset - (New Account) | | 14,103 |
| <i>To record annual depreciation expense for 2003</i> | | |
| Assumes the ARO Asset is depreciated over the same life and method as the asset for which the ARO is attached. | | |

| DESCRIPTION | DEBIT | CREDIT |
|---|---------|---------|
| Depreciation Expense | 250,000 | |
| Accumulated Depreciation | | 250,000 |
| <i>To record annual depreciation expense on \$5,000,000 asset for which ARO is attached</i> | | |
| The \$5,000,000 asset for which the ARO is attached is already in the G/L systems and is shown for illustrative purposes. | | |

To record annual accretion expense

The ARO liability must be accreted at the company's credit-adjusted risk-free rate.

| DESCRIPTION | DEBIT | CREDIT |
|--|--------|--------|
| Accretion Expense (New Account) | 30,343 | |
| ARO Liability - (New Account) | | 30,343 |
| <i>To record annual accretion expense for 2003</i> | | |
| The liability at implementation must be accreted to the anticipated cash outlay. | | |

3) *Settlement of the obligation and the retirement of the initial asset:* there are a number of journal entries that are required at the time the asset for which the ARO is attached is retired and the settlement of the ARO obligation is made to properly reflect the effect of SFAS No. 143 on operations. These journal entries are:

- To record retirement on asset for which the ARO is attached,
- To record retirement of ARO asset,
- To record gain or loss on settlement of ARO liability when liability is extinguished.

To record retirement on the asset for which the ARO is attached

The asset for which the ARO is attached is retired. Any gain or loss is to be reflected on the company's income statement. No gain or loss was assumed for this example.

| DESCRIPTION | DEBIT | CREDIT |
|---|-----------|-----------|
| Accumulated depreciation | | |
| Fixed Asset | 5,000,000 | |
| <i>To record retirement of asset for which ARO is attached</i> | | 5,000,000 |
| The original asset for which the ARO is attached must be retired and any gain / loss reflected. | | |

To record retirement of an ARO Asset

When the ARO asset is retired the difference between any cash inflow (none for ARO assets) and the net book value of the ARO asset is to be reflected as a gain or loss on the company's income statement.

| DESCRIPTION | DEBIT | CREDIT |
|--|---------|---------|
| Accumulated Depreciation of ARO Asset - (New Account) | | |
| Long Lived Assets - ARO - (New Account) | 282,064 | |
| <i>To record the retirement of ARO asset</i> | | 282,064 |
| The ARO Asset must be retired from the G/L Systems and any gain or loss reflected. | | |

To record gain or loss on settlement of an ARO liability

When the ARO liability is settled, any gain or loss resulting from the difference between the ARO liability currently reflected on the balance sheet and the total actual cash outflow to settle the liability must be reflected in operations. Any gain or loss should be reflected when the last cash payment is made and the gain or loss can be accurately calculated.

| DESCRIPTION | DEBIT | CREDIT |
|--|---------|---------|
| ARO Liability - (New Account) | | |
| Cash/Accounts payable | 993,893 | |
| Gain / Loss on ARO Settlement - (New Account) | | 900,000 |
| <i>To record the gain on settlement of ARO liability</i> | | 93,893 |
| A new account must be established to record any gain or loss from settlement of ARO Liability. The gain / loss is calculated by the difference between what is accreted on the liability and the cash outlay. | | |

Regulated Operations

The impact on regulated entities resulting from SFAS No. 143 (implementation to settlement) will be profit and loss neutral and will be reflected as a regulatory asset/liability on the balance sheet as long as the recovery of the regulatory asset/liability is probable under SFAS No. 71. Overall, the journal entries required at implementation, subsequent to implementation and settlement are primarily the same except that during implementation any cumulative effect that would have occurred in an unregulated environment would be reflected generally as a regulatory asset/liability in a regulatory environment to the extent the differences in ARO expense for SFAS No. 143 and ARO expense for ratemaking purposes will be reflected in rates. Any effect on earnings going forward from implementation that would have been realized in an unregulated environment would be reflected as a regulatory asset/liability in a regulated environment.

1) *Journal Entries Required at Implementation:* there are a number of journal entries required at implementation to properly reflect the effect of SFAS No. 143. These journal entries are:

- To record the initial fair value of the ARO asset and ARO liability,
- To record accumulated depreciation on the ARO asset from the time the ARO liability was incurred to implementation (offset is regulatory asset/liability),
- To record accumulated accretion on the ARO liability from the time the ARO liability was incurred to implementation (offset is regulatory asset/liability),
- To record the reversal of gross cost of removal liability accrued to date (offset is regulatory asset/liability).

Consolidated Entry at Implementation

| DESCRIPTION | DEBIT | CREDIT |
|---|---------|---------|
| Long Lived Assets - ARO - (New Account) | 282,064 | |
| COR Liability Accrued to Date | 500,000 | |
| Regulatory Asset / Liability (New Account) | | 202,423 |
| Accumulated Depreciation of ARO Asset - (New Account) | | 112,826 |
| ARO Liability - (New Account) | | 466,815 |
| <i>To record the Implementation of SFAS 143</i> | | |

Individual Entries

To record the initial fair value of the ARO asset and ARO liability

The journal entry to record the initial present value of the ARO asset and the ARO liability at implementation is the same for both regulated and unregulated entities.

Upon implementation of SFAS No. 143, the ARO liability (in current dollars) must be future valued at the anticipated inflation rate to when the projected cash outflows will

occur and adjusted for a market risk premium as required by the Statement. The ARO liability must then be present valued back to when the liability was first incurred using the company's credit-adjusted risk-free rate. This present value of the future cash flows at the time the liability was first incurred is the ARO asset to be depreciated using a systematic and rational allocation method. This amount is also the initial ARO liability before any accretion on the ARO liability to date of implementation and beyond.

| DESCRIPTION | DEBIT | CREDIT |
|--|---------|---------|
| Long Lived Assets - ARO - <i>(New Account)</i> | 282,064 | |
| ARO Liability - <i>(New Account)</i> | | 282,064 |
| <i>To record the initial present value of ARO liability</i> | | |
| The ARO asset is valued at the present value of the liability at the time the liability is incurred. | | |
| The offset ARO Asset is the ARO Liability at implementation | | |

To record the effect of depreciation on the ARO asset from the time the ARO liability was incurred to implementation

As with unregulated entities, the ARO asset must be depreciated using a systematic and rational allocation method. The total accumulated depreciation that would have been recorded if the asset were established at the time the ARO liability was incurred to date of implementation of SFAS No. 143 is reflected as a regulatory asset/liability on the regulated entity's balance sheet rather than as a component of the cumulative effect.

| DESCRIPTION | DEBIT | CREDIT |
|--|---------|---------|
| Regulatory Asset/Liability - <i>(New Account)</i> | 112,826 | |
| Accumulated Depreciation of ARO Asset - <i>(New Account)</i> | | 112,826 |
| <i>To record accumulated depreciation on ARO assets</i> | | |
| Assumes the ARO Asset is depreciated over the same life and method as the asset for which the ARO is attached. | | |
| The total depreciation that would have been incurred if the asset was established at the time the liability was incurred and depreciated to date is reflected as a Regulatory Asset . | | |

To record the effect of accretion on the ARO liability from the time the liability was incurred to implementation

As with unregulated entities, the ARO liability must be accreted to the final future value of the ARO liability at the company's credit-adjusted risk-free rate. The accumulated accretion that would have occurred if the ARO liability was established and accreted from the time the ARO liability was incurred to date of implementation of SFAS No. 143 is reflected as a regulatory asset/liability on the regulated entity's balance sheet rather than to the cumulative effect.

| DESCRIPTION | DEBIT | CREDIT |
|--|---------|---------|
| Regulatory Asset/Liability - (New Account) | 184,751 | |
| ARO Liability - (New Account) | | 184,751 |
| <i>To record accumulated accretion on ARO liability</i> | | |
| The ARO liability must be accreted to the anticipated cash outlay | | |
| The total accretion expense that would have been incurred if the liability was accreted from the time the liability was incurred to date is reflected as a Regulatory Asset . | | |

To record the reversal of gross cost of removal liability accrued to date

The gross cost of removal liability accrued to date must be reversed from the balance sheet (accumulated depreciation) and offset against the regulatory asset/liability.

| DESCRIPTION | DEBIT | CREDIT |
|---|---------|---------|
| Accumulated Depreciation | 500,000 | |
| Regulatory Asset/Liability - (New Account) | | 500,000 |
| <i>To reclassify existing Cost of Removal to regulatory asset/liability</i> | | |
| The COR liability currently reflected on the Balance Sheet must be fully reversed from the reserve. | | |
| The offset will be a Regulatory Liability . | | |

2) *Monthly Journal Entries Subsequent to Implementation:* there are a number of journal entries that are required each month to properly reflect the effect of SFAS No. 143 on operations. However, no depreciation on the ARO asset or accretion on the ARO liability is reflected on the regulated entity's income statement, but rather these adjustments are recorded to the regulatory asset/liability on the balance sheet as the effect of SFAS No. 143 is income neutral as long as recovery is probable under SFAS No. 71. The entries to reflect both depreciation and accretion expense are originally made to the appropriate expense category. However, the monthly amounts are then adjusted from the expense category to a regulatory asset/liability. These journal entries are:

- To record annual depreciation expense,
- To record annual accretion expense.

To record annual depreciation expense

The present value of the future cash flows at the time the liability was first incurred (ARO asset) must be depreciated using a systematic and rational allocation method. The difference between the depreciation being recovered in rates and the depreciation for the ARO will be recorded as a regulatory asset/liability on the balance sheet.

| DESCRIPTION | DEBIT | CREDIT |
|--|--------|--------|
| Depreciation Expense | 14,103 | |
| Accumulated Depreciation of ARO Asset - (New Account) | | 14,103 |
| <i>To record annual depreciation expense</i> | | |
| Assumes the ARO Asset is depreciated over the same life and method as the asset for which the ARO is attached. | | |

| DESCRIPTION | DEBIT | CREDIT |
|--|--------|--------|
| Regulatory Asset/Liability - (New Account) | 14,103 | |
| Depreciation Expense | | 14,103 |
| <i>To reverse annual depreciation to regulatory asset/liability (Utility is I/S Neutral)</i> | | |
| The monthly depreciation expense must be reflected against a Regulatory Asset so that all effects of FAS 143 are Income Statement neutral. | | |

| DESCRIPTION | DEBIT | CREDIT |
|--|---------|---------|
| Depreciation Expense | 250,000 | |
| Accumulated Depreciation | | 250,000 |
| <i>To record annual depreciation expense on \$5,00,000 asset for which ARO is attached</i> | | |
| The \$5,00,000 asset for which the ARO is attached is already in the G/L systems and is shown for illustrative purpose | | |

To record monthly accretion expense

Every month, the ARO liability must be accreted to the final future value of the ARO liability at the company's credit-adjusted risk-free rate. The amount accreted is to be reclassified to a regulatory asset/liability on the balance sheet.

| DESCRIPTION | DEBIT | CREDIT |
|--|--------|--------|
| Accretion Expense (New Account) | 30,343 | |
| ARO Liability - (New Account) | | 30,343 |
| <i>To record annual accretion expense on ARO liability</i> | | |
| The liability at implementation must be accreted to the anticipated cash outlay. | | |

| DESCRIPTION | DEBIT | CREDIT |
|--|--------|--------|
| Regulatory Asset/Liability - (New Account) | 30,343 | |
| Accretion Expense | | 30,343 |
| <i>To reverse annual accretion expense to regulatory asset/liability (Utility is I/S neutral)</i> | | |
| The monthly depreciation expense must be reflected against a Regulatory Asset so that all effects of FAS 143 are Income Statement neutral. | | |

3) *Settlement of the obligation and the retirement of the initial asset:* there are a number of journal entries that are required at the time the asset for which the ARO is attached is retired and the settlement of the ARO obligation is made to properly reflect the effect of SFAS No. 143 on operations. However, no gain or loss on the settlement of either the ARO asset or the ARO liability is reflected on the regulated entity's income statement, but rather these adjustments are recorded to the regulatory asset/liability on the balance sheet as the effect of SFAS No. 143 is profit and loss neutral as long as recovery of the regulatory asset/liability is probable under SFAS No. 71. These journal entries are:

- To record retirement on the asset for which the ARO is attached,
- To record retirement of ARO asset,

- To record settlement of ARO liability.

