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NOTICE OF PROPOSED RULEMAKING
FLORIDA PUBLIC SERVICE COMMISSION
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DEPARTMENT OF STATE
TALLAHASSEE, FLORIDA

RULE TITLE: Uniform Retirement Units for Electric Utilities
RULE NO.: 25-6.0142

PURPOSE AND EFFECT: The purpose of proposed amendments is to add a definition for average inventory cost, to raise the capitalization threshold from \$500 to \$1,000, to clarify costs associated with the retirement and replacement of retirement units, to codify the acceptable accounting practice related to the reuse of retired plant materials, to strike the mandatory \$10,000 capitalization requirement for the Structures and Improvement accounts, and to update the List of Retirement Units. These changes will give the utilities more flexibility in capitalization and expensing procedures as well as reduce administrative time spent tracking items of small value.

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- RCH _____
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- WAS _____
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SUMMARY: Amendments are proposed to make the language of the rule clearer. In addition, amendments are proposed to the following subsections:

Subsection (2): A definition for Average Inventory Cost is added to define it as a means for determining an estimate of the original material cost of a group of items subject to reuse where the items are of relatively large number or small cost.

Subsection (3): An updated List of Retirement Units (List) is

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FPSC-RECORDS/REPORTING

incorporated into the rule. This new version provides for the amortization of portions of general plant accounts that are currently being depreciated. In addition, the capitalization threshold is raised from \$500 to \$1,000.

Subsection (4): Paragraph (4)(d) is added to codify the procedure set out in Staff Advisory Bulletin (SAB) 22 concerning the procedure for retiring a unit when a new unit is installed.

Subsection (6): This subsection is added to codify acceptable procedures concerning the reuse of retired plant materials that were in SAB 22.

Subsection (10): This subsection, which established a \$10,000 capitalization criteria, is repealed.

Subsection (11): This subsection is amended to increase the capitalization threshold from \$500 to \$1,000 for certain categories in the List.

SUMMARY OF STATEMENT OF ESTIMATED REGULATORY COST: No SERC was prepared.

Any person who wishes to provide information regarding the statement of estimated regulatory costs, or to provide a proposal for a lower cost regulatory alternative must do so in writing within 21 days of this notice.

SPECIFIC AUTHORITY: 350.127(2), 366.05(1) FS.

LAW IMPLEMENTED: 350.115, 366.04(2)(f), 366.041, 366.06(1), FS.

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 PROCEEDING.

IF REQUESTED WITHIN 21 DAYS OF THE DATE OF THIS NOTICE, A HEARING WILL BE SCHEDULED AND ANNOUNCED IN THE FAW.

THE PERSON TO BE CONTACTED REGARDING THE PROPOSED RULE IS:

Director of Appeals, Florida Public Service Commission, 2540 Shumard Oak Blvd., Tallahassee, Florida 32399-0862, (850) 413-6245.

THE FULL TEXT OF THE PROPOSED RULE IS:

25-6.0142 Uniform Retirement Units for Electric Utilities.

(1) No change.

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

(a) Average Inventory Cost - An estimate of original material cost for a group of items having similar characteristics. The group and cost may relate to a vintage or group of vintages. For example, the average cost of a property item may vary depending on the original vintage falling in the 1985-1990 period, as compared to the same item having the original vintage in the 1991-1995 period.

(b) 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.

(c) Cost of Removal - The cost of demolishing, dismantling, removing, tearing down, or otherwise disposing of electric plant,

including the cost of transporting and handling.

(d)~~(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 finally~~ disposed of in another manner. Any time spent ~~The period~~ in shop for refurbishing, or in stock/inventory awaiting reinstallation is treated as being in service.

(e)~~(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.

(f)~~(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.

(g)~~(d)~~ Retirement - The removal, sale, abandonment, destruction, or other removal ~~A retirement unit or unreplaced minor item which has been removed, sold, abandoned, destroyed, or otherwise removed from service of a retirement unit or unreplaced minor item,~~ 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 plants 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 January 1, 2000 ~~March 30, 1997~~" (hereinafter referred to as "List"), which is published by the Commission and is incorporated herein by reference. A copy of the List may be obtained from the Director of the Division of Auditing and Financial Analysis, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850. The List must be implemented by each utility as of the beginning of the next fiscal year following the date the List was last updated ~~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 \$1,000 ~~\$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) through (b) No change.

(c) When a retirement unit is replaced, the cost of the

replacement should be accounted for in the same manner as in paragraph(4)(a) if the cost meets the critierion criteria set forth in subsection ~~(10)~~ or (11). Otherwise, the charge should be made to the appropriate expense account.

(d) When a retirement unit is retired and removed from service in conjunction with the installation of a replacing unit, the cost of removal of the retiring unit shall be separated from the installation cost of the new replacing unit. Cost of removal shall be debited to the appropriate reserve account as set forth in paragraph (4)(b).

(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) through (c) No change.

(6)(a) When a retirement unit is retired and it has a prospect for reuse, the original or estimated original cost of the material subject for reuse shall be credited to the account reserve of the retiring unit as gross salvage with a debit in the same amount to Account 154, Plant Materials and Operating

Supplies. When the retirement unit is reused, the original or estimated original material cost shall be credited to Account 154 with a debit to the appropriate plant account. The plant account shall also be debited with costs for new installation and labor.

(b) When it is impractical to determine the original cost for each unit subject to reuse due to the relatively large number or small cost of such units, an appropriate average inventory cost that allows for any difference in size or character shall be used. The cost of repairing such items shall be charged to the maintenance account appropriate for the previous use.

(c) Reusable materials consisting of relatively small minor items, the identity of which cannot be determined without an undue refinement in accounting shall be included in Account 154, Plant and Materials Operating Supplies, at average inventory cost for such new items. The cost of repairing such items shall be charged to the appropriate expense account as indicated by previous use.

(6) through (7) renumbered (7) through (8) No change.

(9)-(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) through (c) No change.

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

(e) No change.

(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) through (i) No change.

~~(10) (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 minimum capitalization criterion ~~criteria~~ of \$1,000 ~~\$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" published by the Florida Public Service Commission is incorporated herein by reference. A copy of the List may be obtained 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), 366.05(1) FS.

Law Implemented 350.115, 366.04(2)(f), 366.041, 366.06(1) FS.

History--New 9-6-87, Amended 3-19-92, 3-18-97, _____.

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

NAME OF SUPERVISOR OR PERSONS WHO APPROVED THE PROPOSED RULE:
Florida Public Service Commission.

DATE PROPOSED RULE APPROVED: June 29, 1999.

DATE NOTICE OF PROPOSED RULE DEVELOPMENT PUBLISHED IN FAW:
Volume 25, Number 8, February 26, 1999

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.

Any person requiring some accommodation at this hearing because of a physical impairment should call the Division of Records and Reporting at (850) 413-6770 at least 48 hours prior to the hearing. Any person who is hearing or speech impaired should

contact the Florida Public Service Commission by using the
Florida Relay Service, which can be reached at: 1-800-955-8771
(TDD).