

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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IN RE: PROPOSED AMENDMENTS TO RULE 25-6.0142, F.A.C.,
UNIFORM RETIREMENT UNITS FOR ELECTRIC UTILITIES

NOTICE OF PROPOSED RULE DEVELOPMENT

TO

ALL INTERESTED PERSONS

ISSUED: February 19, 1999

NOTICE is hereby given pursuant to Section 120.54, Florida Statutes, that the Florida Public Service Commission staff has initiated the development of Rule 25-6.0142, Florida Administrative Code, to amend provisions relating to uniform retirement units for electric utilities.

The attached Notice of Proposed Rule Development will appear in the February 26, 1999, edition of the Florida Administrative Weekly. If timely requested and not deemed unnecessary by the Commission, a rule development workshop will be held at the following time and place:

Florida Public Service Commission
10:00 a.m., Tuesday, April 6, 1999
Betty Easley Conference Center, Room 182
4075 Esplanade Way
Tallahassee, Florida

The request must be submitted in writing and received by Mary Anne Helton, Division of Appeals, Florida Public Service Commission, 2540 Shumard Oak Blvd., Tallahassee, FL 32399-0850, no later than March 12, 1999.

Any person requiring some accommodation at this workshop because of a physical impairment should call the Division of Records and Reporting at (850) 413-6770 at least 48 hours prior to the hearing. Any person who is hearing or speech impaired should contact the Florida Public Service Commission by using the Florida Relay Service, which can be reached at 1-800-955-8771 (TDD).

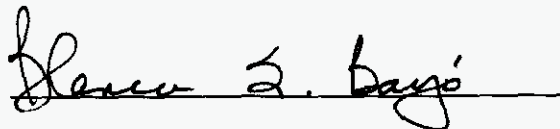
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By Direction of the Florida Public Service Commission, this
19th day of February, 1999.

A handwritten signature in cursive script, reading "Blanca S. Bayó", is written over a horizontal line.

BLANCA S. BAYÓ, Director
Division of Records & Reporting

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NOTICE OF PROPOSED RULE DEVELOPMENT

FLORIDA PUBLIC SERVICE COMMISSION

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RULE TITLE:

RULE NO.:

Uniform Retirement Units

25-6.0142

for Electric Utilities

PURPOSE AND EFFECT: To add the definition for average industry cost, to raise the capitalization threshold from \$500 to \$1000, to clarify costs associated with the retirement and replacement of retirement units, to codify acceptable accounting practice related to reuse of retired plant materials, to strike the mandatory \$10,000 capitalization requirement, and to update the List of Retirement Units. These changes will give the utilities more flexibility in capitalization and expensing procedures as well as reduce administrative time in tracking items of small value.

SUBJECT AREA TO BE ADDRESSED: The refinement of certain accounting practices relating to the capitalization and expensing of plant within electric utilities.

SPECIFIC AUTHORITY: 350.127(2), 366.05(1), F.S.

LAW IMPLEMENTED: 350.115, 366.04(2)(f), 366.041, 366.06(1), F.S.

IF REQUESTED IN WRITING AND NOT DEEMED UNNECESSARY BY THE AGENCY HEAD, A RULE DEVELOPMENT WORKSHOP WILL BE HELD AT THE TIME, DATE, AND PLACE SHOWN BELOW:

TIME AND DATE: 10:00 a.m., Tuesday, April 6, 1999

PLACE: Betty Easley Conference Center, Room 182, 4075 Esplanade

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Way, Tallahassee, FL 32301.

THE WORKSHOP REQUEST MUST BE SUBMITTED IN WRITING WITHIN 14 DAYS OF THE DATE OF THIS NOTICE TO MARY ANNE HELTON, DIVISION OF APPEALS, 2540 SHUMARD OAK BOULEVARD, TALLAHASSEE, FL 32399-0850.

