

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Amendment of Rule 25-6.0142,) DOCKET NO. 900057-EI
F.A.C., pertaining to Uniform)
Retirement Units for Electric) ORDER NO. PSC-92-0001-NOR-EI
Utilities.)
ISSUED: 3-2-92

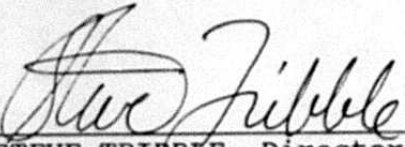
NOTICE OF ADOPTION OF RULE AMENDMENT

NOTICE is hereby given that the Commission, pursuant to section 120.54, Florida Statutes, has adopted the amendments to Rule 25-6.0142, F.A.C., relating to uniform retirement units for electric utilities without change.

The rule amendment was filed with the Department of State on February 28, 1992, and will be effective on March 19, 1992. 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 March, 1992.



STEVE TRIBBLE, Director
Division of Records & Reporting

(S E A L)

WEW
adp60142

DOCUMENT NUMBER-DATE
02118 MAR-2 1992
FPSC-RECORDS/REPORTING

CERTIFICATION OF
PUBLIC SERVICE COMMISSION ADMINISTRATIVE RULES

FILED WITH THE
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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

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>
25-6.0142	350.127(2)	366.041, 366.06(1)

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

(S E A L)

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LEGISLATIVE DIVISION
TALLAHASSEE, FLORIDA

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 I, Subchapter C,
8 Part 101 as adopted by Rule 25-6.014 except as provided herein
9 subsections (2) through (12) ~~(10)~~.

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 ~~and~~ is otherwise
15 finally disposed of. The period in shop for refurbishing, or in
16 stock/inventory awaiting reinstallation is treated as being in
17 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. ~~Retirement Unit - An item~~
6 ~~of utility plant which, when placed into service, is capitalized~~
7 ~~and when removed from service, with or without replacement, is~~
8 ~~always retired.~~

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

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

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

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

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

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

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1 account.

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

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

11 (b) When a minor item ~~having a book cost more than \$500~~ is
12 retired and not replaced, the book cost along with any associated
13 cost of removal and gross salvage shall be accounted for in the
14 same manner as for the retirement of a retirement unit. If,
15 however, the book cost of the minor item retired and not replaced
16 has been accounted for by its inclusion in the retirement unit of
17 which it is a part, no separate credit to the property account or
18 debit to the associated account is required.

19 (c) When a minor item is replaced independently of the
20 retirement unit of which it is a part, the cost of replacement
21 shall be charged to the maintenance account appropriate for the
22 item, except that if the replacement affects a substantial
23 betterment (the primary aim of which is to make the property
24 affected more useful, more efficient, of greater durability, or of
25 greater capacity), the excess cost of the replacement over the

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1 estimated cost at current prices of replacing without betterment
2 shall be charged to the appropriate plant account.

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

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

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

25 (a) The training of maintenance personnel and the testing of

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1 equipment and facilities.

2 (b) The cost of ordinary repairs, refurbishment, repainting,
3 and rearrangements of plant.

4 (d) Miscellaneous expenses like shop repairs, tool expenses,
5 motor vehicle expenses.

6 (d) The cost of performing work to prevent failure, restore
7 serviceability or maintain or realize the life expectancy of the
8 plant.

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

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

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

14 (h) Direct field supervision of maintenance.

15 (i) The cost of general supervision and engineering
16 associated with maintenance work.

17 (9) Engineering unclassified time shall be expensed.

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

25 (11) A capitalization criteria of \$500 is imposed for each

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1 retirement unit as set forth in the List for the Office Furniture
2 and Equipment, Stores Equipment, Tools, Shop and Garage Equipment,
3 Laboratory Equipment, Power Operated Equipment, Communication
4 Equipment, and Miscellaneous Equipment Accounts.

5 ~~(12)~~(10) The "List of Retirement Units (Electrical Plant),
6 Effective September 15, 1987" published by the Florida Public
7 Service Commission is incorporated herein by reference. A copy of
8 the List may be obtained by requesting same from the Director of
9 the Division Auditing and Financial Analysis, Florida Public
10 Service Commission, 101 East Gaines Street, Tallahassee, Florida
11 32399-0850 32301.

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

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

14 History: New 9/6/87, Amended _____.

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Rule 25-6.0142
Docket No. 900057-EU

SUMMARY OF RULE

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 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.

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SUMMARY OF HEARINGS ON THE RULE

No Hearing was requested and none were held.

FACTS AND CIRCUMSTANCES JUSTIFYING THE RULE

The amendment to Rule 25-6.0142, F.A.C., titled Uniform Retirement Units for Electric Utilities, was initiated in order to make the rule consistent with recently amended rules pertaining to retirement of plant for the gas and telephone utilities. (See Rule 25-7.0461 and 25-4.0178, F.A.C.). The rule defines capitalization terms, promulgates procedures, and references a comprehensive appendix which lists acceptable retirement units by type of plant. The amendment will bring more consistency to the methods used to retire plant as either expense or capital.

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