To record retirement of ARO Asset

When the ARO asset is retired the difference between any cash inflow (none for ARO assets) and the net book value of the ARO asset is to be recorded to a regulatory asset on the company's balance sheet.

| DESCRIPTION | DEBIT | CREDIT |
|--|---------|---------|
| Accumulated Depreciation of ARO Asset - <i>(New Account)</i> | 282,064 | |
| Long Lived Assets - ARO - <i>(New Account)</i> | | 282,064 |
| <i>To record the retirement of ARO asset</i> | | |
| The ARO Asset must be retired from the G/L Systems and any gain or loss reflected. The gain / loss is recorded to a Regulation Asset / Liability. | | |

To record retirement on the asset for which the ARO is attached

When the asset for which the ARO is attached is retired any gain or loss is to be reflected as a regulatory asset/liability or in the provision for accumulated depreciation, or income statement depending on the asset and the regulatory accounting related to that asset.

| DESCRIPTION | DEBIT | CREDIT |
|---|-----------|-----------|
| Accumulated depreciation | 5,000,000 | |
| Fixed Asset | | 5,000,000 |
| <i>To record retirement of asset for which ARO related</i> | | |
| The original asset for which the ARO is attached must be retired and any gain / loss reflected. | | |

To record settlement of the ARO liability

In a regulated environment, when the ARO liability is settled, the difference between the ARO liability currently reflected on the balance sheet and the total actual cash outflow to settle that liability must be recorded to a regulatory asset/liability on the balance sheet. This adjustment should be made when the last cash payment is made and the difference between the ARO liability on the balance sheet and total cash outflows can be accurately calculated.

| DESCRIPTION | DEBIT | CREDIT |
|--|---------|---------|
| ARO Liability - <i>(New Account)</i> | 993,893 | |
| Cash/Accounts payable | | 900,000 |
| Regulatory Asset/Liability - <i>(New Account)</i> | | 93,893 |
| <i>To record the gain on settlement of ARO liability</i> | | |
| The gain / loss is calculated by the difference between what is accreted on the liability and the cash outlay. The gain / loss is recorded to a Regulation Asset / Liability. | | |

Other Considerations (Unregulated and Regulated Operations)

- The original asset for which the ARO is attached, the ARO asset and the ARO liability must be linked within the General Ledger Systems.
- The original asset for with the ARO is attached, the ARO asset and the ARO liability must be retired at the same time and any gain or loss recognized upon settlement (unregulated).
- Corporate systems should be programmed to record monthly depreciation and accretion expense so that manual entries are not required.
- Accretion on the ARO liability and depreciation on the ARO asset will stop upon settlement.

(See Appendix B for Unregulated and Regulated Operations – ARO Journal Entry Assumptions)

Financial Statement Disclosure

Requirements of the Standard

The final stage of implementing SFAS No. 143 is the complying with disclosure requirements. The statement contains two disclosure requirements found in paragraph 22 which are:

An entity shall disclose the following information about its asset retirement obligations:

- (a) A general description of the asset retirement obligations and the associated long-lived assets,
- (b) The fair value of assets that are legally restricted for purposes of settling asset retirement obligations,
- (c) A reconciliation of the beginning and ending aggregate carrying amount of asset retirement obligations showing separately the changes attributable to (1) liabilities incurred in the current period, (2) liabilities settled in the current period, (3) accretion expense, and (4) revisions in estimated cash flows, whenever there is a significant change in one of more of those four components during the reporting period.

If the fair value of an asset retirement obligation cannot be reasonably estimated, that fact and the reasons therefore shall be disclosed.

The second disclosure requirements involves a transition disclosure requirement found in paragraph 27:

An entity shall compute on a pro forma basis and disclose in the footnotes to the financial statements for the beginning of the earliest year presented and at the end of all years presented the

amount of the liability for asset retirement obligations as if this Statement had been applied during all periods affected.

The pro forma amounts shall be computed using information current at the time of adoption, current assumptions and current interest rates. It appears that this transition disclosure is a one-time measurement since the ongoing disclosure would replace this information going forward.

Appendix B of SFAS No. 143, titled "Background Information and Basis for Conclusions," provides some background information but does not provide any additional guidance on disclosure. If an entity does not have assets that fall within the scope of this Standard, there is no disclosure requirement.

For those entities with assets that fall within the scope of the Standard, the source of information will obviously be available from the measurement, calculation process, and journal entry process described previously. Without specific guidance, the content and format of the disclosure will likely evolve over time. For many, the disclosure may take the form of a separate footnote. The content and style of disclosure will likely vary depending on such individual circumstances as the number or types of assets or the related obligations, differences in measurement approaches, consolidations of companies and business segments, and the materiality of the details. Other circumstances affecting this disclosure for the gas and electric utility industry will be related to application of SFAS No. 71, and the final conclusions by FERC in Docket RM02-7 that may involve changes in the Uniform System of Accounts to accommodate SFAS No. 143.

Other transitional disclosure requirements

Until the Statement is implemented, there is a disclosure requirement for adoption of new accounting pronouncements (SAB 74). Basically, an entity is to provide qualitative or quantitative information, when available, about the expected impact of implementation, updated quarterly.

Other related disclosure impacts

Disclosure

Additional disclosure issues exist beyond the requirements of the Statement such as other notes to the financial statements involving property, depreciation, or estimates. Current and proposed disclosure rules of the Securities and Exchange Commission (SEC) should also be reviewed for additional SFAS No. 143 related disclosures.

Impairments

SFAS No. 143 will result in an increase in the carrying amount of an asset equal to the calculated asset cost. As a result, a test of impairment and recoverability should be performed in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets."

Record Keeping Issues

The Edison Electric Institute (EEI) and The American Gas Association (AGA) do not support specific regulations related to record keeping requirements for ARO's. As companies develop strategies and methods for the implementation and on-going reviews required for the Standard, various methods may evolve over time on how ARO's will be determined and measured. Because of this, EEI and AGA believe that companies should be allowed flexibility for maintaining the associated records. Basic accounting guidelines require that companies maintain sufficient, detailed records in order to support information provided in financial statements.

EEI and AGA have developed some suggested record keeping guidelines that may help companies develop their own policies. They are as follows:

- 1) Documentation of communications with Business Units/Functions. The initial documentation of these discussions should be very detailed and thorough. Each year, a review of this documentation should be done to determine any changes, new issues, etc.
- 2) Documentation of the due diligence analysis provided by the legal department as to what is considered a legal obligation and why. This should also include discussions surrounding issues that were ultimately not determined to be legal obligations and why. The legal department should then perform an annual review for any changes, new issues, etc. This should also include a review of the Business Units/Functions documentation referred to in item 1) above.
- 3) Support for all items associated with the calculation of the ARO including, but not limited to, the following:
 - Third-party written estimates and related assumptions, or
 - Internal cost estimates including assumptions for profits or mark-up, overheads, market risk premium, etc.,
 - Timing of cash outflows,
 - Inflation rate,
 - Risk-free credit rate,
 - Estimated retirement dates,
 - Amortization schedules for interest accretion expense,
 - Depreciation schedules.
- 4) Support for ARO transactions and balances included in the regulatory asset and liability accounts.
- 5) Periodic Audits - Companies should conduct regular audits for ARO's subject to SFAS No. 143. Companies should prepare written audit instructions that ensure the following:
 - A methodical review of company assets, plus the authorities that might impose ARO's,

- A procedure for sampling voluminous, repetitive records (e.g., form contracts, easements),
- A record of the audit itself, including:
 - personnel and records reviewed,
 - assets reviewed,
 - authorities reviewed with respect to each asset,
 - legal determination made as to each authority ,
 - basis of any cost calculations.

Appendix A – Multiple Year Cash Flows

Nuclear Plant Dismantlement Schedule
 40 Year Life
 Placed in Service 1990 Present Value at 5%

| Year | Liability Balance | Accretion 5.0% | Liab Bal 12/31 | Year-End Unit | Accretion Exp Originistry | Disprec. Exp | Total Expense |
|------|-------------------|----------------|----------------|---------------|---------------------------|----------------|----------------|
| 1990 | 56,818,272.92 | 2,840,913.65 | 59,659,186.57 | 1990 | 2,840,913.65 | 56,818,272.92 | 59,659,186.57 |
| 1991 | 58,529,166.57 | 2,982,859.33 | 61,512,025.90 | 1991 | 2,982,859.33 | 58,529,166.57 | 61,512,025.90 |
| 1992 | 62,842,145.89 | 3,132,107.29 | 65,974,253.18 | 1992 | 3,132,107.29 | 62,842,145.89 | 65,974,253.18 |
| 1993 | 65,774,253.19 | 3,288,712.68 | 69,062,965.85 | 1993 | 3,288,712.68 | 65,774,253.19 | 69,062,965.85 |
| 1994 | 69,062,965.85 | 3,453,148.29 | 72,516,114.14 | 1994 | 3,453,148.29 | 69,062,965.85 | 72,516,114.14 |
| 1995 | 72,516,114.14 | 3,625,805.71 | 76,141,919.85 | 1995 | 3,625,805.71 | 72,516,114.14 | 76,141,919.85 |
| 1996 | 76,141,919.85 | 3,807,095.99 | 79,949,015.84 | 1996 | 3,807,095.99 | 76,141,919.85 | 79,949,015.84 |
| 1997 | 79,949,015.84 | 3,997,650.79 | 83,946,666.63 | 1997 | 3,997,650.79 | 79,949,015.84 | 83,946,666.63 |
| 1998 | 83,946,666.63 | 4,197,323.33 | 88,143,989.96 | 1998 | 4,197,323.33 | 83,946,666.63 | 88,143,989.96 |
| 1999 | 88,143,989.96 | 4,407,189.50 | 92,550,979.46 | 1999 | 4,407,189.50 | 88,143,989.96 | 92,550,979.46 |
| 2000 | 92,550,979.46 | 4,627,549.97 | 97,178,529.44 | 2000 | 4,627,549.97 | 92,550,979.46 | 97,178,529.44 |
| 2001 | 97,178,529.44 | 4,858,826.42 | 102,037,454.86 | 2001 | 4,858,826.42 | 97,178,529.44 | 102,037,454.86 |
| 2002 | 102,037,454.86 | 5,101,872.74 | 107,139,327.60 | 2002 | 5,101,872.74 | 102,037,454.86 | 107,139,327.60 |
| 2003 | 107,139,327.60 | 5,358,986.36 | 112,498,313.96 | 2003 | 5,358,986.36 | 107,139,327.60 | 112,498,313.96 |
| 2004 | 112,498,313.96 | 5,624,814.70 | 118,123,128.66 | 2004 | 5,624,814.70 | 112,498,313.96 | 118,123,128.66 |
| 2005 | 118,123,128.66 | 5,908,055.43 | 124,031,184.09 | 2005 | 5,908,055.43 | 118,123,128.66 | 124,031,184.09 |
| 2006 | 124,031,184.09 | 6,209,358.21 | 130,240,542.30 | 2006 | 6,209,358.21 | 124,031,184.09 | 130,240,542.30 |
| 2007 | 130,240,542.30 | 6,531,426.12 | 136,771,968.43 | 2007 | 6,531,426.12 | 130,240,542.30 | 136,771,968.43 |
| 2008 | 136,771,968.43 | 6,886,987.42 | 143,658,955.85 | 2008 | 6,886,987.42 | 136,771,968.43 | 143,658,955.85 |
| 2009 | 143,658,955.85 | 7,278,847.29 | 150,937,803.14 | 2009 | 7,278,847.29 | 143,658,955.85 | 150,937,803.14 |
| 2010 | 150,937,803.14 | 7,709,769.66 | 158,647,572.80 | 2010 | 7,709,769.66 | 150,937,803.14 | 158,647,572.80 |
| 2011 | 158,647,572.80 | 8,184,879.14 | 166,832,451.95 | 2011 | 8,184,879.14 | 158,647,572.80 | 166,832,451.95 |
| 2012 | 166,832,451.95 | 8,711,133.10 | 175,543,585.05 | 2012 | 8,711,133.10 | 166,832,451.95 | 175,543,585.05 |
| 2013 | 175,543,585.05 | 9,290,333.75 | 184,833,918.80 | 2013 | 9,290,333.75 | 175,543,585.05 | 184,833,918.80 |
| 2014 | 184,833,918.80 | 9,924,230.44 | 194,758,149.24 | 2014 | 9,924,230.44 | 184,833,918.80 | 194,758,149.24 |
| 2015 | 194,758,149.24 | 10,619,341.96 | 205,377,491.20 | 2015 | 10,619,341.96 | 194,758,149.24 | 205,377,491.20 |
| 2016 | 205,377,491.20 | 11,384,270.01 | 216,761,761.21 | 2016 | 11,384,270.01 | 205,377,491.20 | 216,761,761.21 |
| 2017 | 216,761,761.21 | 12,238,427.01 | 228,999,988.22 | 2017 | 12,238,427.01 | 216,761,761.21 | 228,999,988.22 |
| 2018 | 228,999,988.22 | 13,189,585.78 | 242,189,574.00 | 2018 | 13,189,585.78 | 228,999,988.22 | 242,189,574.00 |
| 2019 | 242,189,574.00 | 14,244,230.44 | 256,433,804.44 | 2019 | 14,244,230.44 | 242,189,574.00 | 256,433,804.44 |
| 2020 | 256,433,804.44 | 15,411,114.14 | 271,844,918.58 | 2020 | 15,411,114.14 | 256,433,804.44 | 271,844,918.58 |
| 2021 | 271,844,918.58 | 16,701,141.14 | 288,546,059.72 | 2021 | 16,701,141.14 | 271,844,918.58 | 288,546,059.72 |
| 2022 | 288,546,059.72 | 18,124,253.19 | 306,670,312.91 | 2022 | 18,124,253.19 | 288,546,059.72 | 306,670,312.91 |
| 2023 | 306,670,312.91 | 19,697,323.33 | 326,367,636.24 | 2023 | 19,697,323.33 | 306,670,312.91 | 326,367,636.24 |
| 2024 | 326,367,636.24 | 21,431,426.12 | 347,799,062.36 | 2024 | 21,431,426.12 | 326,367,636.24 | 347,799,062.36 |
| 2025 | 347,799,062.36 | 23,338,427.01 | 371,137,489.37 | 2025 | 23,338,427.01 | 347,799,062.36 | 371,137,489.37 |
| 2026 | 371,137,489.37 | 25,427,549.97 | 396,565,039.34 | 2026 | 25,427,549.97 | 371,137,489.37 | 396,565,039.34 |
| 2027 | 396,565,039.34 | 27,718,529.44 | 424,283,568.78 | 2027 | 27,718,529.44 | 396,565,039.34 | 424,283,568.78 |
| 2028 | 424,283,568.78 | 30,238,427.01 | 454,521,995.79 | 2028 | 30,238,427.01 | 424,283,568.78 | 454,521,995.79 |
| 2029 | 454,521,995.79 | 32,997,650.79 | 487,519,646.58 | 2029 | 32,997,650.79 | 454,521,995.79 | 487,519,646.58 |
| 2030 | 487,519,646.58 | 35,997,650.79 | 523,517,297.37 | 2030 | 35,997,650.79 | 487,519,646.58 | 523,517,297.37 |

