A SIMPLE ILLUSTRATION OF THE RECOMMENDED APPROACH FOR ESTIMATED MARKET VALUE ACCOUNTING

Accounting Entries for Estimated Market Value of A Generation Plant Asset

Assume that a plant has a net book value of $120,000 at January 1, 2000 with a 10 year life, its economic depreciation is $1,000.00 a month. Assume also that its estimated market value after six months of operation is $200,000. What accounting entries are recommended?

Net Book value at 1//2000	$120,000	Interim Gain or Credit to the TCBA	
Less Accrued Depreciation	6,000	Estimated Market Value	$200
Net Book value at 6/30/2000	114,000	Less Net book value	114
		Net Credit to TCBA	86,

A corresponding debit amount of $86,000 is recorded in a two way balancing account titled Interim Gain on Generation Asset Balancing Account. Interest is accrued at reduced rate of return on the amount.

Final Market Valuation

Assume the plant's final market value at the end of 2001 is either $180,000 or $240,000. What accounting entries should be made at this time?

Beginning Net Book Value	$120,000	Market Valuation -$18(	
Less: Accumulated Depreciation	24,000	Final Market Value	$
Net Book value	96,000	Less: Net book Value	
		Net Gain	

Market Valuation - $240,000

Final Market Value	$240,000
Less:Net Book Value	96,000
Net Gain	$144,000

Net Gain to Credit to Estimated Gain on Asset Disposition Balancing Account Based on Market Valuation Outcome

$180,000 Final Market Valuation		$240,000 Final Market Valuation
Net Gain After Market Vaulation	$84,000	$144,000
Less:Recognized Depr.	18,000	$18,000
Net Gain	$66,000	$126,000

Estimated Gain on Asset Disposition Balancing Account Balances at the e

Debit Beginning Balance	$86,000	86,000
Less: Final Gain	66,000	126,000
Amount Owed to or by Ratepayers	20,000	-40,000

End of Appendix E