

State of Florida



Public Service Commission

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DATE: AUGUST 26, 1999

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYÓ)

FROM: DIVISION OF APPEALS (HELTON) *mat DES hu*
DIVISION OF AUDITING AND FINANCIAL ANALYSIS (CAUSSEAU) *PSH*
HEWITT, LEE, IYAMU) *PSH*
DIVISION OF ELECTRIC AND GAS (BREMEN) *ca*

RE: DOCKET NO. 990707-EI - PROPOSED AMENDMENTS TO RULE 25-6.0142, F.A.C., UNIFORM RETIREMENT UNITS FOR ELECTRIC UTILITIES.

AGENDA: 9/7/99 - REGULAR AGENDA - RULE ADOPTION - PARTICIPATION IS LIMITED TO COMMISSIONERS AND STAFF

RULE STATUS: ADOPTION SHOULD NOT BE DEFERRED

SPECIAL INSTRUCTIONS: THE 90-DAY PERIOD FOR ADOPTING THE RULE EXPIRES OCTOBER 14, 1999

FILE NAME AND LOCATION: S:\PSC\APP\WP\990707AD.RCM

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission adopt the amendments to Rule 25-6.0142, F.A.C., "Uniform Retirement Units for Electric Utilities," with changes?

RECOMMENDATION: Yes, the Commission should adopt the rule with the attached shaded changes based on the comments received from the Joint Administrative Procedures Committee.

STAFF ANALYSIS: On July 16, 1999, the Commission published in the Florida Administrative Weekly proposed amendments to Rule 25-6.0142, F.A.C., "Uniform Retirement Units for Electric Utilities." The Joint Administrative Procedures Committee commented on the proposed rule amendments:

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PSC-RECORDS/REPORTING

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Subsection (2) (a): This subsection sets out the definition for average inventory cost. The definition also included an example. According to JAPC, the example is vague and vests the Commission with unbridled discretion unless clarified. Staff recommends that the example be stricken from the definition. JAPC has acknowledged that striking the example will resolve its concerns.

Subsections (6) (a) and (c): JAPC also suggested that the designation of Uniform System of Accounts numbers be consistent throughout the rule. Staff agrees and recommends that the account numbers be placed in parenthesis as suggested by JAPC.

These changes, if adopted, will also be made to the copy of Rule 25-6.0142 included in the List of Retirement Units (Electrical Plant) as of January 1, 2000, which is incorporated by reference in the rule.

ISSUE 2: Should this docket be closed?

RECOMMENDATION: Yes, the rule as approved by the Commission should be filed for adoption with the Secretary of State and the docket be closed.

STAFF ANALYSIS: After a Notice of Change is published in the Florida Administrative Weekly, the rule may be filed with the Secretary of State for adoption and the docket may be closed.

1 25-6.0142 Uniform Retirement Units for Electric Utilities.

2 (1) The rules and definitions set forth below are intended
3 to establish uniform retirement units and establish
4 capitalization versus expensing guidelines for electric utilities
5 and do not relieve any utility from maintaining its accounts and
6 records in conformity with the Uniform System of Accounts
7 prescribed by the Code of Federal Regulations, Title 18, Chapter
8 I, Subchapter C, Part 101 as adopted by Rule 25-6.014 except as
9 provided in subsections (2) through (12) of this rule.

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

12 (a) Average Inventory Cost - An estimate of original
13 material cost for a group of items having similar
14 characteristics. ~~The group and cost may relate to a vintage or~~
15 ~~group of vintages. For example, the average cost of a property~~
16 ~~item may vary depending on the original vintage falling in the~~
17 ~~1985-1990 period, as compared to the same item having the~~
18 ~~original vintage in the 1991-1995 period.~~

19 (b) Book Cost - The amount at which an item of property is
20 included in a plant account, including the costs of all labor,
21 material, and associated installation.

22 (c) Cost of Removal - The cost of demolishing, dismantling,
23 removing, tearing down, or otherwise disposing of electric plant,
24 including the cost of transporting and handling.

25 (d) ~~(a)~~ Cradle-To-Grave Accounting - An accounting method

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1 | which treats a unit of plant as being in service from the time it
2 | is first purchased until it is finally junked or ~~is finally~~
3 | disposed of in another manner. Any time spent ~~The period~~ in shop
4 | for refurbishing, or in stock/inventory awaiting reinstallation
5 | is treated as being in service.

6 | ~~(e)(b)~~ Item - A single identifiable unit of utility plant.
7 | Capitalization criteria shall apply to the single item and not to
8 | a block or group of such items purchased on one order.

9 | ~~(f)(e)~~ Minor Item - Any part or element of plant which is
10 | not designated as a retirement unit, but is a component part of
11 | the retirement unit.

12 | ~~(g)(d)~~ Retirement - The removal, sale, abandonment,
13 | destruction, or other removal ~~A retirement unit or unreplaced~~
14 | ~~minor item which has been removed, sold, abandoned, destroyed, or~~
15 | ~~otherwise removed from service~~ of a retirement unit or unreplaced
16 | minor item, except where ~~that~~ removal is of a "cradle-to-grave"
17 | item.