40 Years

TTLs to Date

| Year | Liability Balance | Accretion 5.0% | Liab Bal 12/31 | Year-End Unit | Accretion Exp Originistry | Disprec. Exp | Total Expense |
|------|-------------------|----------------|----------------|---------------|---------------------------|----------------|----------------|
| 1990 | 56,818,272.92 | 2,840,913.65 | 59,659,186.57 | 1990 | 2,840,913.65 | 56,818,272.92 | 59,659,186.57 |
| 1991 | 58,529,166.57 | 2,982,859.33 | 61,512,025.90 | 1991 | 2,982,859.33 | 58,529,166.57 | 61,512,025.90 |
| 1992 | 62,842,145.89 | 3,132,107.29 | 65,974,253.18 | 1992 | 3,132,107.29 | 62,842,145.89 | 65,974,253.18 |
| 1993 | 65,774,253.19 | 3,288,712.68 | 69,062,965.85 | 1993 | 3,288,712.68 | 65,774,253.19 | 69,062,965.85 |
| 1994 | 69,062,965.85 | 3,453,148.29 | 72,516,114.14 | 1994 | 3,453,148.29 | 69,062,965.85 | 72,516,114.14 |
| 1995 | 72,516,114.14 | 3,625,805.71 | 76,141,919.85 | 1995 | 3,625,805.71 | 72,516,114.14 | 76,141,919.85 |
| 1996 | 76,141,919.85 | 3,807,095.99 | 79,949,015.84 | 1996 | 3,807,095.99 | 76,141,919.85 | 79,949,015.84 |
| 1997 | 79,949,015.84 | 3,997,650.79 | 83,946,666.63 | 1997 | 3,997,650.79 | 79,949,015.84 | 83,946,666.63 |
| 1998 | 83,946,666.63 | 4,197,323.33 | 88,143,989.96 | 1998 | 4,197,323.33 | 83,946,666.63 | 88,143,989.96 |
| 1999 | 88,143,989.96 | 4,407,189.50 | 92,550,979.46 | 1999 | 4,407,189.50 | 88,143,989.96 | 92,550,979.46 |
| 2000 | 92,550,979.46 | 4,627,549.97 | 97,178,529.44 | 2000 | 4,627,549.97 | 92,550,979.46 | 97,178,529.44 |
| 2001 | 97,178,529.44 | 4,858,826.42 | 102,037,454.86 | 2001 | 4,858,826.42 | 97,178,529.44 | 102,037,454.86 |
| 2002 | 102,037,454.86 | 5,101,872.74 | 107,139,327.60 | 2002 | 5,101,872.74 | 102,037,454.86 | 107,139,327.60 |
| 2003 | 107,139,327.60 | 5,358,986.36 | 112,498,313.96 | 2003 | 5,358,986.36 | 107,139,327.60 | 112,498,313.96 |
| 2004 | 112,498,313.96 | 5,624,814.70 | 118,123,128.66 | 2004 | 5,624,814.70 | 112,498,313.96 | 118,123,128.66 |
| 2005 | 118,123,128.66 | 5,908,055.43 | 124,031,184.09 | 2005 | 5,908,055.43 | 118,123,128.66 | 124,031,184.09 |
| 2006 | 124,031,184.09 | 6,209,358.21 | 130,240,542.30 | 2006 | 6,209,358.21 | 124,031,184.09 | 130,240,542.30 |
| 2007 | 130,240,542.30 | 6,531,426.12 | 136,771,968.43 | 2007 | 6,531,426.12 | 130,240,542.30 | 136,771,968.43 |
| 2008 | 136,771,968.43 | 6,886,987.42 | 143,658,955.85 | 2008 | 6,886,987.42 | 136,771,968.43 | 143,658,955.85 |
| 2009 | 143,658,955.85 | 7,278,847.29 | 150,937,803.14 | 2009 | 7,278,847.29 | 143,658,955.85 | 150,937,803.14 |
| 2010 | 150,937,803.14 | 7,709,769.66 | 158,647,572.80 | 2010 | 7,709,769.66 | 150,937,803.14 | 158,647,572.80 |
| 2011 | 158,647,572.80 | 8,184,879.14 | 166,832,451.95 | 2011 | 8,184,879.14 | 158,647,572.80 | 166,832,451.95 |
| 2012 | 166,832,451.95 | 8,711,133.10 | 175,543,585.05 | 2012 | 8,711,133.10 | 166,832,451.95 | 175,543,585.05 |
| 2013 | 175,543,585.05 | 9,290,333.75 | 184,833,918.80 | 2013 | 9,290,333.75 | 175,543,585.05 | 184,833,918.80 |
| 2014 | 184,833,918.80 | 9,924,230.44 | 194,758,149.24 | 2014 | 9,924,230.44 | 184,833,918.80 | 194,758,149.24 |
| 2015 | 194,758,149.24 | 10,619,341.96 | 205,377,491.20 | 2015 | 10,619,341.96 | 194,758,149.24 | 205,377,491.20 |
| 2016 | 205,377,491.20 | 11,384,270.01 | 216,761,761.21 | 2016 | 11,384,270.01 | 205,377,491.20 | 216,761,761.21 |
| 2017 | 216,761,761.21 | 12,238,427.01 | 228,999,988.22 | 2017 | 12,238,427.01 | 216,761,761.21 | 228,999,988.22 |
| 2018 | 228,999,988.22 | 13,189,585.78 | 242,189,574.00 | 2018 | 13,189,585.78 | 228,999,988.22 | 242,189,574.00 |
| 2019 | 242,189,574.00 | 14,244,230.44 | 256,433,804.44 | 2019 | 14,244,230.44 | 242,189,574.00 | 256,433,804.44 |
| 2020 | 256,433,804.44 | 15,411,114.14 | 271,844,918.58 | 2020 | 15,411,114.14 | 256,433,804.44 | 271,844,918.58 |
| 2021 | 271,844,918.58 | 16,701,141.14 | 288,546,059.72 | 2021 | 16,701,141.14 | 271,844,918.58 | 288,546,059.72 |
| 2022 | 288,546,059.72 | 18,124,253.19 | 306,670,312.91 | 2022 | 18,124,253.19 | 288,546,059.72 | 306,670,312.91 |
| 2023 | 306,670,312.91 | 19,697,323.33 | 326,367,636.24 | 2023 | 19,697,323.33 | 306,670,312.91 | 326,367,636.24 |
| 2024 | 326,367,636.24 | 21,431,426.12 | 347,799,062.36 | 2024 | 21,431,426.12 | 326,367,636.24 | 347,799,062.36 |
| 2025 | 347,799,062.36 | 23,338,427.01 | 371,137,489.37 | 2025 | 23,338,427.01 | 347,799,062.36 | 371,137,489.37 |
| 2026 | 371,137,489.37 | 25,427,549.97 | 396,565,039.34 | 2026 | 25,427,549.97 | 371,137,489.37 | 396,565,039.34 |
| 2027 | 396,565,039.34 | 27,718,529.44 | 424,283,568.78 | 2027 | 27,718,529.44 | 396,565,039.34 | 424,283,568.78 |
| 2028 | 424,283,568.78 | 30,238,427.01 | 454,521,995.79 | 2028 | 30,238,427.01 | 424,283,568.78 | 454,521,995.79 |
| 2029 | 454,521,995.79 | 32,997,650.79 | 487,519,646.58 | 2029 | 32,997,650.79 | 454,521,995.79 | 487,519,646.58 |
| 2030 | 487,519,646.58 | 35,997,650.79 | 523,517,297.37 | 2030 | 35,997,650.79 | 487,519,646.58 | 523,517,297.37 |

