

STANDARDS AND PROCEDURES FOR ACCOUNTING ORDERS

I. Purpose and Applicability

The purpose of these standards and procedures is to formalize a process for the Public Utility Commission (“Commission”) to review a public utility’s request for an order authorizing regulatory accounting treatment for specific costs or revenue as prescribed in 30 V.S.A. § 221. These standards and procedures are applicable to requests for accounting orders. The Commission may, on its own or upon request of the applicant and for good cause, waive or modify the standards and procedures with respect to a specific request for an accounting order.

II. Definitions

An “accounting order” is issued to approve regulatory accounting treatment, not otherwise authorized by the Commission pursuant to an alternative regulation plan, rate case order, or other Commission proceeding, that allows for deferral and amortization of specific costs or revenue as a regulatory asset or liability for purposes of rate treatment pursuant to the Commission’s authority over the books, accounts, and records of any public utility as specified under 30 V.S.A. § 221.

“GAAP” is Generally Accepted Accounting Principles. Under these rules, expenditures incurred and revenue received must be recorded and recognized in the income statement for the year in which the expense is recognized or the revenue is earned.

“ASC 980” (formerly FAS 71) is the Accounting Standards Codification titled “Topic 980 Regulated Operations” and identifies requirements for the authorization of regulatory accounting treatment that would allow a public utility to defer and amortize eligible costs or revenue over a prescribed period of time.

III. Criteria for Regulatory Accounting Treatment

Commission authorization of regulatory accounting treatment under ASC 980 would permit a public utility to book costs or revenue to an appropriate deferral account instead of booking the costs or revenue in the current year as would be required under GAAP. The creation of a regulatory asset (deferral of costs) or a regulatory liability (deferral of revenue) allows the public utility to amortize the identified expenses or income over a prescribed period of time. Under GAAP, an extraordinary event or transaction is one that is “abnormally and significantly different from the ordinary and typical activities of the company and which would not reasonably be expected to occur in the foreseeable future.” The Commission uses this standard and the following criteria when determining whether to grant a request for an accounting order allowing regulatory treatment of identified expenses: (1) the amount is material; (2) the event was unplanned; (3) the event was beyond management’s control; and (4) the problem is unusual, abnormal, and not likely to be repeated.¹

¹ *Central Vermont Public Service Corporation Rate Investigation*, Docket 6946/6988, Order of 3/29/05 at 54.

IV. How to File Requests for Accounting Orders

A public utility must file requests for Commission issuance of accounting orders pursuant to 30 V.S.A. § 221 with the Commission using ePUC, the Commission's electronic filing system. The public utility must serve the request and accompanying material on the Department using ePUC.² However, if a document in the filing contains information that the public utility alleges is confidential, the public utility must follow the process in Commission Rule 2.226 for filing information that a party asserts to be confidential.³

V. Filing Requirements

Requests for Commission issuance of accounting orders pursuant to 30 V.S.A. § 221 must include, at a minimum: (1) a brief description of the event or transaction for which regulatory accounting treatment is sought; (2) an evaluation of the criteria described above; and (3) a summary of the proposed accounting treatment, including the intended plan to balance the deferral account(s). The public utility must also file a proposed draft accounting order.

VI. Schedule for Review

If the Vermont Department of Public Service ("Department") wishes to file a recommendation regarding a public utility's request for an accounting order, it must do so within 30 days of the date on which the proposal was filed with the Commission. The Commission may request additional information from the public utility at any time during the 45-day review period.

VII. Issuance of Decision

The Commission will issue a final decision regarding a request for an accounting order within 45 calendar days of the filing of the proposal. Over the course of its review, the Commission may determine, upon request of the Department or on its own initiative, that good cause exists to extend the review period of the request for an accounting order. Despite the timeframe set forth above, a requested accounting order is not granted until the Commission issues an order doing so. Failure to meet the above timeframe does not constitute *de facto* approval.

² See Commission Rule 2.204(B)(3).

³ See Commission Rule 2.226(B).