

## BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Amendment of Rule 25-6.0142, )  
 F.A.C., pertaining to Uniform )  
 Retirement Units for Electric )  
 Utilities. )

DOCKET NO. 900057-EU  
 ORDER NO. 25592  
 ISSUED: 1/10/92

NOTICE OF RULEMAKING

NOTICE is hereby given that the Commission, pursuant to section 120.54, Florida Statutes, has initiated rulemaking to amend Rule 25-6.0142, F.A.C., relating to uniform retirement units for electric utilities.

The attached Notice of Rulemaking has appeared in the December 13, 1991, edition of the Florida Administrative Weekly. If requested, a hearing will be held at the following time and place:

9:30 a.m., Thursday, February 6, 1992  
 Room 122, Fletcher Building  
 101 East Gaines Street  
 Tallahassee, Florida

Written requests for hearing and written comments or suggestions on the rule must be received by the Director, Division of Records and Reporting, Florida Public Service Commission, 101 East Gaines Street, Tallahassee, FL 32399, no later than January 20, 1992.

By Direction of the Florida Public Service Commission, this  
 10th day of JANUARY, 1992.

  
 STEVE TRIBBLE, Director  
 Division of Records & Reporting

( S E A L )

WEW

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DOCUMENT NUMBER-DATE

00351 JAN 10 1992

FPSC-RECORDS/REPORTING

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FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 900057-EU

RULE TITLE:

RULE NO.:

Uniform Retirement Units for

Electric Utilities

25-6.0142

PURPOSE AND EFFECT: The purpose of this rule amendment is to make this rule, pertaining to uniform retirement units for electric utilities, more consistent with the retirement unit rules for telephone and gas utilities by establishing similar capitalization rules for certain items of plant. The effect of the rule amendment will be that electric utilities will be required to follow a more structured approach in treating items of plant as either expense or capital.

SUMMARY: Existing Rule 25-6.0142, F.A.C., establishes a standard list of retirement units and provides guidelines for the uniform treatment of depreciable property. Specifically, the rule defines capitalization terms, promulgates procedures, and references a comprehensive appendix which lists acceptable retirement units by type of plant.

Several subsections of the rule are being revised. Subsection (3) is amended to establish a \$500 criteria for subdividing items which appear on the List of Retirement Units. The subdivision should result in a list more reflective of common, major replacement items. In addition, the requirement to notify the Division of

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Auditing and Financial Analysis Director semi-annually of additions to the utility's list has been amended so that notification can be made on an annual basis and should include both additions and subdivisions. Subsection (10) is being added to set a \$10,000 capitalization criteria for a replacement of an item which constitutes a portion of a given retirement unit in each of the Structures and Improvements Accounts in the production, transmission, distribution and general plant functions. Subsection (11) is being added to establish a \$500 capitalization criteria for any items constituting a retirement unit in the Office Furniture and Equipment, Stores Equipment, Tools, Shop and Garage Equipment, Laboratory Equipment, Power Operated Equipment, Communication Equipment, and Miscellaneous Equipment Accounts.

RULEMAKING AUTHORITY: 350.127(2)

LAW IMPLEMENTED: 366.041, 366.06(1)

SUMMARY OF THE ESTIMATE OF ECONOMIC IMPACT OF THIS RULE: If this rule amendment is adopted there will be additional costs associated with changes in record keeping and budget controls in complying with the proposed rule changes. A major impact of implementing this rule would be the shifting of items between plant account balances and the associated operating expense account balances.

WRITTEN COMMENTS OR SUGGESTIONS ON THE PROPOSED RULE MAY BE SUBMITTED TO THE FPSC, DIVISION OF RECORDS AND REPORTING, WITHIN 21 DAYS OF THE DATE OF THIS NOTICE FOR INCLUSION IN THE RECORD OF THE

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PROCEEDING. IF REQUESTED WITHIN 21 DAYS OF THE DATE OF THIS NOTICE, A HEARING WILL BE HELD AT THE DATE AND PLACE SHOWN BELOW:  
TIME AND DATE: 9:30 A.M., Thursday, February 6, 1992

PLACE: Room 122, 101 East Gaines Street, Tallahassee, Florida.

THE PERSON TO BE CONTACTED REGARDING THIS RULE AND THE ECONOMIC IMPACT STATEMENT IS: Director of Appeals, Florida Public Service Commission, 101 East Gaines Street, Tallahassee, Florida 32399

THE FULL TEXT OF THE RULE IS:

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 herein subsections (2) through (12) ~~(10)~~.

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

(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 ~~and~~ is otherwise finally disposed of. The period in shop for refurbishing, or in stock/inventory awaiting reinstallation is treated as being in

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service.

(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.

(c) 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.

(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. ~~Retirement Unit - An item of utility plant which, when placed into service, is capitalized and when removed from service, with or without replacement, is always retired.~~

(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 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

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September 15, 1987" (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 semi-annually. ~~Significant changes shall be explained as to nature and or 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

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the retirement shall likewise be debited and credited, respectively, to the account reserve. The retirement entry shall be recorded no later than one month 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 (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.

(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 ~~having a book cost more than \$500~~ is retired and not replaced, the book cost along with any associated cost of removal and gross salvage shall be accounted for in the

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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 affects 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) The addition and retirement of items such as meters and transformers may be accounted for as cradle-to-grave. In which case the cost ~~Cost~~ for refurbishing these items shall be charged to the appropriate expense accounts.

(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

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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.

(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) A capitalization criteria of \$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)-(10) The "List of Retirement Units (Electrical Plant), Effective September 15, 1987" published by the Florida Public Service Commission is incorporated herein by reference. A copy of the List may be obtained by requesting same from the Director of the Division Auditing and Financial Analysis, Florida Public Service Commission, 101 East Gaines Street, Tallahassee, Florida

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Specific Authority: 350.127(2), F.S.

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

History: New 9/6/87, Amended \_\_\_\_\_.

NAME OF PERSON ORIGINATING PROPOSED RULE: Pat Lee, Division of  
Auditing and Financial Analysis

NAME OF SUPERVISOR OR PERSON(S) WHO APPROVED THE PROPOSED RULE:  
Florida Public Service Commission

DATE PROPOSED RULE APPROVED: October 15, 1991

If any person decides to appeal any decision of the Commission with respect to any matter considered at the rulemaking hearing, if held, a record of the hearing is necessary. The appellant must ensure that a verbatim record, including testimony and evidence forming the basis of the appeal is made. The Commission usually makes a verbatim record of rulemaking hearings.