Appendix A – Multiple Year Cash Flows

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| Year | Liability Bal/1 | Accretion | 5.0% | Liab Bal 12/31 | Year-End Unit | Original PV | Deprec. Exp | Total Expense |
|--------------|-----------------|---------------|----------------|----------------|---------------|---------------|---------------|---------------|
| 1990 | 67,640,801.10 | 3,382,040.05 | 71,022,841.15 | 1990 | 3,382,040.05 | 67,640,801.10 | | |
| 1991 | 71,022,841.15 | 3,551,142.06 | 74,573,983.21 | 1991 | 3,551,142.06 | 1,649,775.64 | 5,031,815.69 | |
| 1992 | 74,573,983.21 | 3,728,699.16 | 78,302,682.37 | 1992 | 3,728,699.16 | 1,649,775.64 | 5,200,917.69 | |
| 1993 | 78,302,682.37 | 3,915,134.12 | 82,217,816.49 | 1993 | 3,915,134.12 | 1,649,775.64 | 5,378,474.80 | |
| 1994 | 82,217,816.49 | 4,110,890.62 | 86,328,707.11 | 1994 | 4,110,890.62 | 1,649,775.64 | 5,564,909.75 | |
| 1995 | 86,328,707.11 | 4,316,435.37 | 90,645,142.48 | 1995 | 4,316,435.37 | 1,649,775.64 | 5,760,666.46 | |
| 1996 | 90,645,142.48 | 4,532,257.13 | 95,177,399.61 | 1996 | 4,532,257.13 | 1,649,775.64 | 5,966,211.00 | |
| 1997 | 95,177,399.61 | 4,758,869.99 | 99,936,269.60 | 1997 | 4,758,869.99 | 1,649,775.64 | 6,182,032.77 | |
| 1998 | 99,936,269.60 | 4,996,813.48 | 104,933,083.29 | 1998 | 4,996,813.48 | 1,649,775.64 | 6,408,645.63 | |
| 1999 | 104,933,083.29 | 5,246,854.16 | 110,179,737.46 | 1999 | 5,246,854.16 | 1,649,775.64 | 6,646,589.13 | |
| 2000 | 110,179,737.46 | 5,508,986.87 | 115,688,724.33 | 2000 | 5,508,986.87 | 1,649,775.64 | 6,896,429.80 | |
| 2001 | 115,688,724.33 | 5,784,436.22 | 121,473,160.54 | 2001 | 5,784,436.22 | 1,649,775.64 | 7,158,762.51 | |
| 2002 | 121,473,160.54 | 6,073,658.03 | 127,546,818.57 | 2002 | 6,073,658.03 | 1,649,775.64 | 7,434,211.85 | |
| TTLS to Date | | | | | | | | |
| 2003 | 127,546,818.57 | 6,377,340.93 | 133,924,159.50 | 2003 | 6,377,340.93 | 21,447,883.27 | 7,723,433.66 | |
| 2004 | 133,924,159.50 | 6,696,207.98 | 140,620,367.48 | 2004 | 6,696,207.98 | 1,649,775.64 | 8,027,116.57 | |
| 2005 | 140,620,367.48 | 7,031,016.37 | 147,651,383.85 | 2005 | 7,031,016.37 | 1,649,775.64 | 8,345,989.61 | |
| 2006 | 147,651,383.85 | 7,382,569.29 | 155,033,953.14 | 2006 | 7,382,569.29 | 1,649,775.64 | 8,680,794.01 | |
| 2007 | 155,033,953.14 | 7,751,697.76 | 162,785,650.90 | 2007 | 7,751,697.76 | 1,649,775.64 | 9,032,344.93 | |
| 2008 | 162,785,650.90 | 8,139,282.64 | 170,924,933.54 | 2008 | 8,139,282.64 | 1,649,775.64 | 9,401,473.39 | |
| 2009 | 170,924,933.54 | 8,546,246.78 | 179,471,180.32 | 2009 | 8,546,246.78 | 1,649,775.64 | 9,789,058.28 | |
| 2010 | 179,471,180.32 | 8,973,559.12 | 188,444,741.44 | 2010 | 8,973,559.12 | 1,649,775.64 | 10,196,022.41 | |
| 2011 | 188,444,741.44 | 9,422,237.07 | 197,866,978.51 | 2011 | 9,422,237.07 | 1,649,775.64 | 10,623,334.75 | |
| 2012 | 197,866,978.51 | 9,893,348.93 | 207,760,327.43 | 2012 | 9,893,348.93 | 1,649,775.64 | 11,072,012.71 | |
| 2013 | 207,760,327.43 | 10,388,016.37 | 218,148,343.81 | 2013 | 10,388,016.37 | 1,649,775.64 | 11,543,124.56 | |
| 2014 | 218,148,343.81 | 10,907,417.19 | 229,055,761.00 | 2014 | 10,907,417.19 | 1,649,775.64 | 12,037,792.01 | |
| 2015 | 229,055,761.00 | 11,452,788.05 | 240,508,549.05 | 2015 | 11,452,788.05 | 1,649,775.64 | 12,557,192.83 | |
| 2016 | 240,508,549.05 | 12,025,427.45 | 252,533,976.50 | 2016 | 12,025,427.45 | 1,649,775.64 | 13,102,563.69 | |
| 2017 | 252,533,976.50 | 12,628,898.82 | 265,160,875.32 | 2017 | 12,628,898.82 | 1,649,775.64 | 13,675,203.09 | |
| 2018 | 265,160,875.32 | 13,258,033.77 | 278,418,909.09 | 2018 | 13,258,033.77 | 1,649,775.64 | 14,276,474.48 | |
| 2019 | 278,418,909.09 | 13,920,935.45 | 292,339,844.54 | 2019 | 13,920,935.45 | 1,649,775.64 | 14,907,809.40 | |
| 2020 | 292,339,844.54 | 14,618,982.23 | 306,958,826.77 | 2020 | 14,618,982.23 | 1,649,775.64 | 15,570,711.09 | |
| 2021 | 306,958,826.77 | 15,347,831.34 | 322,306,658.11 | 2021 | 15,347,831.34 | 1,649,775.64 | 16,268,757.86 | |
| 2022 | 322,306,658.11 | 16,115,222.91 | 338,421,881.01 | 2022 | 16,115,222.91 | 1,649,775.64 | 16,997,606.97 | |
| 2023 | 338,421,881.01 | 16,920,984.05 | 355,342,865.07 | 2023 | 16,920,984.05 | 1,649,775.64 | 17,764,998.54 | |
| 2024 | 355,342,865.07 | 17,767,033.25 | 373,107,898.32 | 2024 | 17,767,033.25 | 1,649,775.64 | 18,570,759.69 | |
| 2025 | 373,107,898.32 | 18,655,384.92 | 391,763,283.23 | 2025 | 18,655,384.92 | 1,649,775.64 | 19,416,808.89 | |
| 2026 | 391,763,283.23 | 19,588,154.16 | 411,351,437.40 | 2026 | 19,588,154.16 | 1,649,775.64 | 20,305,160.55 | |
| 2027 | 411,351,437.40 | 20,567,561.87 | 431,918,999.27 | 2027 | 20,567,561.87 | 1,649,775.64 | 21,237,929.80 | |
| 2028 | 431,918,999.27 | 21,595,939.98 | 453,514,739.23 | 2028 | 21,595,939.98 | 1,649,775.64 | 22,217,337.51 | |
| 2029 | 453,514,739.23 | 22,675,736.86 | 476,190,476.19 | 2029 | 22,675,736.86 | 1,649,775.64 | 23,245,715.60 | |
| 2030 | 476,190,476.19 | 23,809,523.81 | 500,000,000.00 | 2030 | 23,809,523.81 | 1,649,775.64 | 24,325,512.80 | |
| 2031 | 500,000,000.00 | | | 2031 | | | 25,459,299.45 | |

Appendix A – Multiple Year Cash Flows

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42 Years

| Year | Liability Bailt/1 | Accretion 5.0% | Liab Bal 12/31 | Year-End Unill | Original P/Y | Accrion Exp | Deprec. Exp | Total Expense |
|--------------|-------------------|----------------|----------------|----------------|---------------|---------------|--------------|---------------|
| 1990 | 77,303,772.68 | 3,865,188.63 | 81,168,961.31 | 1990 | 3,865,188.63 | 77,303,772.68 | 1,840,566.02 | 5,705,754.65 |
| 1991 | 81,168,961.31 | 4,058,448.07 | 85,227,409.38 | 1991 | 4,058,448.07 | 1,840,566.02 | 1,840,566.02 | 5,899,014.08 |
| 1992 | 85,227,409.38 | 4,261,370.47 | 89,488,779.85 | 1992 | 4,261,370.47 | 1,840,566.02 | 1,840,566.02 | 6,101,936.49 |
| 1993 | 89,488,779.85 | 4,474,438.99 | 93,963,218.84 | 1993 | 4,474,438.99 | 1,840,566.02 | 1,840,566.02 | 6,315,005.01 |
| 1994 | 93,963,218.84 | 4,688,150.94 | 98,651,379.76 | 1994 | 4,688,150.94 | 1,840,566.02 | 1,840,566.02 | 6,538,726.96 |
| 1995 | 98,651,379.76 | 4,933,068.99 | 103,584,448.77 | 1995 | 4,933,068.99 | 1,840,566.02 | 1,840,566.02 | 6,773,635.01 |
| 1996 | 103,584,448.77 | 5,179,722.44 | 108,774,171.21 | 1996 | 5,179,722.44 | 1,840,566.02 | 1,840,566.02 | 7,020,288.45 |
| 1997 | 108,774,171.21 | 5,438,708.56 | 114,212,879.77 | 1997 | 5,438,708.56 | 1,840,566.02 | 1,840,566.02 | 7,279,274.58 |
| 1998 | 114,212,879.77 | 5,710,843.99 | 119,923,523.76 | 1998 | 5,710,843.99 | 1,840,566.02 | 1,840,566.02 | 7,551,210.00 |
| 1999 | 119,923,523.76 | 5,996,176.18 | 125,919,699.95 | 1999 | 5,996,176.18 | 1,840,566.02 | 1,840,566.02 | 7,836,551.01 |
| 2000 | 125,919,699.95 | 6,295,985.00 | 132,215,684.95 | 2000 | 6,295,985.00 | 1,840,566.02 | 1,840,566.02 | 8,136,551.01 |
| 2001 | 132,215,684.95 | 6,610,784.25 | 138,826,469.19 | 2001 | 6,610,784.25 | 1,840,566.02 | 1,840,566.02 | 8,451,350.26 |
| 2002 | 138,826,469.19 | 6,941,323.46 | 145,767,792.65 | 2002 | 6,941,323.46 | 1,840,566.02 | 1,840,566.02 | 8,781,885.48 |
| TTLS to Date | | | | | | | | |
| 2003 | 145,767,792.65 | 7,288,389.63 | 153,056,182.29 | 2003 | 7,288,389.63 | 1,840,566.02 | 1,840,566.02 | 9,128,855.65 |
| 2004 | 153,056,182.29 | 7,652,809.11 | 160,708,991.40 | 2004 | 7,652,809.11 | 1,840,566.02 | 1,840,566.02 | 9,493,375.13 |
| 2005 | 160,708,991.40 | 8,035,449.57 | 168,744,440.97 | 2005 | 8,035,449.57 | 1,840,566.02 | 1,840,566.02 | 9,876,015.59 |
| 2006 | 168,744,440.97 | 8,437,222.05 | 177,181,663.02 | 2006 | 8,437,222.05 | 1,840,566.02 | 1,840,566.02 | 10,277,768.06 |
| 2007 | 177,181,663.02 | 8,859,083.15 | 186,040,746.17 | 2007 | 8,859,083.15 | 1,840,566.02 | 1,840,566.02 | 10,699,649.17 |
| 2008 | 186,040,746.17 | 9,302,037.31 | 195,342,783.48 | 2008 | 9,302,037.31 | 1,840,566.02 | 1,840,566.02 | 11,142,603.32 |
| 2009 | 195,342,783.48 | 9,767,139.17 | 205,109,922.65 | 2009 | 9,767,139.17 | 1,840,566.02 | 1,840,566.02 | 11,607,705.19 |
| 2010 | 205,109,922.65 | 10,255,496.13 | 215,365,418.78 | 2010 | 10,255,496.13 | 1,840,566.02 | 1,840,566.02 | 12,096,021.15 |
| 2011 | 215,365,418.78 | 10,768,270.94 | 226,133,689.72 | 2011 | 10,768,270.94 | 1,840,566.02 | 1,840,566.02 | 12,608,836.98 |
| 2012 | 226,133,689.72 | 11,306,864.48 | 237,440,554.21 | 2012 | 11,306,864.48 | 1,840,566.02 | 1,840,566.02 | 13,147,250.50 |
| 2013 | 237,440,554.21 | 11,872,018.71 | 249,312,572.92 | 2013 | 11,872,018.71 | 1,840,566.02 | 1,840,566.02 | 13,712,564.73 |
| 2014 | 249,312,572.92 | 12,465,619.65 | 261,778,192.57 | 2014 | 12,465,619.65 | 1,840,566.02 | 1,840,566.02 | 14,308,185.66 |
| 2015 | 261,778,192.57 | 13,088,900.63 | 274,867,093.19 | 2015 | 13,088,900.63 | 1,840,566.02 | 1,840,566.02 | 14,929,466.84 |
| 2016 | 274,867,093.19 | 13,743,345.66 | 288,610,258.85 | 2016 | 13,743,345.66 | 1,840,566.02 | 1,840,566.02 | 15,583,911.68 |
| 2017 | 288,610,258.85 | 14,430,512.94 | 303,040,771.80 | 2017 | 14,430,512.94 | 1,840,566.02 | 1,840,566.02 | 16,271,078.98 |
| 2018 | 303,040,771.80 | 15,152,038.59 | 318,192,810.39 | 2018 | 15,152,038.59 | 1,840,566.02 | 1,840,566.02 | 16,992,604.51 |
| 2019 | 318,192,810.39 | 15,909,640.52 | 334,102,450.91 | 2019 | 15,909,640.52 | 1,840,566.02 | 1,840,566.02 | 17,750,206.54 |
| 2020 | 334,102,450.91 | 16,705,122.55 | 350,807,573.45 | 2020 | 16,705,122.55 | 1,840,566.02 | 1,840,566.02 | 18,545,888.56 |
| 2021 | 350,807,573.45 | 17,540,378.67 | 368,347,952.12 | 2021 | 17,540,378.67 | 1,840,566.02 | 1,840,566.02 | 19,380,944.69 |
| 2022 | 368,347,952.12 | 18,417,397.81 | 386,765,349.73 | 2022 | 18,417,397.81 | 1,840,566.02 | 1,840,566.02 | 20,257,983.62 |
| 2023 | 386,765,349.73 | 19,338,287.49 | 406,103,637.22 | 2023 | 19,338,287.49 | 1,840,566.02 | 1,840,566.02 | 21,178,833.50 |
| 2024 | 406,103,637.22 | 20,305,180.86 | 426,408,758.08 | 2024 | 20,305,180.86 | 1,840,566.02 | 1,840,566.02 | 22,145,748.88 |
| 2025 | 426,408,758.08 | 21,320,439.90 | 447,729,237.98 | 2025 | 21,320,439.90 | 1,840,566.02 | 1,840,566.02 | 23,161,005.92 |
| 2026 | 447,729,237.98 | 22,386,461.99 | 470,115,699.88 | 2026 | 22,386,461.99 | 1,840,566.02 | 1,840,566.02 | 24,227,027.92 |
| 2027 | 470,115,699.88 | 23,505,784.99 | 493,621,484.88 | 2027 | 23,505,784.99 | 1,840,566.02 | 1,840,566.02 | 25,346,351.01 |
| 2028 | 493,621,484.88 | 24,681,074.24 | 518,302,559.12 | 2028 | 24,681,074.24 | 1,840,566.02 | 1,840,566.02 | 26,521,640.26 |
| 2029 | 518,302,559.12 | 25,915,127.98 | 544,217,687.07 | 2029 | 25,915,127.98 | 1,840,566.02 | 1,840,566.02 | 27,755,693.97 |
| 2030 | 544,217,687.07 | 27,210,884.35 | 571,428,571.43 | 2030 | 27,210,884.35 | 1,840,566.02 | 1,840,566.02 | 29,051,450.37 |
| 2031 | 571,428,571.43 | 28,571,428.57 | 600,000,000.00 | 2031 | 28,571,428.57 | 1,840,566.02 | 1,840,566.02 | 30,411,994.59 |
| 2032 | 600,000,000.00 | | | 2032 | | | | |

