

State of Florida

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DIVISION OF APPEALS
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Public Service Commission

February 19, 1997

BY HAND DELIVERY

Mr. Carroll Webb
Joint Administrative Procedures
Committee
120 Holland Building
Tallahassee, Florida 32399

Re: Docket No. 961515-EI - Proposed Amendment to Rule 25-6.0142, F.A.C., Uniform Retirement Units for Electric Utilities

Dear Mr. Webb:

The Commission has approved the amendment of Rule 25-6.0142 without changes.

We plan to file the rule for adoption on February 26, 1997.

Sincerely,

A handwritten signature in cursive script that reads "Mary Anne Helton".

Mary Anne Helton
Associate General Counsel

ADPT0142.MRD

Enclosure

cc: Division of Records & Reporting

1 25-6.0142 Uniform Retirement Units for Electric Utilities.

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

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

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

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

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

24 (d) Retirement - A retirement unit or unreplaced minor item
25 which has been removed, sold, abandoned, destroyed, or otherwise

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1 removed from service, except where that removal is of a
2 "cradle-to-grave" item.

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

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

9 (3) All utility plant shall be considered as consisting of
10 retirement units and minor items of property. Each utility will
11 implement a list of retirement units in conformity with the
12 Commission's "List of Retirement Units (Electrical Plant) as of
13 March 30, 1997 ~~September 15, 1987~~" (hereinafter referred to as
14 "List"), as of the beginning of the next fiscal year following the
15 adoption of this rule. A utility may further subdivide retirement
16 units in order to achieve a list more reflective of common, major
17 replacement items providing that the cost of the additional
18 subdivided unit is \$500 or more. The Director of the Division of
19 Auditing and Financial Analysis, Florida Public Service Commission,
20 shall be notified annually of additions and subdivisions to the
21 utility's retirement unit List with explanations of the nature and
22 justification.

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

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1 (a) When a retirement unit meeting the capitalization
2 criteria set forth in the List as well as that set forth in
3 subsection (11) is installed, the total installed cost shall be
4 added to the appropriate plant account. Installed cost includes
5 the associated labor, material, and installation cost.

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

19 (c) When a retirement unit is replaced, the cost of the
20 replacement should be accounted for in the same manner as in (a) if
21 the cost meets the criteria set forth in subsection (10) or (11).
22 Otherwise, the charge should be made to the appropriate expense
23 account.

24 (5) The addition and retirement of minor items of depreciable
25 property shall be accounted for as follows:

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

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

16 (c) When a minor item is replaced independently of the
17 retirement unit of which it is a part, the cost of replacement
18 shall be charged to the maintenance account appropriate for the
19 item, except that if the replacement effects a substantial
20 betterment (the primary aim of which is to make the property
21 affected more useful, more efficient, of greater durability, or of
22 greater capacity), the excess cost of the replacement over the
23 estimated cost at current prices of replacing without betterment
24 shall be charged to the appropriate plant account.

25 (6) The addition and retirement of items such as meters and

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1 transformers may be accounted for as cradle-to-grave, ~~in~~ in which
2 case the cost for refurbishing these items shall be charged to the
3 appropriate expense accounts.

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

14 (8) All maintenance costs, whether the work is done by the
15 utility or under contract, shall be expensed. Unusual or
16 extraordinary expenses can be amortized over a reasonable period of
17 time as determined by the Commission. The costs of keeping
18 equipment and plant in good condition shall be accounted for as
19 maintenance expenses. Included in this classification are the
20 costs of material and labor associated with the upkeep of plant
21 such as:

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

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

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

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

6 (e) The cost of repairing material for reuse.

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

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

11 (h) Direct field supervision of maintenance.

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

14 (9) Engineering unclassified time shall be expensed.

15 (10) The replacement or removal of an item which constitutes
16 a portion of a given retirement unit for the Structures and
17 Improvements Account, as set forth in the List, shall be accounted
18 for in the same manner as for the replacement of a retirement unit
19 whenever that item has a book cost of \$10,000 or more. Otherwise,
20 the replacement is charged to the appropriate expense account with
21 no retirement recorded.

22 (11) A capitalization criteria of \$500 is imposed for each
23 retirement unit as set forth in the List for the Office Furniture
24 and Equipment, Stores Equipment, Tools, Shop and Garage Equipment,
25 Laboratory Equipment, Power Operated Equipment, Communication

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1 Equipment, and Miscellaneous Equipment Accounts.

2 (12) The "List of Retirement Units (Electrical Plant),
3 Effective March 30, 1997 ~~September 15, 1987~~" published by the
4 Florida Public Service Commission is incorporated herein by
5 reference. A copy of the List may be obtained ~~by requesting same~~
6 from the Director of the Division Auditing and Financial Analysis,
7 Florida Public Service Commission, 2540 Shumard Oak Boulevard,
8 Tallahassee, Florida 32399-0850.

9 Specific Authority: 350.127(2), 366.05(1) F.S.

10 Law Implemented: 350.115, 366.041, 366.06(1), F.S.

11 History: New 9/6/87, Amended 3/19/92, _____.

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