Any person requiring some accommodation at this workshop because of a physical impairment should call the Division of Records and Reporting at (850) 413-6770 at least 48 hours prior to the hearing. Any person who is hearing or speech impaired should contact the Florida Public Service Commission by using the Florida Relay Service, which can be reached at: 1-800-955-8771 (TDD).

THE PERSON TO BE CONTACTED REGARDING THE PROPOSED RULE DEVELOPMENT AND A COPY OF THE PRELIMINARY DRAFT, IF AVAILABLE, IS: Patricia Lee, Division of Auditing and Financial Analysis, Florida Public Service Commission, 2540 Shumard Oak Blvd., Tallahassee, FL 32399-0862.

THE PRELIMINARY TEXT OF THE PROPOSED RULE DEVELOPMENT IS:
25-6.0142 Uniform Retirement Units for Electric Utilities.

(1) No change.

(2) For the purpose of this Rule, the following definitions shall apply:

(a) Average Inventory Cost - An estimate of original material cost, used in those instances when undue refinement in accounting procedures would be required to maintain records as to the original material cost of individual items. The average material cost is determined for a group of items having similar

characteristics. The group and cost may relate to a vintage or group of vintages. For example, the average cost of a property item may vary depending on the original vintage falling in the 1985-1990 period, as compared to the same item having the original vintage in the 1991-1995 period.

(b) Book Cost - The amount at which an item of property is included in a plant account, including the costs of all labor, material, and associated installation.

(c) Cost of removal - The cost of demolishing, dismantling, removing, tearing down or otherwise disposing of electric plant, including the cost of transporting and handling.

(d)-(a) Cradle-To-Grave Accounting - An accounting method which treats a unit of plant as being in service from the time it is first purchased until it is finally junked or is finally disposed of in another manner. The period in shop for refurbishing, or in stock/inventory awaiting reinstallation is treated as being in service.

(e)-(b) Item - A single identifiable unit of utility plant. Capitalization criteria shall apply to the single item and not to a block or group of such items purchased on one order.

(f)-(e) Minor Item - Any part or element of plant which is not designated as a retirement unit, but is a component part of the retirement unit.

(g)-(d) Retirement - A retirement unit or unreplaced minor item which has been removed, sold, abandoned, destroyed, or otherwise removed from service, except where that removal is of a

"cradle-to-grave" item.

~~(e) Book Cost — The amount at which an item of property is included in a plant account, including the costs of all labor, material, and associated installation.~~

~~(f) Cost of removal — The cost of demolishing, dismantling, removing, tearing down or otherwise disposing of electric plant, including the cost of transporting and handling.~~

(3) All utility plants shall be considered as consisting of retirement units and minor items of property. Each utility will implement a list of retirement units in conformity with the Commission's "List of Retirement Units (Electrical Plant) as of January 1, 1999 ~~March 30, 1997~~" (hereinafter referred to as "List") as of the beginning of the next fiscal year following the adoption of this rule. A utility may further subdivide retirement units in order to achieve a list more reflective of common, major replacement items providing that the cost of the additional subdivided unit is \$1,000 ~~\$500~~ or more. The Director of the Division of Auditing and Financial Analysis, Florida Public Service Commission, shall be notified annually of additions and subdivisions to the utility's retirement unit List with explanations of the nature and justification.

(4) The addition and retirement of retirement units as set forth in the List incorporated in this rule shall be accounted for as follows:

(a) through (b) No change.

(c) When a retirement unit is replaced, the cost of the

replacement should be accounted for in the same manner as in paragraph(4)(a) if the cost meets the criteria set forth in subsection ~~(10)~~ or (11). Otherwise, the charge should be made to the appropriate expense account.

(d) When a retirement unit is retired and removed from service in conjunction with the installation of a replacing unit, the cost of removal of the retiring unit shall be separated from the installation cost of the new replacing unit. Cost of removal shall be debited to the appropriate reserve account as set forth in paragraph (4)(b).