Appendix A – Multiple Year Cash Flows

39

43 Years

| Year | Liability Bal f/t | Accretion 5.0% | Liab Bal 12/31 | Year-End Unit 1 | Accretion Exp Orig/Inst PV | Deprec. Exp | Total Expense |
|------|-------------------|----------------|----------------|-----------------|----------------------------|---------------|---------------|
| 1990 | 24,540,880.22 | 1,227,044.01 | 25,767,924.23 | 1990 | 1,227,044.01 | 24,540,880.22 | |
| 1991 | 25,767,924.23 | 1,288,396.21 | 27,056,320.44 | 1991 | 1,288,396.21 | 570,718.14 | 1,797,762.16 |
| 1992 | 27,056,320.44 | 1,352,816.02 | 28,409,136.46 | 1992 | 1,352,816.02 | 570,718.14 | 1,859,114.36 |
| 1993 | 28,409,136.46 | 1,420,456.82 | 29,829,593.28 | 1993 | 1,420,456.82 | 570,718.14 | 1,923,534.17 |
| 1994 | 29,829,593.28 | 1,491,479.88 | 31,321,072.95 | 1994 | 1,491,479.88 | 570,718.14 | 1,991,174.87 |
| 1995 | 31,321,072.95 | 1,566,053.65 | 32,887,126.59 | 1995 | 1,566,053.65 | 570,718.14 | 2,062,197.81 |
| 1996 | 32,887,126.59 | 1,644,356.33 | 34,531,482.92 | 1996 | 1,644,356.33 | 570,718.14 | 2,136,771.79 |
| 1997 | 34,531,482.92 | 1,726,574.15 | 36,258,057.07 | 1997 | 1,726,574.15 | 570,718.14 | 2,215,074.47 |
| 1998 | 36,258,057.07 | 1,812,902.85 | 38,070,959.92 | 1998 | 1,812,902.85 | 570,718.14 | 2,297,292.29 |
| 1999 | 38,070,959.92 | 1,903,548.00 | 39,974,507.92 | 1999 | 1,903,548.00 | 570,718.14 | 2,383,821.00 |
| 2000 | 39,974,507.92 | 1,998,725.40 | 41,973,233.32 | 2000 | 1,998,725.40 | 570,718.14 | 2,474,266.14 |
| 2001 | 41,973,233.32 | 2,098,861.67 | 44,071,894.98 | 2001 | 2,098,861.67 | 570,718.14 | 2,569,443.54 |
| 2002 | 44,071,894.98 | 2,203,594.75 | 46,275,489.73 | 2002 | 2,203,594.75 | 570,718.14 | 2,669,379.81 |
| 2003 | 46,275,489.73 | 2,313,774.49 | 48,589,264.22 | 2003 | 2,313,774.49 | 570,718.14 | 2,774,312.89 |
| 2004 | 48,589,264.22 | 2,429,463.21 | 51,018,727.43 | 2004 | 2,429,463.21 | 570,718.14 | 2,884,492.63 |
| 2005 | 51,018,727.43 | 2,550,936.37 | 53,569,663.80 | 2005 | 2,550,936.37 | 570,718.14 | 3,000,181.38 |
| 2006 | 53,569,663.80 | 2,678,483.19 | 56,248,146.99 | 2006 | 2,678,483.19 | 570,718.14 | 3,121,654.52 |
| 2007 | 56,248,146.99 | 2,812,407.35 | 59,060,554.34 | 2007 | 2,812,407.35 | 570,718.14 | 3,249,203.33 |
| 2008 | 59,060,554.34 | 2,953,027.72 | 62,013,582.06 | 2008 | 2,953,027.72 | 570,718.14 | 3,383,125.49 |
| 2009 | 62,013,582.06 | 3,100,679.10 | 65,114,261.16 | 2009 | 3,100,679.10 | 570,718.14 | 3,523,745.88 |
| 2010 | 65,114,261.16 | 3,255,713.08 | 68,369,974.22 | 2010 | 3,255,713.08 | 570,718.14 | 3,671,397.25 |
| 2011 | 68,369,974.22 | 3,418,498.71 | 71,788,472.93 | 2011 | 3,418,498.71 | 570,718.14 | 3,826,431.20 |
| 2012 | 71,788,472.93 | 3,589,423.65 | 75,377,896.57 | 2012 | 3,589,423.65 | 570,718.14 | 3,989,216.86 |
| 2013 | 75,377,896.57 | 3,768,894.83 | 79,146,791.40 | 2013 | 3,768,894.83 | 570,718.14 | 4,160,141.79 |
| 2014 | 79,146,791.40 | 3,957,339.57 | 83,104,130.97 | 2014 | 3,957,339.57 | 570,718.14 | 4,339,612.97 |
| 2015 | 83,104,130.97 | 4,155,206.55 | 87,259,337.52 | 2015 | 4,155,206.55 | 570,718.14 | 4,528,057.71 |
| 2016 | 87,259,337.52 | 4,362,966.88 | 91,622,304.40 | 2016 | 4,362,966.88 | 570,718.14 | 4,725,924.69 |
| 2017 | 91,622,304.40 | 4,581,115.22 | 96,203,419.62 | 2017 | 4,581,115.22 | 570,718.14 | 4,933,685.02 |
| 2018 | 96,203,419.62 | 4,810,170.98 | 101,013,590.60 | 2018 | 4,810,170.98 | 570,718.14 | 5,151,633.36 |
| 2019 | 101,013,590.60 | 5,050,679.53 | 106,064,270.13 | 2019 | 5,050,679.53 | 570,718.14 | 5,380,689.13 |
| 2020 | 106,064,270.13 | 5,303,213.51 | 111,367,483.64 | 2020 | 5,303,213.51 | 570,718.14 | 5,621,397.67 |
| 2021 | 111,367,483.64 | 5,568,374.18 | 116,935,857.82 | 2021 | 5,568,374.18 | 570,718.14 | 5,873,931.65 |
| 2022 | 116,935,857.82 | 5,846,792.89 | 122,782,650.71 | 2022 | 5,846,792.89 | 570,718.14 | 6,139,092.33 |
| 2023 | 122,782,650.71 | 6,139,132.54 | 128,921,783.24 | 2023 | 6,139,132.54 | 570,718.14 | 6,417,511.04 |
| 2024 | 128,921,783.24 | 6,446,089.16 | 135,367,872.41 | 2024 | 6,446,089.16 | 570,718.14 | 6,709,650.88 |
| 2025 | 135,367,872.41 | 6,768,393.62 | 142,136,266.03 | 2025 | 6,768,393.62 | 570,718.14 | 7,016,807.31 |
| 2026 | 142,136,266.03 | 7,106,813.30 | 148,243,079.33 | 2026 | 7,106,813.30 | 570,718.14 | 7,339,111.78 |
| 2027 | 148,243,079.33 | 7,462,153.97 | 153,705,233.29 | 2027 | 7,462,153.97 | 570,718.14 | 7,677,631.45 |
| 2028 | 153,705,233.29 | 7,835,261.86 | 158,540,494.96 | 2028 | 7,835,261.86 | 570,718.14 | 8,032,872.11 |
| 2029 | 158,540,494.96 | 8,227,024.75 | 162,777,519.71 | 2029 | 8,227,024.75 | 570,718.14 | 8,405,979.81 |
| 2030 | 162,777,519.71 | 8,638,375.99 | 166,405,895.68 | 2030 | 8,638,375.99 | 570,718.14 | 8,797,742.89 |
| 2031 | 166,405,895.68 | 9,070,294.76 | 169,478,190.48 | 2031 | 9,070,294.76 | 570,718.14 | 9,209,094.13 |
| 2032 | 169,478,190.48 | 9,523,809.52 | 200,000,000.00 | 2032 | 9,523,809.52 | 570,718.14 | 9,841,012.93 |
| 2033 | 200,000,000.00 | | | 2033 | | | 10,094,527.67 |

Appendix A – Multiple Year Cash Flows

| | Debit | Credit | |
|--|----------------|----------------|---|
| Summary of Data for Journal Entry Consideration | | | |
| January 1, 2003 | | | |
| Long lived asset increase (asset retirement cost) | 228,303,726.91 | | Present Value |
| Accumulated Depreciation on the Books (To date Decommission Fund + Fund Earnings This) | | | Calculated YE 2002 |
| Cumulative-effect adjustment DR = UNDERFUNDED CR = OVERFUNDED | 271,895,417.71 | | |
| Accumulated Depreciation | | 71,259,716.06 | PV Depreciated through 2002 |
| ARO liability | | 426,729,423.56 | Accretion to Date PLUS PV |
| Total | 497,989,144.62 | 497,989,144.62 | |
| December 31, 2003 | | | |
| Depreciation exp annual 2003 | 5,461,516.62 | | Per schedule summed 2003 from each schedule |
| Accumulated dep annual 2003 | | 5,461,516.62 | |
| Accretion exp annual 2003 | 21,336,471.43 | | Per schedule summed 2003 from each schedule |
| ARO liability 2003 | | 21,336,471.43 | |
| Total | 26,617,988.05 | 26,617,988.05 | |

Appendix B – Unregulated and Regulated Operations ARO Journal Entry Assumptions

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Implementation Date: 01/01/03
 Date Asset was placed in service: 01/01/95
 Asset Useful Life: 20
 Retirement Date: 12/31/14
 Future Value (Inflation) Rate: 4%
 Discount Rate (Credit-adjusted risk-free rate): 6.5%
 Contractor's Mark-up: 20%
 Market Risk Premium: 5%
 COR Liability Accrued to Date or Cost embedded in Accumulated Depreciation: \$500,000
 Cash Payment to settle ARO on 12/31/14: \$900,000
 Depreciation is calculated based on: 20
 Accretion is calculated by using the credit-adjusted risk-free rate: 6.5%
 Original Asset Value (for which ARO is attached): \$5,000,000
 Corporate tax rate: 45.0%

Initial Measurement of the ARO Liability at 01/01/03

Labor \$200,000
 Overheads & Equipment (90% X \$200,000) \$160,000
 Contractor's Mark-up (20% X (\$200,000 + \$160,000)) \$72,000
 Expected Cash Flows Before Inflation \$432,000
 Expected Cash Flows Adjusted for Inflation \$946,565
 Inflation Factor assuming 4% for 20 years $(\$432,000 \times (1 + 4\%)^{20})$
 From 01/01/95 to 12/31/14
 Market Risk Premium (\$946,565 X 5%) \$47,328
 Total Expected Cash Flows (1) \$993,893
 Present Value using the credit-adjusted risk-free rate (\$993,893 / (1 + 6.5%)^{20}) (2) \$282,064

NOTE:

(1) The amount represents the future value of the ARO (i.e., the anticipated liability amount (expected cash flow) when the asset is removed. This is the amount that the current liability (\$282,064+\$184,751 = \$466,815) would accrete to every month from implementation date (assuming 01/01/03 in this example) to 12/31/14 at a rate of 6.5%. G/L Systems should be programmed to calculate the monthly accretion from the original liability (\$466,815) to the expected cash flows at 12/31/14). Total final liability is \$993,893.

(2) The initial ARO liability as of 01/01/03 and the capitalized asset cost is to be provided. No GL calculation will be required.

ADDITIONAL CONFIGURATION REQUIREMENTS:

1. There must be a way to link the original asset (\$500,000) and ARO asset (\$282,064) and the liability (\$466,815 to \$993,893)
2. The original asset, ARO asset and ARO liability must be retired at the same time. The accretion on the ARO liability stops upon settlement.



