

## BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Amendment of Rules 25-4.0175,	)	DOCKET NO. 910747-PU
25-6.0436, and 25-7.045, F.A.C.,	)	
Depreciation for Telephone, Electric	)	ORDER NO. 25420
and Gas Utilities.	)	
<hr/>		ISSUED: 12/2/91


NOTICE OF ADOPTION OF RULE AMENDMENTS

NOTICE is hereby given that the Commission, pursuant to section 120.54, Florida Statutes, has adopted the amendments to Rules 25-4.0175, 25-6.0436, and 25-7.045, F.A.C., relating to depreciation for telephone, electric, and gas utilities without changes.

Rule amendment 25-6.0436, F.A.C., was filed with the Department of State on November 22, 1991 and will be effective on December 12, 1991. A copy of the relevant portions of the certification filed with the Secretary of State is attached to this Notice.

This docket is closed upon issuance of this notice.

By Direction of the Florida Public Service Commission, this  
2nd day of DECEMBER, 1991.



STEVE TRIBBLE, Director  
 Division of Records & Reporting

( S E A L )

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CERTIFICATION OF  
PUBLIC SERVICE COMMISSION ADMINISTRATIVE RULES  
FILED WITH THE  
DEPARTMENT OF STATE

I do hereby certify:

(1) The time limitations prescribed by paragraph 120.54(11)(a), F.S., have been complied with; and

(2) There is no administrative determination under section 120.54(4), F.S., pending on any rule covered by this certification; and

(3) All rules covered by this certification are filed within the prescribed time limitations of paragraph 120.54(11)(b), F.S. They are filed not less than 28 days after the notice required by subsection 120.54(1), F.S., and;

(a) And are filed not more than 90 days after the notice; or

(b) Are filed not more than 90 days after the notice not including days an administrative determination was pending; or

(c) Are filed within 21 days after the adjournment of the final public hearing on the rule; or

(d) Are filed within 21 days after the date of receipt of all material authorized to be submitted at the hearing; or

(e) Are filed within 21 days after the date the transcript was received by this agency.

Attached are the original and two copies of each rule covered by this certification. The rules are hereby adopted by the

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undersigned agency by and upon their filing with the Department of State.

<u>Rule No.</u>	<u>Rulemaking Authority</u>	<u>Specific Law Being Implemented, Interpreted or Made Specific</u>
25-6.0436	350.127(2) 366.05(1)	350:115

Under the provision of paragraph 120.54(13)(a), F.S., the rules take effect 20 days from the date filed with the Department of State or a later date as set out below:

Effective: \_\_\_\_\_  
 (month) (day) (year)

  
 \_\_\_\_\_  
 Steve Tribble

Director, Division of Records & Reporting  
 Title

\_\_\_\_\_  
 Number of Pages Certified

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1 25-6.0436 Depreciation.

2 (1) For the purposes of this part, the following definitions  
3 shall apply:

4 (a) Category or Category of Depreciable Plant - A grouping of  
5 plant for which a depreciation rate is prescribed. At a minimum it  
6 should include each plant account prescribed in Rule 25-6.014(1),  
7 F.A.C.

8 (b) Embedded Vintage - A vintage of plant in service as of  
9 the date of study or implementation of proposed rates.

10 (c) Mortality Data - Historical data by study category  
11 showing plant balances, additions, adjustments and retirements,  
12 used in analyses for life indications or calculations of realized  
13 life. Preferably, this is aged data in accord with the following:

14 1. The number of plant items or equivalent units  
15 (usually expressed in dollars) added each calendar  
16 year.

17 2. The number of plant items retired (usually  
18 expressed in dollars) each year and the  
19 distribution by years of placing of such  
20 retirements.

21 3. The net increase or decrease resulting from  
22 purchases, sales or adjustments and the  
23 distribution by years of placing of such amounts.

24 4. The number that remains in service (usually  
25 expressed in dollars) at the end of each year and

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1 the distribution by years of placing of such  
2 amounts.

3 (d) Remaining Life Method - The method of calculating a  
4 depreciation rate based on the unrecovered plant balance, less  
5 average future net salvage and the average remaining life. The  
6 formula for calculating a Remaining Life Rate is:

$$\begin{array}{l} 7 \text{ Remaining Life} = \frac{100\% - \text{Reserve } \% - \text{Average Future Net Salvage } \%}{8 \text{ Rate} \qquad \qquad \qquad \text{Average Remaining Life in Years}} \end{array}$$

9 (e) Reserve Data - Historical data by study category showing  
10 reserve balances, debits and credits such as booked depreciation,  
11 expense, salvage and cost of removal and adjustments to the reserve  
12 utilized in monitoring reserve activity and position.

