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FLORIDA PUBLIC SERVICE COMMISSION

UNDOCKETED

RULE TITLE:

RULE NO.:

Uniform Retirement Units for  
Electric Utilities

25-6.0142

PURPOSE AND EFFECT: To update the List of Retirement Units (Electrical Plant) incorporated by reference in Rule 25-6.0142; to provide revised criteria for designation of retirement units for certain general plant accounts; and, to provide for appropriate treatment of material which may be salvaged for reuse after retiring from plant-in-service.

SUBJECT AREA TO BE ADDRESSED: The designation of retirement units and certain accounting practices relating to capitalization and retirement within electric utilities.

You may obtain a copy of the workshop agenda by contacting Jeanette Bass at (904) 413-6461.

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

LAW IMPLEMENTED: 350.115, 366.04(2)(f), 366.041, 366.06

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DEPARTMENT OF STATE  
TALLAHASSEE, FLORIDA

- ACK \_\_\_\_\_ A RULE DEVELOPMENT WORKSHOP WILL BE HELD AT THE TIME, DATE AND PLACE SHOWN BELOW:
- AFA \_\_\_\_\_ PLACE SHOWN BELOW:
- APP \_\_\_\_\_ TIME AND DATE: 1:00 p.m., Tuesday, June 17, 1997
- CAF \_\_\_\_\_ TIME AND DATE: 1:00 p.m., Tuesday, June 17, 1997
- CMU \_\_\_\_\_ PLACE: Florida Public Service Commission, Gunter Building, 2540 Shumard Oak Boulevard, Room 309, Tallahassee, Florida.
- CTR \_\_\_\_\_ PLACE: Florida Public Service Commission, Gunter Building, 2540 Shumard Oak Boulevard, Room 309, Tallahassee, Florida.
- EAG \_\_\_\_\_ PLACE: Florida Public Service Commission, Gunter Building, 2540 Shumard Oak Boulevard, Room 309, Tallahassee, Florida.
- LEG \_\_\_\_\_ THE PERSON TO BE CONTACTED REGARDING THE PROPOSED RULE DEVELOPMENT
- LIN \_\_\_\_\_ IS: Patricia Lee or Jeanette Bass, Division of Auditing and
- OPC \_\_\_\_\_ Financial Analysis, Florida Public Service Commission, 2540 Shumard
- RCH \_\_\_\_\_ Oak Blvd., Tallahassee, FL 32399-0862.
- SEC \_\_\_\_\_
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DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

Any person requiring some accommodation at this workshop because of a physical impairment should call the Division of Records and Reporting at (904) 413-6770 at least five calendar days prior to the hearing. If you are hearing or speech impaired, please contact the Florida Public Service Commission using the Florida Relay Service, which can be reached at: 1-800-955-8771 (TDD).

THE PRELIMINARY TEXT OF THE PROPOSED RULE DEVELOPMENT IS:

(1) - (2) No change.

(3) All utility plant 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 ~~xxxxx xx, 199x~~ 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 \$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) (a) - (4) (b) No change.

(4) (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. In no case shall the cost of removal of the retiring unit be capitalized as part of the installation cost; 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 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 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 current prices 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 more. Otherwise, the replacement is charged to the appropriate expense account with no retirement recorded.~~

(11) Retirement units A capitalization criteria of \$500 is

~~imposed for each retirement unit~~ as set forth in each utility's list of retirement units ~~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 shall not be further subdivided without prior Commission approval. New items of property that did not exist prior to xxxxx xx, 199x, shall only be considered a retirement unit and included in these Accounts if the cost is \$500 or more at the time the item is established as a retirement unit.

(12) The "List of Retirement Units (Electrical Plant), Effective ~~xxxxx xx, 199x~~ 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 9/6/87, Amended 3/19/92, 03/18/97, \_\_\_\_\_.