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SFAS 143

EDISON ELECTRIC INSTITUTE/
AMERICAN GAS ASSOCIATION

Asset Retirement Obligation Implementation
White Paper

DISCUSSION DRAFT

08-02-02

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Statement of Financial Accounting Standards No. 143
Accounting For Asset Retirement Obligations

Overview

In June 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 143, Accounting for Asset Retirement Obligations. Statement 143 changes the way companies recognize and measure legal retirement obligations that result from the acquisition, construction and normal operation of tangible long-lived assets. In general, companies will be required to recognize much sooner any legal liability associated with the future retirement of tangible long-lived assets.

Statement 143 is effective for fiscal years beginning after June 15, 2002 (January 1, 2003 for calendar year companies). Asset retirement obligations must be recognized as a liability and measured at fair value. The cost associated with the recognition of the asset retirement obligation is capitalized as part of the related asset's book cost and is depreciated over the expected life of the asset.

The asset retirement obligation is initially recorded at fair value, so the increase in that liability causes accretion expense (similar to interest) to be recognized each period as an operating expense in the income statement.

Statement 143 does not grandfather any current accounting for existing obligations. Companies will have to convert to the new standard and recognize the cumulative effect of initially applying the statement as a change in accounting principle. The amount to be reported as a cumulative effect adjustment in the statement of operations is the difference between the amounts, if any, recognized in the statement of financial position prior to the application of Statement 143 and the net amount that is recognized in the financial statements by applying new Statement 143. Any asset retirement obligations that are currently reported as part of accumulated depreciation will be reversed as part of the cumulative effect adjustment.

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Scope

The scope of the final statement includes only legal obligations that compel the owner to remove the asset or dispose of some component at retirement. The obligations included within the scope of the standard are those that are unavoidable as a result of the acquisition, construction, or the normal operation of a long-lived tangible asset. An ARO liability should be recognized if it meets the definition of a liability in FASB Concepts Statement No. 6, "Elements of Financial Statements." In assessing whether an ARO meets this definition, an entity should determine if:

- (a) It has a present duty or responsibility to one or more other entities that entails settlement by probable future transfer or use of assets,
- (b) It has little or no discretion to avoid a future transfer or use of assets, and
- (c) An obligating event has already happened.

But what does this mean and how does one determine if a long-lived asset is within this scope definition? Only assets that are defined as long-lived are included. One must then determine if any legal obligations exist that are associated with the retirement of these long-lived assets. For the sake of this discussion, retirement is defined as the other-than-temporary removal of a long-lived asset from service. It includes sale, abandonment, recycling, or disposal in some other manner. However, it does not include the temporary idling of a long-lived asset.

Identifying ARO's and measuring the liability is the most important part in the adoption of FASB 143. It is recommended that utilities form working teams and include representatives from legal, accounting, financial, operations and other business units as deemed necessary. These teams will need to define very specifically what scope is to their company and how the review of what is in scope will take place.

Basically the determination of whether assets are within the scope of Statement 143 is a review of legal documents past and present that relate to the purchase, construction, development, or normal operation of the asset. Utilities have many tangible long-lived assets many of which were constructed over many decades. Thus, a sizable amount of work is required to identify the legal obligations associated with plant assets and the review that identifies those legally enforceable obligations that does make one liable for removal in any respect. Also an obligation may result from only a portion of an asset (disposal of PCBs from a transformer) and only that portion must be established under Statement 143. For purposes of Statement 143, a legally enforceable obligation can result from:

- (a) A government action, such as law, statute, or ordinance,
- (b) An agreement between entities, such as a written or oral contract,

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- (c) A promise conveyed to a third party that imposes a reasonable expectation of performance upon the promisor under the doctrine of promissory estoppel.

To identify ARO's, the Law department can perform a review of all the typical legal documents that includes laws, statutes, contracts, permits, certificates of need, etc. This review should cover the documents listed in the first two items above. As the Law department does its review, it is important to establish with them some ground rules to prevent the review from becoming impossible in size. Start with a definition of long-lived assets and a list of those assets that meet the definition. It is important to give this definition to the Law department and any other area assisting on this project because the areas outside of accounting may not be cognizant of useful lives. For areas where there is a large magnitude of similar contracts, use of a sampling technique can be employed. However, it should be noted that if the result of the sampling does not produce evidence of a legal obligation, one might want to include an ARO disclosure if there could be an obligation, albeit remote, in the contracts not sampled. An example of such a document is the easement associated with distribution property.

By assessing plant assets and reviewing legal documents including contracts, licenses, leases, etc., the team can develop potential ARO's. However, the team also will need to identify any liabilities established by promissory estoppel. The review of promissory estoppel is difficult. - Black's Law Dictionary defines promissory estoppel as "the principle that a promise made without consideration may nonetheless be enforced to prevent injustice if the promisor should have reasonably expected the promisee to rely on the promise and if the promisee did actually rely on the promise to his or her detriment." The recommendation is to begin with an inventory of issues, relationships, or other documentation that employees outside of the Law department may have knowledge or possession. An inventory is used as opposed to a general survey in that an inventory is more readily responded to over a survey. Thus, query plant and operations managers from power production through the wires business to identify the obligations created under the doctrine of promissory estoppel. The inventory can begin with a questionnaire to assist with the field review. The questionnaire can contain a common language explanation of what it is you are looking for and why. It is important that the questionnaire attempt to derive potential commitments made with local entities or those agreements entered into in order to settle community issues at the time of initial construction.

Once the inventory is complete, the work is not done. Obviously the information that was returned needs to be reviewed. The Accounting and Law department must review and discuss responses to determine if circumstances meet the requirements for creation of a legal obligation under the doctrine of promissory estoppel. But where more work arises is when one plant or department has discovered a potential retirement obligation. One must return to discuss this situation with the other plants or departments to assure that the entire obligation have been identified.

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Many utilities have included removal costs in depreciation rates or some other rate recovery mechanism. If customers have been paying for the cost of retirement through rates, they may have a reasonable expectation that the utility will expend the costs to retire the asset at the end of its useful life. The inclusion of a cost of removal component in depreciation rates in and of itself does not constitute a legal obligation under the doctrine of promissory estoppel. However, promises made by utilities in rate case proceedings or the specifics of PUC rate case orders may elevate the inclusion of a cost of removal component in depreciation rates to the level of a legal obligation. This determination is a legal question that should be evaluated with the assistance of legal counsel. Barring any legal obligations the inclusion of removal costs in depreciation rates would be construed as replacement costs of components of the entire system and are not considered final retirement costs and therefore do not constitute an ARO.

Prior to adoption of SFAS#143, GAAP for utilities was to classify the removal cost liability as a part of the reserve for accumulated depreciation. If all or a portion of interim asset retirements are not included in the scope of SFAS # 143 and a company falls under the accounting prescribed by SFAS #71, classifying the removal cost liability as a part of the reserve for accumulated depreciation continues to be GAAP. Accordingly, the removal cost liability related to these types of assets should not be reclassified as a regulatory liability. If an asset does fall under the scope of SFAS#143 and a company falls under the accounting prescribed by SFAS #71, any removal cost currently classified as a part of the reserve for accumulated depreciation should be reclassified as a regulatory liability.

The Standard identifies examples of potential ARO's including landfill closure and nuclear decommissioning however there are probably many more in existence. The following example of types of assets that may be within the scope of Statement 143 and circumstances that may or may not create an ARO:

1) Nuclear Production

- a) Final Nuclear Decommissioning – a company has a legal obligation to perform decontamination activities when the plant ceases operations. Contamination results from the normal operation of the plant and a liability should be recorded. A company needs to review contracts, licenses, operating agreements, leases, etc. to assess their extent of liability. In addition to obligations surrounding contamination, there may be legal requirements to return the plant to a “greenfields” state. These costs are usually identified in required decommissioning studies. If the legal obligation is determined to include only the contaminated portions of the plant, then adjustments to the entire decommissioning study will need to be made to reflect only those portions as an ARO.
- b) Nuclear Fuel – a company needs to review all the associated documents, which surround this asset. It is generally assumed that eventually the Federal Government will bear the responsibility for this asset when it is finally retired and removed from the plant site. The retirement of the storage and handling facilities

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for nuclear fuel after it has been spent will be the obligation of the company. These costs, such as dry cask storage facilities, would create an ARO and may be included already in final decommissioning. If no storage facilities currently exist but they will be required when the spent fuel pool gets full the construction and retirement of such facilities would need to be considered when assessing an entities obligation.

- c) Interim Retirements- an asset retirement obligation may exist for component parts of the larger system. The retirement of this component part may happen prior to retirement of the entire system and may constitute an obligation separate from the final retirement or decommissioning. An example is a steam generator that needs to be replaced prior to the end of the life of the unit. The obligation associated with the retirement of the steam generator may occur at the time of replacement, if the steam generator is removed from the site. However if the steam generator is left on the site, the storage and obligation will occur with the final decommissioning of the plant and may be included in current plant decommissioning estimates. Not all interim retirements will create an ARO. The recommendation is that a company will need to assess interim retirements individually as to frequency and materiality to determine when an ARO should be recognized and also what costs should be captured as an ARO. For example, Entity A has a highly contaminated nuclear asset with a cost of removal of approximately \$2 million. \$.8 million of this is for the labor and supplies needed to remove the asset and the other \$1.2 million is for the "special" disposition costs for disposing of the contaminated asset. Because this is an interim retirement, the recommendation is that only the \$1.2 million of disposition costs be accounted for in the ARO. For interim retirements such as these, it is generally assumed that there is no legal obligation to remove the asset, only a legal obligation to dispose of the asset. In contrast, when the plant is closed and the replaced asset is being removed, it is generally assumed that the entire \$2 million of costs be included in the ARO due to the legal obligations associated with closing the plant. In a similar example, suppose the labor and supplies to remove the asset are \$1.98 million and the disposition costs are only \$.02 million. In this example a company may choose not to record any ARO based on immateriality. Each company will need to address their specific materiality thresholds.

2. **Steam Production**

- a) General – after reviewing legal documents, which includes easements, licenses, leases etc, a company may discover they have no legal obligations associated with asset retirement. Types of assets that may have ARO's associated with them are intake structures, ash ponds, underground storage tanks, coal piles, tanks used to accumulate hazardous waste, and coal mines. In some instances, there is no legal obligation to remove a structure or restore the land. In another instance, a lease on the land may require decommissioning of the plant.

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- b) Environmental Obligations – A company may have certain environmental obligations. If these environmental obligations result from environmental law, contract, or other agreement or license, then they are legal obligations. An ARO results only from environmental remediation liabilities arising from the normal operation of the power plants. A company may have some liability associated with a segment of the power plant such as ash ponds or intake structures. Asbestos to be removed as part of an asset retirement is subject to the requirements of FASB 143 and the cost of removal should be included in determining the obligation. If asbestos clean up is performed prior to the asset retirement then it should be accounted for in accordance with the guidance of SOP 96-1.
- c) Shared Assets – some generating facilities are co-owned or have many joint owners. A situation may arise where one party defines an ARO and the other owners do not. In this situation, it would behoove a company to review the circumstances behind why the one company chose to recognize an ARO. There could be instances where one company has made promissory statements and the other companies will need to have their legal staffs decide whether or not this promise could be construed as their obligation as well. The scope of the retirement obligation may be valued different by two or more co-owners for regulatory purposes depending upon the State Commissions. An entity needs to understand the development of a decommissioning cost estimate prior to using it for their obligation, in other words co-owners should agree on the final retirement estimate to use for an ARO.

3. Hydro Production

- a) Federal Government– many hydro dams are operated under governmental water right or flowage right licenses issued by the Federal Energy Regulatory Commission (FERC). These licenses may not have explicit terms stating that a company is responsible for removal or closure costs related to the ultimate retirement of the dams. These dams have an extremely long useful life if operated and maintained properly and it often is presumed that the asset will be operated into perpetuity. Since removal of the dam property is not required under current operations, there is no ARO arising from the FERC licenses. But that may not be the case forever. If the plant is going to be decommissioned, an application to the FERC would be made and if the retirement ensues an ARO would then be created. Also, if a dam is structurally impaired and legally it must be removed, an ARO is created.
- b) State Government – although the dams and spillways are controlled by Federal licenses, there may be additional requirements placed on the facility by the state or local agencies. A review of such requirements may produce an ARO even though the review of the Federal license did not.

