

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Proposed amendments to
Rule 25-6.0142, F.A.C., Uniform
Retirement Units for Electric
Utilities.

DOCKET NO. 990707-EI
ORDER NO. PSC-99-2078-FOF-EI
ISSUED: October 21, 1999

The following Commissioners participated in the disposition of
this matter:

JOE GARCIA, Chairman
J. TERRY DEASON
SUSAN F. CLARK
JULIA L. JOHNSON
E. LEON JACOBS, JR.

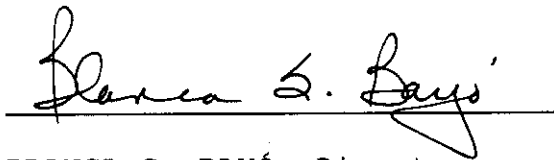
NOTICE OF ADOPTION OF RULE AMENDMENT

NOTICE is hereby given that the Florida Public Service
Commission, pursuant to Section 120.54, Florida Statutes, has
adopted the amendments to Rule 25-6.0142, Florida Administrative
Code, relating to uniform retirement units for electric utilities
with changes.

The rule amendments were filed with the Department of State on
October 19, 1999, and will be effective on November 9, 1999. A
copy of the rule as filed with the Department is attached to this
Notice.

This docket is closed upon issuance of this notice.

By ORDER of the Florida Public Service Commission, this 21st
day of October, 1999.



BLANCA S. BAYÓ, Director
Division of Records & Reporting

(S E A L)

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FPSR-RECORDS/REPORTING

25-6.0142 Uniform Retirement Units for Electric Utilities.

(1) The rules and definitions set forth below are intended to establish uniform retirement units and establish capitalization versus expensing guidelines for electric utilities and do not relieve any utility from maintaining its accounts and records in conformity with the Uniform System of Accounts prescribed by the Code of Federal Regulations, Title 18, Chapter I, Subchapter C, Part 101 as adopted by Rule 25-6.014 except as provided in subsections (2) through (12) of this rule.

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

(a) Average Inventory Cost - An estimate of original material cost for a group of items having similar characteristics.

(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. Any time spent ~~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 - The removal, sale, abandonment, destruction, or other removal ~~A retirement unit or unreplaced minor item which has been removed, sold, abandoned, destroyed, or otherwise removed from service~~ of a retirement unit or unreplaced minor item, 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, 2000 ~~March 30, 1997~~" (hereinafter referred to as "List"), which is published by the Commission and is incorporated herein by reference. A copy of the List may be obtained from the Director of the Division of Auditing and Financial Analysis, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850. The List must be implemented by each utility as of the beginning of the next fiscal year following the date the List was last updated ~~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) When a retirement unit meeting the capitalization criteria set forth in the List as well as that set forth in subsection (11) is installed, the total installed cost shall be

added to the appropriate plant account. Installed cost includes the associated labor, material, and installation cost.

(b) When a retirement unit is retired, with or without a replacement, the book cost of the retiring unit shall be credited to the plant account in which it is included and likewise debited to the associated account reserve. The cost is to be determined from the company's records. If it cannot be, it is to be estimated. Any cost of removal and gross salvage associated with the retirement shall likewise be debited and credited, respectively, to the account reserve. The retirement entry shall be recorded no later than two months following the transfer of expenditures from Construction Work in Progress (Account 107) to Electric Plant in Service (Account 101/106). Associated cost of removal charges will be recorded when incurred and gross salvage will be recorded when received.

(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 criterion ~~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) The addition and retirement of minor items of depreciable property shall be accounted for as follows:

(a) When a minor item which did not previously exist as a part of a retirement unit at a given location is added, the cost shall be accounted for in the same manner as for the addition of a retirement unit if the intent of such addition is to render the affected retirement unit more useful, of greater capacity, or increased efficiency. Otherwise, the charge shall be made to the appropriate maintenance expense account.

(b) When a minor item is retired and not replaced, the book cost along with any associated cost of removal and gross salvage shall be accounted for in the same manner as for the retirement of a retirement unit. If, however, the book cost of the minor item retired and not replaced has been accounted for by its inclusion in the retirement unit of which it is a part, no separate credit to the property account or debit to the associated account is required.

(c) When a minor item is replaced independently of the retirement unit of which it is a part, the cost of replacement shall be charged to the maintenance account appropriate for the

item, except that if the replacement effects a substantial betterment (the primary aim of which is to make the property affected more useful, more efficient, of greater durability, or of greater capacity), the excess cost of the replacement over the estimated cost at current prices of replacing without betterment shall be charged to the appropriate plant account.

(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 Plant Materials and Operating Supplies (Account 154). 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 Plant and Materials Operating Supplies (Account 154) 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~~

ORDER NO. PSC-99-2078-FOF-EI
DOCKET NO. 990707-EI
PAGE 10

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

(11) A minimum capitalization criterion ~~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 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), F.S.

Law Implemented: 350.115, 366.04(2)(f), 366.041, 366.06(1), F.S.

History--New 09-06-87, Amended 03-19-92, 03-18-97, 11/09/99.