

Service Date: November 10, 1992

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

IN THE MATTER of the MONTANA) UTILITY DIVISION
POWER COMPANY’S Request for an)
Accounting Order to Accrue and) DOCKET NO. 92.9.48
Defer Other Post Employment)
Benefits as a Result of)
FASB SFAS No. 106.) ORDER NO. 5653

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ACCOUNTING ORDER

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1. On September 2, 1992, the Montana Power Company (MPC or Company) filed with the Montana Public Service Commission (Commission) an application for an Accounting Order allowing the Company to accumulate and defer certain Other Post Employment Benefits (OPEBs) costs in connection with the implementation of the Financial Accounting Standards Board’s (FASB) Statement of Financial Accounting Standard No. 106. That statement is titled Employer’s Accounting for Postretirement Benefits Other Than Pensions (SFAS No. 106). Specifically, the Company requests Commission approval to accumulate and defer the costs incurred by the Company, which will be reflected in financial statements effective January 1, 1993, that exceed the costs currently being recognized for ratemaking purposes.

2. SFAS No. 106 was issued by the FASB in December, 1990, and required that companies recognize the expense of OPEBs during the time employees work to

match the time that the benefits are earned. The standard became effective for fiscal years commencing after December 15, 1992. MPC must implement SFAS No. 106 by January 1, 1993.

3. MPC provides OPEBs such as health care and life insurance. Currently, the costs of these OPEBs are recognized on a cash (pay-as-you-go) basis. On January 1, 1993, companies, for financial statement purposes, must begin accounting for these costs by accruing for them as they are earned by current employees and by amortizing amounts previously earned but not recorded or paid.

4. MPC's current rates recognize the pay-as-you-go (PAYG) costs of OPEBs. The accrual method in SFAS No. 106 will not be reflected in MPC's rates on January 1, 1993. In its application MPC stated that the estimated unreflected cost for 1993 is \$2,741,000. SFAS No. 106, Paragraph No. 150 states: "The decision of how or when to fund the obligation is not an accounting issue."

5. MPC stated in its application "Applicant understands that if the Commission issues the requested Accounting Order, it has the full burden of proof to demonstrate that such accumulated amounts are properly included in the revenue requirement in MPC's next general rate case."

6. The Commission grants MPC's request for an Accounting Order. MPC may accumulate and defer the OPEB costs incurred by MPC pursuant to SFAS No. 106 that exceed the PAYG costs for a given year. For example, in 1993 the amount deferred would equal the difference between the 1993 SFAS No. 106 amount and the 1993 PAYG amount. This calculation would be performed prior to any of the costs, PAYG or SFAS No. 106, being capitalized. The deferral may begin on January 1, 1993.

7. This Accounting Order is to be effective for a period not to exceed two years. Should MPC desire to continue the deferral beyond the two year period, resubmission of the request and an explanation of why further deferral consideration should be granted will be necessary. At the time in which the Commission makes a ratemaking ruling for SFAS No. 106, that ruling, not this Accounting Order, will be the controlling document for the treatment of SFAS No. 106.

8. MPC will have the opportunity, as well as the burden, to demonstrate in its next general rate case: 1) the appropriate level of OPEB costs to be recovered through ratemaking, and 2) the proper recovery period for those OPEB costs.

9. Approval of this Order is for accounting purposes only. This Order is not to be construed as, nor is it in any way, a directive as to the proper accounting treatment for OPEB costs, or an approval of either the actual numbers involved, the accounting method used, or the assumptions underlying those numbers. Most importantly, this Order does not imply or direct in any fashion that OPEB costs deferred pursuant to this Order will be at any time recoverable in rates.

CONCLUSIONS OF LAW

1. The Montana Power Company is a public utility furnishing electric and natural gas service to consumers in the State of Montana, subject to the supervision, regulation, and control of this Commission. Title 69, Chapter 3, MCA, Section 69-3-102, MCA.

ORDER

1. The Commission grants MPC's request for an Accounting Order. MPC may accumulate and defer the OPEB costs incurred by MPC pursuant to SFAS No. 106 that exceed the PAYG costs for a given year. For example, in 1993 the amount deferred would equal the difference between the 1993 SFAS No. 106 amount and the 1993 PAYG amount. This calculation would be performed prior to any of the costs, PAYG or SFAS No. 106, being capitalized. The deferral may begin on January 1, 1993.

DONE AND DATED at Helena, Montana this 9th day of November, 1992, by a vote of 5 - 0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

DANNY OBERG, Chairman

WALLACE W. "WALLY" MERCER, Vice Chairman

BOB ANDERSON, Commissioner

JOHN B. DRISCOLL, Commissioner

TED C. MACY, Commissioner

ATTEST:

Kathlene Anderson
Acting Commission Secretary
(SEAL)

NOTE: Any interested party may request that the Commission reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.