13 (f) Reserve Deficiency - An inadequacy in the reserve of a  
14 category as evidenced by a comparison of that reserve indicated as  
15 necessary under current projections of life and salvage with that  
16 reserve historically accrued. The latter figure may be available  
17 from the utility's records or may require retrospective  
18 calculation.

19 (g) Reserve Surplus - An excess in the reserve of a category  
20 as evidenced by a comparison of that reserve indicated as necessary  
21 under current projections of life and salvage with that reserve  
22 historically accrued. The latter figure may be available from the  
23 utility's records or may require retrospective calculation.

24 (h) Salvage Data - Historical data by study category showing  
25 bookings of retirements, gross salvage and cost of removal used in

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1 analysis of trends in gross salvage and cost of removal or for  
2 calculations of realized salvage.

3 (i) Theoretical Reserve or Prospective Theoretical Reserve -  
4 A calculated reserve based on components of the proposed rate using  
5 the formula:

6 
$$\text{Theoretical Reserve} = \text{Book Investment} - \text{Future Accruals} -$$
  
7 
$$\text{Future Net Salvage}$$

8 (j) Vintage - The year of placement of a group of plant items  
9 or investment under study.

10 (k) Whole Life Method - The method of calculating a  
11 depreciation rate based on the Whole Life (Average Service Life)  
12 and the Average Net Salvage. Both life and salvage components are  
13 the estimated or calculated composite of realized experience and  
14 expected activity. The formula is:

15 
$$\text{Whole Life Rate} = \frac{100\% - \text{Average Net Salvage}\%}{\text{Average Service Life in Years}}$$

17 (2)(a) No utility may change any existing depreciation rate  
18 or initiate any new depreciation rate without prior Commission  
19 approval.

20 (b) No utility may reallocate accumulated depreciation  
21 reserves among any primary accounts and sub-accounts without prior  
22 Commission approval.

23 (3)(a) Each utility shall maintain depreciation rates and  
24 accumulated depreciation reserves in accounts or subaccounts as  
25 prescribed by Rule 25-6.014(1), F.A.C. Utilities may maintain

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1 further sub-categorization.

2 (b) Upon establishing a new account or subaccount  
3 classification, each utility shall request Commission approval of  
4 a depreciation rate for the new plant category.

5 (4) A utility filing a depreciation study, regardless if a  
6 change in rates is being requested or not, shall submit to the  
7 Commission Clerk's office fifteen ~~ten~~ copies of the information  
8 required by paragraphs (6) (a) through (6) (f) and (6) (h) of this  
9 rule and at least three copies of the information required by  
10 paragraph (6) (g).

11 ~~At the request of the utility and~~ Upon Commission  
12 approval by order establishing an effective date, the utility may  
13 reflect on its books and records the implementation of the proposed  
14 rates, subject to adjustment when final depreciation rates are  
15 approved.

16 (6) A depreciation study shall include:

17 (a) A comparison of current and proposed depreciation rates  
18 and components for each category of depreciable plant. Current  
19 rates shall be identified as to the effective date and proposed  
20 rates as to the proposed effective date.

21 (b) A comparison of annual depreciation expense as of the  
22 proposed effective date, resulting from current rates with those  
23 produced by the proposed rates for each category of depreciable  
24 plant. The plant balances may involve estimates. Submitted data  
25 including plant and reserve balances or company planning involving

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1 estimates shall be brought to the effective date of the proposed  
2 rates.

3 (c) Each rRecovery and amortization schedules currently in  
4 effect should be included with any new filing showing total amount  
5 amortized, effective date, length of schedule, annual amount  
6 amortized and reason for the amortization schedule.

7 (d) A comparison of the accumulated book reserve to the  
8 prospective theoretical reserve based on proposed rates and  
9 components for each category of depreciable plant to which  
10 depreciation rates are to be applied.

11 (e) A general narrative describing the service environment of  
12 the applicant company and the factors, e.g., growth, technology,  
13 physical conditions, necessitating a revision in rates.

14 (f) An explanation and justification for each study category  
15 of depreciable plant defining the specific factors that justify the  
16 life and salvage components and rates being proposed. Each  
17 explanation and justification shall include substantiating factors  
18 utilized by the utility in the design of depreciation rates for the  
19 specific category, e.g., company planning, growth, technology,  
20 physical conditions, trends. The explanation and justification  
21 shall discuss any proposed transfers of reserve between categories  
22 or accounts intended to correct deficient or surplus reserve  
23 balances. It should also state any statistical or mathematical  
24 methods of analysis or calculation used in design of the category  
25 rate.

