

STATE OF FLORIDA

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Public Service Commission

October 31, 2003

Mr. Scott Boyd, Interim Director
Joint Administrative Procedures Committee
Room 120 Holland Building
Tallahassee, FL 32399-1300

RE: Docket No. 030715-WS - Proposed amendment of Rule 25-30.140, F.A.C.,
Depreciation

Dear Mr. Boyd:

The Commission has approved the adoption of the amendments to Rule 25-30.140 without changes.

We plan to file the rule for adoption on November 10, 2003.

Sincerely,

A handwritten signature in cursive script, appearing to read "Christiana T. Moore".

Christiana T. Moore
Associate General Counsel

140ADOPT CTM

Enclosure

cc: Division of the Commission Clerk
and Administrative Services

10/31/03 10:01 AM

1 25-30.140 Depreciation.

2 (1) For the purpose of the rule, the following definitions
3 apply:

4 (a) Account - Water and wastewater plant accounts are defined
5 in the NARUC Uniform System of Accounts adopted by Rule 25-30.115.

6 (b) Amortization - The gradual extinguishment of an amount in
7 an account by distributing such amount over a fixed period.

8 (c) Asset - Any owned physical object (tangible) or right
9 (intangible) having economic value to its owner.

10 (d) Average Remaining Life - The future expected service in
11 years of the surviving plant at a given age.

12 ~~(e) Average Service Life Depreciation Rate - The depreciation~~
13 ~~rate based on the expected average service to be experienced by the~~
14 ~~investment or account in question.~~

$$15 \quad \text{A.S.L. Rate} = \frac{100\% - \text{Average Net Salvage } \%}{\text{Average Service Life}}$$

16
17 ~~(e)~~(f) Average Service Life - The period of economic
18 service ~~life~~ that can be reasonably expected from the plant type in
19 question. It is measured by the period of time the subject plant
20 and its associated investment is included on the company's books as
21 in service to the public. The average service life will typically
22 be less than the potential physical life due to factors such as
23 governmental requirements, growth or adverse operating conditions.

24 ~~(f)~~(e) Average Service Life Depreciation Rate - The
25 depreciation rate based on the expected average service to be

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1 experienced by the investment or account in question.

2 A.S.L. Rate = 100% - Average Net Salvage %

3 Average Service Life

4 (g) Capitalization - Measures of the propriety of
5 capitalization versus expensing as follows:

6 1. The addition of any retirement unit, or

7 2. Any replacement with a retirement unit that materially
8 enhances the value, use, life expectancy, strength or capacity of
9 the asset prior to replacement shall be capitalized.

10 3. The cost of incidental repairs that neither materially
11 add to the value of the property nor appreciably prolong its life
12 and that were made to keep the property in an ordinary efficient
13 operating condition shall be accounted for as a maintenance
14 expense.

15 (h) Cost of removal - The cost of demolishing, dismantling,
16 tearing down or otherwise removing utility plant, including the
17 cost of transportation and handling incidental thereto.

18 (i) Continuing Property Record (CPR) - A perpetual collection
19 of records required by the NARUC Uniform System of Accounts showing
20 the detailed original costs, quantities, and locations of plant in
21 service. Generally, a CPR should contain 1) an inventory of
22 property record units which can be readily checked for proof of
23 physical existence, 2) the association of costs with such property
24 record units to ensure accurate accounting for retirements, and 3)
25 the dates of installation and removal of plant to provide data for

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1 use in connection with depreciation studies.

2 ~~(j)(i)~~ Depreciation - As applied to depreciable utility
3 plant, the loss in service value not restored by current
4 maintenance incurred in connection with the consumption or
5 prospective retirement of utility plant in the course of service
6 from causes that are known to be in current operation and against
7 which the utility is not protected by insurance. Among the causes
8 to be given consideration are wear and tear, decay, action of the
9 elements, inadequacy, obsolescence, changes in the art, changes in
10 demand and requirements of public authorities. The intent of
11 depreciation per this rule is to provide for recovery of invested
12 capital and to match this recovery as nearly as possible to the
13 useful life of the depreciable investment.

14 (k) Depreciation Accounting - The process of charging the
15 book cost of depreciable property, adjusted for net salvage, to
16 operations over the associated useful life.

17 (l) Depreciation Expense - The periodic charge to expense to
18 allocate the original cost of a depreciable group of assets over
19 the life of those assets.

20 (m) Depreciable Group - A homogeneous grouping of assets
21 expected to experience similar life and salvage patterns. Unless
22 otherwise ordered by the Commission, depreciable groups are the
23 accounts defined in the NARUC Uniform System of Accounts adopted by
24 Rule 25-30.115.

