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FLORIDA PUBLIC SERVICE COMMISSION

RULE TITLE:

RULE NO.:

Uniform Retirement Units for  
Electric Utilities

25-6.0142

PURPOSE AND EFFECT: The purpose of the amendment is to update the list of retirement units which is incorporated by reference in the rule and to allow retirement units to be recorded within two months instead of one month. The proposed revisions will simplify and streamline the accounting for retirement units because they will allow a company to configure its retirement units for production plants by grouping together the components of an installation which perform a specific function.

SUBJECT AREA TO BE ADDRESSED: The uniform retirement units for electric utilities.

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

LAW IMPLEMENTED: 366.041, 366.06(1), F.S.

IF REQUESTED AND NOT DEEMED UNNECESSARY BY THE AGENCY HEAD, A RULE DEVELOPMENT WORKSHOP WILL BE HELD ON THE TIME, DATE, AND PLACE SHOWN BELOW:

TIME AND DATE: Friday, December 13, 1996

PLACE: Room 171, Betty Easley Conference Center, 4075 Esplanade Way, Tallahassee, Florida.

THE WORKSHOP REQUEST MUST BE SUBMITTED IN WRITING WITHIN 21 DAYS OF THE DATE OF THIS NOTICE TO THE COMMISSION'S DIVISION OF RECORDS AND REPORTING, 2540 SHUMARD OAK BOULEVARD, TALLAHASSEE, FL 32399-0850.

THE PERSON TO BE CONTACTED REGARDING THE PROPOSED RULE DEVELOPMENT IS: Director of Appeals, Florida Public Service Commission, 2540

DOCUMENT NUMBER-DATE

11870 NOV-68

FPSC-RECORDS/REPORTING

Shumard Oak Blvd., Tallahassee, FL 32399-0862.

THE PRELIMINARY TEXT OF THE PROPOSED RULE DEVELOPMENT 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 in herein subsections (2) through (12) of this rule.

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

(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 March 30, 1997 ~~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 nature and 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 the retirement shall likewise be debited and credited, respectively, to the account reserve. The retirement entry shall be recorded no later than two months ~~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 is retired and not replaced, the book cost along with any associated cost of removal and gross salvage shall be accounted for in the 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 effects 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 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 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.

(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.

(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) The "List of Retirement Units (Electrical Plant), Effective March 30, 1997 ~~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, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850.

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

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

History: New 9/6/87, Amended 3/19/92, \_\_\_\_\_.