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1 (g) The filing shall contain all calculations, analysis and  
2 numerical basic data used in the design of the depreciation rate  
3 for each category of depreciable plant. Numerical data shall  
4 include plant activity (gross additions, adjustments, retirements,  
5 and plant balance at end of year) as well as reserve activity  
6 (retirements, accruals for depreciation expense, salvage, cost of  
7 removal, adjustments, transfers and reclassifications and reserve  
8 balance at end of year) for each year of activity from the date of  
9 the last submitted study to the date of the present study. To the  
10 degree possible, data involving retirements should be aged.

11 (h) The mortality and salvage data used by the company in the  
12 depreciation rate design must agree with activity booked by the  
13 utility. Unusual transactions not included in life or salvage  
14 studies, e.g., sales or extraordinary retirements, must be  
15 specifically enumerated and explained.

16 (7)(a) Utilities shall provide calculations of depreciation  
17 rates using both the whole life method and the remaining life  
18 method. The use of these methods is required for all depreciable  
19 categories. Utilities may submit additional studies or methods for  
20 consideration by the Commission.

21 (b) The possibility of corrective reserve transfers shall be  
22 investigated by the Commission prior to changing depreciation  
23 rates.

24 (8)(a) Each company shall file a study for each category of  
25 depreciable property for Commission review at least once every four

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1 years from the submission date of the previous study unless  
2 otherwise required by the Commission.

3 (b) A utility proposing an effective date of the beginning of  
4 its fiscal year shall submit its depreciation study no later than  
5 the mid-point of that fiscal year.

6 (c) A utility proposing an effective date coinciding with the  
7 expected date of additional revenues initiated through a rate case  
8 proceeding shall submit its depreciation study no later than the  
9 filing date of its Minimum Filing Requirements.

10 (9) As part of ~~Concurrent~~ with the filing of the annual  
11 report pursuant to Rule 25-6.014(3), F.A.C., each utility shall  
12 include file an annual status report ~~with the Commission's Division~~  
13 ~~of Auditing and Financial Analysis~~. The report shall include  
14 booked plant activity (plant balance at the beginning of the year,  
15 additions, adjustments, transfers, reclassifications, retirements  
16 and plant balance at year end) and reserve activity (reserve  
17 balance at the beginning of the year, retirements, accruals,  
18 salvage, cost of removal, adjustments, transfers, reclassifications  
19 and reserve balance at end of year) for each category of investment  
20 for which a depreciation rate, amortization, or capital recovery  
21 schedule has been approved. The report shall indicate for each  
22 category that:

23 (a) ~~T~~there has been no change of plans or utility experiences  
24 requiring a revision of rates, amortization or capital recovery  
25 schedules; or

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1 (b) ~~T~~there has been a change requiring a revision of rates,  
2 amortization or capital recovery schedules.

3 For any category where current conditions indicate a need for  
4 revision of depreciation rates, amortization or capital recovery  
5 schedules and no revision is sought, the report shall explain why  
6 no revision is requested.

7 (10)(a) Prior to the date of retirement of major  
8 installations, the Commission may approve capital recovery  
9 schedules to correct associated calculated deficiencies where a  
10 utility demonstrates that (1) replacement of an installation or  
11 group of installations is prudent and (2) the associated investment  
12 will not be recovered by the time of retirement through the normal  
13 depreciation process.

14 (b) The Commission may approve a special capital recovery  
15 schedule when an installation is designed for a specific purpose ~~or~~  
16 for a limited duration.

17 (c) Associated plant and reserve activity, balances and the  
18 annual capital recovery schedule expense must be maintained as  
19 subsidiary records.

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

21 Law Implemented: 350.115, F.S.

22 History: New 11/20/82, Amended 12/17/84, formerly 25-6.436,

23 Amended 4/27/88, \_\_\_\_\_.

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Rule 25-6.0436  
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STATEMENT OF FACTS AND CIRCUMSTANCES  
JUSTIFYING RULE

The proposed amendments to Rule 25-6.0436, F.A.C., are necessary to implement several relatively minor procedural changes in the Commission's requirements for the filing of depreciation related information by Electric Utilities. Commission staff recommended these amendments to improve the content of the depreciation information which is filed with the Commission and to make the process more efficient for the Commission and the Electric Utilities.

STATEMENT ON FEDERAL STANDARDS

The proposed rule amendments do not establish standards which are more restrictive than federal standards regarding depreciation studies.

STATEMENT OF IMPACT ON SMALL BUSINESS

There is no impact on small business caused by these amendments because none of the Electric Utilities affected by Rule 25-6.0436 are defined as small businesses.