4. Electric Transmission And Distribution Plant

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- a) Transmission and Distribution Lines – a company may have transmission or distribution lines that operate under property easement agreements. A company usually holds only perpetual easements. If an easement were to be released, a company may have an obligation to remove the lines and in some instances a state may require removal if the entire line is retired. However, these easements do not generally require restoration of the area. In general, a company operates the transmission and distribution lines as if the assets will be operated into perpetuity. Even if the utility were to cease business, it is more likely than not that another energy company would simply takeover the lines. A legal obligation may be construed to exist due to the easement requiring removal of the lines, however, the issue of whether the obligation can be measured is dealt with in the next section.

- b) Interim Retirements - There are interim retirements of T&D plant that are components of the system occurring annually that may have retirement obligations associated with them. These may be due to environmental or other contractual agreements. Examples could be wood poles and electrical equipment containing PCBs, such transformers and capacitors. Retirement of these assets may involve replacements for components of the system, though they may have environmental obligations associated with their retirement. The disposal of treated wood poles is regulated under state law and may require special handling and disposal; electrical equipment containing PCBs require special disposal. These retirements need to be addressed for frequency and materiality to determine when the interim retirement would fall within the scope of FAS 143.

5. Gas Transmission and Distribution Plant

- a) Gas Transmission and Distribution Mains and Services – the Company may have a gas transmission or distribution system that operates under property easement agreements. A Company usually holds only perpetual easements. If an easement were to be released, the Company may not have an obligation to remove the system but allows a retirement in place. Gas pipelines containing PCBs must meet certain requirements prior to abandonment or when removed for disposal. However, in some instances a state may require removal if the entire line is retired. These easements may not generally require restoration of the area, but certain local governments may. In this case a portion of the line may have an ARO. Generally, a Company operates the gas transmission and distribution system as if the assets will be operated into perpetuity. Even if the utility were to cease business, it is more likely than not that another energy company would simply takeover the lines. A legal obligation may be construed to exist due to the easement requiring removal of the lines, however, the issue of whether the obligation can be measured is dealt with in the next section.

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- b) Interim Retirements- There are interim retirements of gas transmission and distribution assets that are components of the system occurring annually that may have retirement obligations due to environmental or other contractual reasons. Examples of these would be mains and regulating systems, however absent legal obligations these retirements are probably replacements for components of the system and would not be considered an ARO. Interim retirements need to be addressed for frequency and materiality to determine when and if they would fall within the scope of FASB 143.

6. Other Plant

- a) Underground tanks could be considered as a retirement obligation. In some instances, a State requirement creates an obligation when the tanks are initially installed. In other cases, there are no legal obligations surrounding the disposal of the tanks until the entity does something with the land the tanks are on i.e.; sell the property. There still may be no obligation if the clean-up is performed under SOP 96-1.
- b) Coal mines could possibly be considered an ARO with regard to potential closure and/or site reclamation requirements. If an entity owns the land and makes holes for mines, are the holes the asset or is the land the asset? If we assume the holes are the asset and they are depleted in 12-18 months, then there may not be an ARO as the mines would not be considered long-lived assets. If the mines were worked for long periods then the clean up at these mines could constitute an ARO.

7. Lease Obligations

- a) FASB 143 applies to companies that incur retirement obligations including companies that lease assets to other. There may be costs associated with a lease that should be recorded as an asset retirement obligation.
- b) An obligation to remove leasehold improvements at the end of the lease may be an ARO under FASB 143. This is an example of where promissory estoppel may exist.

8. Remediation Responsibilities

- a) FASB 143 does not apply to obligations resulting from improper operation of an asset or a system. Environmental damage that requires immediate clean up resulting from improper operations (e.g., oil spill) would probably be liable under SOP 96-1 and not subject to FASB 143.
- b) If the cleanup is delayed and can be completed with the system retirement then it is determined to be due to proper operations and is an obligation under FASB 143.

Measurement

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Once it is determined that the obligation falls within the scope of Statement 143, measurement is the next step of the liability. The amount of the liability would initially be measured at fair value. An entity 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 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 a reasonable estimate of fair value can be made. In subsequent periods, an entity would recognize any changes in the amount resulting from the passage of time and revisions to either the timing or amount of estimated cash flows.

The initial measurement of the liability will be at fair value (i.e. the amount that an entity would be required to pay in an active market to settle the asset retirement obligation). The guidelines require a fair value measurement even though some entities may perform the retirement activities using only internal resources. If quoted market prices are not available, an estimate of fair value can be calculated using valuation techniques such as the expected present value method.

For periods subsequent to the initial measurement, entities are required to recognize changes in the liability resulting from the passage of time and from revisions in the timing or amount of estimated cash flows. Changes resulting from the passage of time will increase the carrying amount of the liability over time and will be recognized as an operating cost rather than as interest expense in the financial statements. Entities will use the effective interest method and the credit-adjusted risk-free rate for interest allocation to the liability. The objective of the method is to recognize a level effective interest rate that is equivalent to the entity's risk-free rate (rate of zero coupon US Treasury bonds) adjusted for the entity's credit standing.

Revisions in the timing or amount of estimated cash flows are to be recognized as changes in the carrying amount of the liability and the related capitalized asset and are to be measured using the current credit-adjusted risk-free rate for upward revisions, or using the credit-adjusted risk-free rate applied in the initial measurement for downward revisions.

The statement requires a company to recognize the present value of its total estimated cash flows as a liability with a corresponding increase to the related long-lived asset. Use of cost accumulation based estimated engineering studies or removal cost studies might be discounted at the company's credit-adjusted risk-free interest rate to record the initial value of the liability, plus cumulative unrecognized interest expense if the liability occurred in the past. The cumulative effect adjustment for unrecognized depreciation and accretion expense may be recoverable in rates and, therefore, the Company may recognize an additional regulatory asset rather than a cumulative adjustment to the income statement.

The value of the ARO liability may be affected by the standard's requirement to use fair value in its measurement. In addition to the change in the value of the ARO liability, the Company may incur additional costs associated with obtaining new engineering studies or removal cost

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estimates prepared in accordance with the proposed requirements. The full impact of the ARO's fair value measurement requirement is not yet known.

Most entities will use the expected present value method due to the non-existence of an active market for settling AROs. Removal costs would be based on gross removal costs instead of net. The estimated salvage value is included in determining the depreciation base of the asset. Therefore the estimated salvage should be excluded from the cash flows used to estimate the ARO. If an entity uses the expected present value method, the entity would need to incorporate assumptions into its cash flows that would reflect the assumptions that third parties would be required to consider in order to take on the settlement of the obligation. Such third party or market assumptions include the following:

- (a) The costs that a third party would incur in performing the tasks necessary to retire the asset,
- (b) Other amounts that a third party would normally include such as inflation, overhead, equipment charges, profit margin, and advances in technology,
- (c) The extent that a third party's costs or timing would differ due to different future scenarios and relative probability,
- (d) The market risk premium that a third party would demand for them to take on the risks (similar to a contingency factor).

An example would be two entities using nuclear decommissioning studies to determine an ARO for their nuclear power plants. In one case, Entity A intends to decommission their plant using internal resources. Entity B had planned to have their decommissioning performed by a third party. Both entities reflected their intentions in their decommissioning studies. In developing their ARO, Entity A would have to add assumptions about profit margins, overheads and other third party costs to their ARO estimate, similar to Entity B. Failure to include certain third party costs would be inconsistent with FASB 143.

Some general guidelines for determining whether to recognize an ARO and corresponding examples are described below:

- (a) When cash flow can be determined and there is a high or medium probability of the settlement date, a liability must be recorded. Such is the case for nuclear decommissioning costs. Cash flows are estimated by cost accumulation based engineering studies and the settlement date is provided by the license date.
- (b) When cash flow can be determined and there is a low probability of the settlement date, the measurement will reflect the low probability in the expected cash flows. An example would be the removal of an asset when retirement is unlikely. Removal costs and a corresponding estimate of cash flows could be obtained.

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However, since retirement is unlikely, a 10% chance of occurrence is assigned to the probability estimate in the expected cash flow analysis.

- (c) When cash flow cannot be determined and there is a low probability of the settlement date, no liability is recorded but disclosure of the ARO is required. In subsequent periods, the ARO must be re-evaluated until sufficient information exists to determine a reasonable estimate of fair value. Generally, mass assets such as transmission and distribution assets have indeterminate cash flow estimates and no settlement dates.

An entity shall disclose the following information about its asset retirement obligations:

- (a) A general description of the asset retirement obligations and the associated long-lived assets,
- (b) The fair value of assets that are legally restricted for purposes of settling asset retirement obligations,
- (c) A reconciliation of the beginning and ending aggregate carrying amount of asset retirement obligations showing separately the changes attributable to (1) liabilities incurred in the current period, (2) liabilities settled in the current period, (3) accretion expense, and (4) revisions in estimated cash flows, whenever there is a significant change in one or more of those four components during the reporting period.

If the fair value of an asset retirement obligation cannot be reasonably estimated, that fact and the reasons therefore shall be disclosed.

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Calculation Process Overview

1. Guidelines
2. Calculating Estimated Cash Flows and Present Values
3. Calculating Accretion Schedule
4. Calculating Depreciation Schedule
5. Summary for Journal Entries
6. Calculating Subsequent Cash Flow Increase
7. Calculating Subsequent Cash Flow Decrease
8. Regulated - Footnote Disclosure
9. Calculating Multiple Cash Flows - See Appendix (A)

1. Guidelines:

- Estimates must be based on current active market pricing or prices for similar valuation, not at a cost using internal labor resources
- If removal will take longer than one year, estimated cash flows should be determined for each year.
The accretion schedule and PV depreciation schedules should be prepared individually for each cash flow rather than as a sum total
- If variable removal options exist then probability analysis should be done to determine the appropriate cash flows. Also if there is a potential license extension then inflation factors should be applied
- Re-evaluation of estimated cash flow: increase use current risk free rates, decreases use risk free rate in effect when the original liability was calculated
- If more than one unit is at a facility, depending on timing, each unit may carry its own ARO. Additionally common area removal costs are presumed to be included with the final unit being removed. This could result in a layering effect on the books
- Exclude salvage value from cash flow estimates
- New Assets calculations would still apply except there would be no Accumulated Depreciation or Accretion to date when placed in service.

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2. Calculating Expected Cash Flows:

| | |
|--|----------------|
| Labor | 200,000 |
| OH & Equipment 80% x 200,000 | 160,000 |
| Contractors Mark Up 20% x (200,000+160,000) | 72,000 |
| | ----- |
| Expected Cash flows Before Inflation | 432,000 |
| | ----- |
| Inflation Factor: Cash Flows x (1 + rate) ^ #years | |
| Inflated Cash Flows 432,000 x (1 + 4%) ^ 20 | 946,565 |
| Market Risk Premium 5% x 946,565 | 47,328 |
| | ----- |
| TOTAL EXPECTED CASH FLOWS | 993,893 |
| | ===== |

Calculate the Present Value of the Estimated Cash Flows

Using a credit adjusted risk free rate: Discount rate / Accretion Rate
*20 year lived asset

Example:

| | |
|---|----------------|
| Expected Cash Flows | 993,893 |
| PV Calculation = Cash flow / (1+ rate) ^ #years | |
| Present Value = 993,893 / (1+6.5%) ^ 20 | 282,064 |

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3. Calculate Accretion Schedule using the same risk free rate

*Present Value is accreted over the life at the specific rate so at the end of the term the total equals the expected cash flows

| | Present Value | 6.5% Annual Accretion PV * Discount rate | Liability Balance PV+ Annual Accretion |
|------|-------------------|--|---|
| 1995 | 282,064.01 | 18,334.16 | 300,398.17 |
| 1996 | 300,398.17 | 19,525.88 | 319,924.05 |
| 1997 | 319,924.05 | 20,795.06 | 340,719.12 |
| 1998 | 340,719.12 | 22,146.74 | 362,865.86 |
| 1999 | 362,865.86 | 23,586.28 | 386,452.14 |
| 2000 | 386,452.14 | 25,119.39 | 411,571.53 |
| 2001 | 411,571.53 | 26,752.15 | 438,323.68 |
| 2002 | 438,323.68 | 28,491.04 | 466,814.72 |
| 2003 | 466,814.72 | 30,342.96 | 497,157.67 |
| 2004 | 497,157.67 | 32,315.25 | 529,472.92 |
| 2005 | 529,472.92 | 34,415.74 | 563,888.66 |
| 2006 | 563,888.66 | 36,652.76 | 600,541.42 |
| 2007 | 600,541.42 | 39,035.19 | 639,576.62 |
| 2008 | 639,576.62 | 41,572.48 | 681,149.10 |
| 2009 | 681,149.10 | 44,274.69 | 725,423.79 |
| 2010 | 725,423.79 | 47,152.55 | 772,576.33 |
| 2011 | 772,576.33 | 50,217.46 | 822,793.80 |
| 2012 | 822,793.80 | 53,481.60 | 876,275.39 |
| 2013 | 876,275.39 | 56,957.90 | 933,233.29 |
| 2014 | 933,233.29 | 60,660.16 | 993,893.46 |