(5) No change.

(6)(a) When a retirement unit is retired and it has a prospect for reuse, the original or estimated original cost of the material subject for reuse shall be credited to the account reserve of the retiring unit as gross salvage with a debit in the same amount to Account 154, Plant Materials and Operating Supplies. When the retirement unit is reused, the original or estimated original material cost shall be credited to Account 154 with a debit to the appropriate plant account. The plant account shall also be debited with costs for new installation and labor.

(b) When it is impractical to determine the original cost for each unit subject to reuse due to the relatively large number or small cost of such units, an appropriate average inventory cost that allows for any difference in size or character shall be used. The cost of repairing such items shall be charged to the maintenance account appropriate for the previous use.

(c) Reusable materials consisting of relatively small minor items, the identity of which cannot be determined without an undue refinement in accounting shall be included in Account 154, Plant and Materials Operating Supplies, at average inventory cost for such new items. The cost of repairing such items shall be charged to the appropriate expense account as indicated by previous use.

(7)-(6) The addition and retirement of items such as meters and transformers may be accounted for as cradle-to-grave, in which case the cost for refurbishing these items shall be charged to the appropriate expense accounts.

(8)-(7) Overhead construction costs such as engineering, supervision, general office salaries and expenses, construction engineering, insurance, taxes, relief and pensions, injuries and damages shall be capitalized only if they are directly associated with the construction project and shall be charged to particular jobs or units on the basis of the amounts of such overheads to the end that each job or unit shall bear its equitable portions of these costs and that the entire cost of the unit both direct and overhead shall be deducted from the plant accounts at the time the property is retired.

(9)-(8) All maintenance costs, whether the work is done by the utility or under contract, shall be expensed. Unusual or extraordinary expenses can be amortized over a reasonable period of time as determined by the Commission. The costs of keeping equipment and plant in good condition shall be accounted for as

maintenance expenses. Included in this classification are the costs of material and labor associated with the upkeep of plant such as:

(a) The training of maintenance personnel and the testing of equipment and facilities.

(b) The cost of ordinary repairs, refurbishment, repainting, and rearrangements of plant.

(c) Miscellaneous expenses like shop repairs, tool expenses, and motor vehicle expenses.

(d) The cost of performing work to prevent failure, restore serviceability or maintain or realize the life expectancy of the plant.

(e) The cost of repairing material for reuse.

(f) The cost of restoring the condition of plant damaged by attrition, acts of nature, fire or other casualties (other than the cost of replacing retirement units).

(g) The cost of inspecting after repairs have been made.

(h) Direct field supervision of maintenance.

(i) The cost of general supervision and engineering associated with maintenance work.

~~(10)-(9)~~ Engineering unclassified time shall be expensed.

~~(10) The replacement or removal of an item which constitutes a portion of a given retirement unit for the Structures and Improvements Account, as set forth in the List, shall be accounted for in the same manner as for the replacement of a retirement unit whenever that item has a book cost of \$10,000 or~~

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~~more. Otherwise, the replacement is charged to the appropriate expense account with no retirement recorded.~~

(11) A capitalization criteria of \$1,000 ~~\$500~~ is imposed for each retirement unit as set forth in the List for the Office Furniture and Equipment, Stores Equipment, Tools, Shop and Garage Equipment, Laboratory Equipment, Power Operated Equipment, Communication Equipment, and Miscellaneous Equipment Accounts.

(12) The "List of Retirement Units (Electrical Plant), Effective January 1, 1999 ~~March 30, 1997~~" published by the Florida Public Service Commission is incorporated herein by reference. A copy of the List may be obtained from the Director of the Division Auditing and Financial Analysis, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850.

Specific Authority 350.127(2), 366.05(1) FS.

Law Implemented 350.115, 366.04(2)(f), 366.041, 366.06(1) FS.

History--New 9-6-87, Amended 3-19-92, 3-18-97, _____.

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