18 | ~~(e) Book Cost~~ ~~The amount at which an item of property is~~
19 | ~~included in a plant account, including the costs of all labor,~~
20 | ~~material, and associated installation.~~

21 | ~~(f) Cost of removal~~ ~~The cost of demolishing, dismantling,~~
22 | ~~removing, tearing down or otherwise disposing of electric plant,~~
23 | ~~including the cost of transporting and handling.~~

24 | (3) All utility plants shall be considered as consisting of
25 | retirement units and minor items of property. Each utility will

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1 | implement a list of retirement units in conformity with the
2 | Commission's "List of Retirement Units (Electrical Plant) as of
3 | January 1, 2000 ~~March 30, 1997~~" (hereinafter referred to as
4 | "List"), which is published by the Commission and is incorporated
5 | herein by reference. A copy of the List may be obtained from the
6 | Director of the Division of Auditing and Financial Analysis,
7 | Florida Public Service Commission, 2540 Shumard Oak Boulevard,
8 | Tallahassee, Florida 32399-0850. The List must be implemented
9 | by each utility as of the beginning of the next fiscal year
10 | following the date the List was last updated ~~adoption of this~~
11 | ~~rule~~. A utility may further subdivide retirement units in order
12 | to achieve a list more reflective of common, major replacement
13 | items providing that the cost of the additional subdivided unit
14 | is \$1,000 ~~\$500~~ or more. The Director of the Division of Auditing
15 | and Financial Analysis, Florida Public Service Commission, shall
16 | be notified annually of additions and subdivisions to the
17 | utility's retirement unit List with explanations of the nature
18 | and justification.

19 | (4) The addition and retirement of retirement units as set
20 | forth in the List ~~incorporated in this rule~~ shall be accounted
21 | for as follows:

22 | (a) When a retirement unit meeting the capitalization
23 | criteria set forth in the List as well as that set forth in
24 | subsection (11) is installed, the total installed cost shall be
25 | added to the appropriate plant account. Installed cost includes

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1 the associated labor, material, and installation cost.

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

15 (c) When a retirement unit is replaced, the cost of the
16 replacement should be accounted for in the same manner as in
17 paragraph(4)(a) if the cost meets the criterion ~~criteria~~ set
18 forth in subsection ~~(10)~~ ~~or~~ (11). Otherwise, the charge should
19 be made to the appropriate expense account.

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

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

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

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

18 (c) When a minor item is replaced independently of the
19 retirement unit of which it is a part, the cost of replacement
20 shall be charged to the maintenance account appropriate for the
21 item, except that if the replacement effects a substantial
22 betterment (the primary aim of which is to make the property
23 affected more useful, more efficient, of greater durability, or
24 of greater capacity), the excess cost of the replacement over the
25 estimated cost at current prices of replacing without betterment

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1 shall be charged to the appropriate plant account.

2 (6) (a) When a retirement unit is retired and it has a
3 prospect for reuse, the original or estimated original cost of
4 the material subject for reuse shall be credited to the account
5 reserve of the retiring unit as gross salvage with a debit in the
6 same amount to ~~Account 154~~, Plant Materials and Operating
7 Supplies (~~Account 154~~). When the retirement unit is reused, the
8 original or estimated original material cost shall be credited to
9 Account 154 with a debit to the appropriate plant account. The
10 plant account shall also be debited with costs for new
11 installation and labor.

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

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

25 (7)(6) The addition and retirement of items such as

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1 meters and transformers may be accounted for as cradle-to-grave,
2 in which case the cost for refurbishing these items shall be
3 charged to the appropriate expense accounts.

4 (8)~~(7)~~ Overhead construction costs such as engineering,
5 supervision, general office salaries and expenses, construction
6 engineering, insurance, taxes, relief and pensions, injuries and
7 damages shall be capitalized only if they are directly associated
8 with the construction project and shall be charged to particular
9 jobs or units on the basis of the amounts of such overheads to
10 the end that each job or unit shall bear its equitable portions
11 of these costs and that the entire cost of the unit both direct
12 and overhead shall be deducted from the plant accounts at the
13 time the property is retired.

14 (9)~~(8)~~ All maintenance costs, whether the work is done by
15 the utility or under contract, shall be expensed. Unusual or
16 extraordinary expenses can be amortized over a reasonable period
17 of time as determined by the Commission. The costs of keeping
18 equipment and plant in good condition shall be accounted for as
19 maintenance expenses. Included in this classification are the
20 costs of material and labor associated with the upkeep of plant
21 such as:

22 (a) The training of maintenance personnel and the testing
23 of equipment and facilities.

24 (b) The cost of ordinary repairs, refurbishment,
25 repainting, and rearrangements of plant.

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1 (c) Miscellaneous expenses like shop repairs, tool
2 expenses, and motor vehicle expenses.

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

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

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

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

11 (h) Direct field supervision of maintenance.

12 (i) The cost of general supervision and engineering
13 associated with maintenance work.

14 ~~(10)~~ ~~(9)~~ Engineering unclassified time shall be expensed.

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

22 (11) A minimum capitalization criterion ~~eriteria~~ of \$1,000
23 ~~\$500~~ is imposed for each retirement unit as set forth in the List
24 for the Office Furniture and Equipment, Stores Equipment, Tools,
25 Shop and Garage Equipment, Laboratory Equipment, Power Operated

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1 | Equipment, Communication Equipment, and Miscellaneous Equipment
2 | Accounts.

3 | ~~(12) The "List of Retirement Units (Electrical Plant),~~
4 | ~~Effective March 30, 1997" published by the Florida Public Service~~
5 | ~~Commission is incorporated herein by reference. A copy of the~~
6 | ~~List may be obtained from the Director of the Division Auditing~~
7 | ~~and Financial Analysis, Florida Public Service Commission, 2540~~
8 | ~~Shumard Oak Boulevard, Tallahassee, Florida 32399-0850.~~

9 | Specific Authority 350.127(2), 366.05(1) FS.

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

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

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