

**Exhibit No. ECO-17  
Dockets UE-151871/UG-151872  
Witness: Elizabeth C. O'Connell**

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,**

**Complainant,**

**v.**

**PUGET SOUND ENERGY,**

**Respondent.**

**DOCKETS UE-151871/UG-151872  
(consolidated)**

**EXHIBIT TO  
TESTIMONY OF**

**ELIZABETH C. O'CONNELL**

**STAFF OF  
WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION**

*ASC Update - Underlying Asset Definition*

**June 7, 2016**

# FINANCIAL ACCOUNTING SERIES

**FASB** ACCOUNTING STANDARDS UPDATE

No. 2016-02  
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Leases (Topic 842)

An Amendment of the *FASB Accounting Standards Codification*®

Financial Accounting Standards Board

### **Sales-Type Lease**

From the perspective of a **lessor**, a **lease** that meets one or more of the criteria in paragraph 842-10-25-2.

### **Selling Profit or Selling Loss**

At the **commencement date**, selling profit or selling loss equals:

- a. The **fair value** of the **underlying asset** or the sum of (1) the **lease receivable** and (2) any **lease payments** prepaid by the lessee, if lower; minus
- b. The carrying amount of the underlying asset net of any **unguaranteed residual asset**; minus
- c. Any deferred **initial direct costs** of the lessor.

### **Short-Term Lease**

A **lease** that, at the **commencement date**, has a **lease term** of 12 months or less and does not include an option to purchase the **underlying asset** that the **lessee** is reasonably certain to exercise.

### **Standalone Price**

The price at which a customer would purchase a component of a **contract** separately.

### **Sublease**

A transaction in which an **underlying asset** is re-leased by the **lessee** (or intermediate **lessor**) to a third party (the sublessee) and the original (or head) **lease** between the lessor and the lessee remains in effect.

### **Underlying Asset**

An asset that is the subject of a **lease** for which a right to use that asset has been conveyed to a **lessee**. The underlying asset could be a physically distinct portion of a single asset.

### **Unguaranteed Residual Asset**

The amount that a **lessor** expects to derive from the **underlying asset** following the end of the **lease term** that is not guaranteed by the **lessee** or any other third party unrelated to the lessor, measured on a discounted basis.