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4. Calculate Depreciation Expense Schedule

*Present Value Depreciated over life of the asset.
Total at end of life must equal Present Value

| Present Value | | | |
|------------------------------|-----------|------|------------|
| 282,064.01 / 20 years | | | |
| 1995 | 14,103.20 | 2006 | 14,103.20 |
| 1996 | 14,103.20 | 2007 | 14,103.20 |
| 1997 | 14,103.20 | 2008 | 14,103.20 |
| 1998 | 14,103.20 | 2009 | 14,103.20 |
| 1999 | 14,103.20 | 2010 | 14,103.20 |
| 2000 | 14,103.20 | 2011 | 14,103.20 |
| 2001 | 14,103.20 | 2012 | 14,103.20 |
| 2002 | 14,103.20 | 2013 | 14,103.20 |
| 2003 | 14,103.20 | 2014 | 14,103.20 |
| 2004 | 14,103.20 | TTL | 282,064.01 |
| 2005 | 14,103.20 | | |

Create Expense Worksheet (combine above schedules)

Annual Accretion and Annual Depreciation of the PV = Total New Expenses

Insert Line to accumulate totals to date for use in the journal entry

| | Annual Accretion Expense | Annual Depr Expense | TTL Expenses |
|---------------------|-----------------------------|------------------------|--------------|
| 1995 | 18,334.16 | 14,103.20 | 32,437.36 |
| 1996 | 19,525.88 | 14,103.20 | 33,629.08 |
| 1997 | 20,795.06 | 14,103.20 | 34,898.26 |
| 1998 | 22,146.74 | 14,103.20 | 36,249.94 |
| 1999 | 23,586.28 | 14,103.20 | 37,689.48 |
| 2000 | 25,119.39 | 14,103.20 | 39,222.59 |
| 2001 | 26,752.15 | 14,103.20 | 40,855.35 |
| 2002 | 28,491.04 | 14,103.20 | 42,594.24 |
| TTLs TO DATE | 184,750.71 | 112,825.60 | |
| 2003 | 30,342.96 | 14,103.20 | 44,446.16 |
| 2004 | 32,315.25 | 14,103.20 | 46,418.45 |
| 2005 | 34,415.74 | 14,103.20 | 48,518.94 |
| 2006 | 36,652.76 | 14,103.20 | 50,755.96 |
| 2007 | 39,035.19 | 14,103.20 | 53,138.39 |
| 2008 | 41,572.48 | 14,103.20 | 55,675.68 |
| 2009 | 44,274.69 | 14,103.20 | 58,377.89 |
| 2010 | 47,152.55 | 14,103.20 | 61,255.75 |
| 2011 | 50,217.46 | 14,103.20 | 64,320.66 |

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| | | | |
|------|-----------|-----------|-----------|
| 2012 | 53,481.60 | 14,103.20 | 67,584.80 |
| 2013 | 56,957.90 | 14,103.20 | 71,061.10 |
| 2014 | 60,660.16 | 14,103.20 | 74,763.36 |

5. Summary

* Information for journal entry consideration

| | |
|---|-------------------|
| Asset Retirement Liability (ARO) = PV element | 282,064.01 |
| Asset Retirement Liability (ARO) = Accretion to date element | 184,750.71 |
| Additional Accumulated depreciation = PV depreciated thru 2002 | 112,825.60 |
| | ----- |
| Sub total - Required | 579,640.32 |
| | ----- |
| LESS | |
| Asset Retirement Cost (ARC) = PV element | 282,064.01 |
| Total Accumulated Depreciation thru 2002 = accumulated decommission funding ttls | 0.00 |
| | ----- |
| Sub Total - Booked | 282,064.01 |
| | ----- |
| Cumulative-effect adjustment = DR =under funded CR = over funded | 297,576.31 |
| | ===== |
| 2003 Depreciation Expense = PV depreciation per schedule | 14,103.20 |
| 2003 Accretion expense = per schedule | 30,342.96 |

6. Subsequent Cash Flow Increases

*Increases must use the current risk free rate

| | | |
|------------------------------|--------------|----------|
| Original Asset In Place 1995 | | |
| Original Cash Flow Estimate | 993,893.46 | Yr. 2002 |
| Original Risk Free Rate used | 6.50% | Yr. 2002 |
| Subsequent Revised Cash Flow | 1,493,893.46 | Yr. 2003 |
| DELTA Increase in Cash Flow | 500,000.00 | Yr. 2003 |
| Current Risk Free Rate | 7.50% | Yr. 2003 |

New Layer of ARO

| | |
|----------------------|--|
| Incremental Increase | 500,000.00 |
| PV Calculation | incremental cash flow / (1+rate)^# Remaining years |

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| | | |
|---------------|------------------------------------|------------|
| Present Value | $500,000.00 / (1+7.5\%)^{12}$ | 209,927.06 |
| | (1995+20years = 2015, | |
| | 2015 - CY 2003 = 12 yr. Remaining) | |

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New Layer of Accretion/Depreciation

| Accretion Expense | Present Value PV INCREMENT | NEW RISK RATE | |
|----------------------|-------------------------------|--|---|
| | | Annual Accretion PV * Discount rate 7.5% | Liability Balance PV+ Annual Accretion |
| 2003 | 209,927.06 | 15,744.53 | 225,671.59 |
| 2004 | 225,671.59 | 16,925.37 | 242,596.96 |
| 2005 | 242,596.96 | 18,194.77 | 260,791.73 |
| 2006 | 260,791.73 | 19,559.38 | 280,351.11 |
| 2007 | 280,351.11 | 21,026.33 | 301,377.44 |
| 2008 | 301,377.44 | 22,603.31 | 323,980.75 |
| 2009 | 323,980.75 | 24,298.56 | 348,279.31 |
| 2010 | 348,279.31 | 26,120.95 | 374,400.26 |
| 2011 | 374,400.26 | 28,080.02 | 402,480.28 |
| 2012 | 402,480.28 | 30,186.02 | 432,666.30 |
| 2013 | 432,666.30 | 32,449.97 | 465,116.27 |
| 2014 | 465,116.27 | 34,883.72 | 500,000.00 |

| Depreciation Expense | Present Value |
|-------------------------|-----------------------|
| | 209,927.06 / 12 years |
| 2003 | 17,493.92 |
| 2004 | 17,493.92 |
| 2005 | 17,493.92 |
| 2006 | 17,493.92 |
| 2007 | 17,493.92 |
| 2008 | 17,493.92 |
| 2009 | 17,493.92 |
| 2010 | 17,493.92 |
| 2011 | 17,493.92 |
| 2012 | 17,493.92 |
| 2013 | 17,493.92 |
| 2014 | 17,493.92 |
| TTL | 209,927.06 |

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7. Subsequent Cash Flow Decreases

*Decreases must use the rate applied to the asset at the time original ARO was calculated

| | | |
|--------------------------------|--------------|----------|
| Original Asset In Place 1995 | | |
| Original Cash Flow Estimate | 993,893.46 | Yr. 2002 |
| Original Risk Free Rate used | 6.50% | Yr. 2002 |
| Subsequent Revised Cash Flow | 793,893.46 | Yr. 2010 |
| DELTA Decrease in Cash Flow | (200,000.00) | Yr. 2010 |
| Risk Free Rate Used Originally | 6.50% | Yr. 2003 |

New Layer of ARO

| | | |
|----------------|--|--------------|
| Delta Decrease | | (200,000.00) |
| PV Calculation | incremental cash flow / (1+rate)^# Remaining years | |
| Present Value | -200,000 / (1+6.5%) ^ 5 (1995 +20years = 2015, 2015 - CY 2010 = 5 yr. Remaining) | (145,976.17) |

New Layer of Accretion/Depreciation

| Accretion Expense | Present Value PV INCREMENT | Original Risk Rate Annual Accretion PV * Discount rate 6.5% | Liability Balance PV+ Annual Accretion |
|-------------------|-------------------------------|--|---|
| 2010 | (145,976.17) | (9,488.45) | (155,464.62) |
| 2011 | (155,464.62) | (10,105.20) | (165,569.82) |
| 2012 | (165,569.82) | (10,762.04) | (176,331.86) |
| 2013 | (176,331.86) | (11,461.57) | (187,793.43) |
| 2014 | (187,793.43) | (12,206.57) | (200,000.00) |

Depreciation

| Expense | Present Value (145,976.17) / 5 years |
|---------|---|
| 2010 | (29,195.23) |
| 2011 | (29,195.23) |
| 2012 | (29,195.23) |
| 2013 | (29,195.23) |
| 2014 | (29,195.23) |
| TTL | (145,976.17) |

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9. Regulated - Footnote Disclosure

* Disposal of Treated Poles Example

Under the theory that it is unknown when a pole will need to be replaced and that the life of each pole is indeterminable, the recommendation is to **handle as a footnote disclosure** for FAS 143 compliance

10. Calculating Multiple Year Cash Flows – See Appendix (A)

Nuclear Plant Dismantlement Schedule

- Assumptions
 - 40 Year Life
 - 4 years of estimated cash flows
 - Placed in Service 1990
 - Discount/Accretion Rate is 5%
- Estimated Annual Cash Flows
- Accretion Schedules
- PV Depreciation Schedules

Summary of Data for Journal Entry Consideration

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**Subject: FAS 143 - Journal Entry Accounting for
Regulated and Unregulated Operations**

Purpose: To provide accounting guidance on journal entry preparation for both regulated and unregulated operations resulting from the implementation of FAS 143. This White Paper will provide accounting guidance on the required journal entries at:

1. Implementation;
2. Monthly journal entries subsequent to implementation;
3. Settlement of the obligation and the retirement of the initial asset;
4. Additional ARO resulting from an increase in ownership percentage.

The impact on regulated entities resulting from FAS 143 (implementation to settlement) will be Profit & Loss neutral and will be reflected as a regulatory asset/liability on the Balance Sheet as long as the recovery of the regulatory asset/liability is probable under FAS 71.

Unregulated Operations

1) Journal Entries Required at Implementation: There are a number of journal entries required at implementation to properly reflect the effect of FAS 143. These journal entries are:

- To record the initial fair value of the ARO asset and ARO liability;
- To record the effect of depreciation on the ARO asset from the time the ARO liability was incurred to implementation (offset is cumulative effect);
- To record the effect of accretion on the ARO liability from the time the ARO liability was incurred to implementation (offset is cumulative effect);
- To record the reversal of gross cost of removal liability accrued to date (offset is cumulative effect), if any;
- To record taxes on the net cumulative effect on income (offset is cumulative effect).

To record the initial fair value of the ARO asset and ARO liability

Upon implementation of FAS 143, the ARO liability (in current dollars) must be future valued at the anticipated inflation rate to when the projected cash outflows will occur. The ARO liability must then be present valued back to when the liability was first incurred using the company's risk free rate plus risk premium. This present value of the future cash flows at the time the liability was first incurred is the ARO asset to be depreciated using a systematic and rational allocation method. This amount is also the initial ARO liability before any accretion on the ARO liability to date of implementation and beyond.

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To record the effect of depreciation on the ARO asset from the time the ARO liability was incurred to implementation

The ARO asset must be depreciated using a systematic and rational allocation method. This adjustment to the cumulative effect is for the total life to date depreciation that would have occurred if the asset was established at the time the ARO liability was incurred to date of implementation of FAS 143.

To record the effect of accretion on the ARO liability from the time the liability was incurred to implementation

The ARO liability must be accreted to the final future value of the ARO liability at the company's risk free rate plus risk premium. This adjustment to the cumulative effect is for the total life to date accretion that would have occurred if the ARO liability was established and accreted from the time the ARO liability was incurred to date of implementation of FAS 143.

To record the reversal of gross cost of removal liability accrued to date

Any gross cost of removal liability accrued to date must be reversed from the Balance Sheet and offset against the cumulative effect.

To record taxes payable or receivable on the net cumulative effect

The tax effect (based on the company's effective tax rate) of the cumulative effect must be reflected.

2) Monthly Journal Entries Subsequent to Implementation: There are a number of journal entries that are required each month to properly reflect the effect of FAS 143 on operations.

These journal entries are:

- To record monthly depreciation expense;
- To record monthly accretion expense.

To record monthly depreciation expense

Every month, the present value of the future cash flows at the time the liability was first incurred (ARO asset) must be depreciated using a systematic and rational allocation method.