25 (n)(j) Function - defined as follows:

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1	Water	Wastewater
2	Source of Supply	Collection Plant
3	(Accounts 304 to <u>311</u> , 309 and 339)	(Accounts 354, <u>355</u> , and 360 to <u>367</u> 364)
4	Pumping Plant	Pumping Plant
5	(Accounts 304, 310, 311)	(Accounts 354, <u>355</u> , 370, 371)
6	Water Treatment Plant	Treatment & Disposal Plant
7	(Accounts 304, <u>310</u> , <u>311</u> , 320, and 339)	(Accounts 354 and 380 to 389)
8	Transmission & Distribution Plant	<u>Reclaimed Water Treatment Plant</u>
9		(Accounts 354, <u>355</u> , 371, 374, 380, 381,
10		<u>389</u>)
11	(Accounts 304 <u>310</u> , <u>311</u> , and 330 to 339)	<u>Reclaimed Water Distribution</u>
12	General Plant	<u>Plant</u>
13	(Accounts 304 and 340 to 348)	(Accounts 354, <u>355</u> , 366, 367, 371, 375,
14		<u>389</u>)
15		General Plant
16		(Accounts 354 and 390 to 398)

17 (o) Group Depreciation - An accounting procedure under which
18 depreciation charges are accrued on the basis of the original cost
19 of all property included in each depreciable group. Under the
20 group concept, no attempt is made to keep track of the accumulated
21 provision for depreciation applicable to individual assets of
22 property, in view of the many items making up a utility system.
23 The group approach recognizes that some assets within the group may
24 live longer or shorter than the average life of the group but the
25 group is expected to live the average service life. Every item in

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1 | the group is assumed to be fully depreciated at retirement.

2 | ~~(p)(k)~~ Mortality Data - See plant activity data.

3 | ~~(q)(l)~~ Net Salvage - The salvage value of property retired
4 | less the cost of removal. This is expressed as a percent of
5 | retirements in the depreciation rate formula.

6 | ~~(r)(m)~~ Original Cost - The cost of acquiring an asset and
7 | placing it into service for first utility use. This includes the
8 | direct costs of acquiring the asset and the cost of labor,
9 | materials, and associated costs of installation to prepare the
10 | asset for first utility use. The cost is used in the computation
11 | of depreciation expense. In the event that an asset is acquired
12 | that is already in public service, the original historic cost of
13 | the asset should be recorded in plant in service, and the historic
14 | accumulated depreciation should be charged to the accumulated
15 | depreciation account. In the event the historic cost of an asset
16 | that is already in utility service cannot be determined, an
17 | independent engineer's evaluation based on an original cost study
18 | may be used. ~~Original Cost - As applied to utility plant, the cost~~
19 | ~~of such property to the person first devoting it to public service.~~

20 | ~~(s)(n)~~ Plant Activity Data - Annual additions, retirements,
21 | adjustments or transfers, sales or purchases, and investment
22 | balances at end of year.

23 | ~~(t)(o)~~ Property Retired - As applied to utility plant,
24 | property that has been removed, sold, abandoned, destroyed or which
25 | has been withdrawn from service for any cause.

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1 ~~(u)~~(p) Remaining Life Depreciation Rate - The depreciation
2 rate based on the average remaining portion of the service life
3 expected to be experienced by the investment or account in question
4 and on the net unrecovered capital for that investment or account.

$$5 \quad \text{R.L. Rate} = \frac{100\% - \text{Accumulated Reserve \%} - \text{Future Net Salvage \%}}{\text{Average Remaining Life}}$$

7 The average remaining life for an account or sub-account is a
8 function of known planned retirement or of the average age of that
9 account and its appropriate mortality table.

10 ~~(v)~~(q) Replacing or Replacement - The construction or
11 installation of utility plant in place of property retired,
12 together with the removal of the property retired.

13 ~~(w)~~(r) Reserve - The accumulated provision for
14 depreciation. The accumulated depreciation reserve is the net of
15 depreciation accruals (expenses) and retired investment with
16 related gross salvage and cost of removal as well as any
17 appropriate adjustments or transfers.

18 ~~(x)~~(s) Reserve Activity Data - Annual depreciation expense,
19 retirements, transfers or adjustments, gross salvage realized, cost
20 of removal, and end of year balance for the accumulated provision
21 for depreciation.

22 ~~(y)~~(t) Retirement Units - Those items of utility plant
23 which, when retired with or without replacement, are accounted for
24 by crediting the book cost to the utility plant account in which it
25 is included.

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1 ~~(z)~~(u) Salvage Value - The amount received for property
2 retired, less any expenses incurred in connection with the sale or
3 in preparing the property for sale or, if retained, the amount at
4 which the material recoverable is chargeable to materials and
5 supplies or other appropriate account.

6 (aa) Straight-Line Method - A depreciation method by which the
7 service value of a depreciable group is charged to depreciation
8 expense (or a clearing account) and credited to the accumulated
9 provision for depreciation account through equal annual charges
10 over the service life of the group.

11 (bb) Unit Depreciation - An accounting procedure under which
12 the original cost, depreciation expense, and accumulated provision
13 for depreciation, and all associated activity are maintained for
14 each individual asset. Service life and salvage parameters are
15 estimated for each individual asset with a depreciation rate
16 designed to recover each asset's original cost over its related
17 life. If the asset lives longer than its expected life,
18 depreciation expense stops accruing when the asset is fully
19 recovered. If the asset retires earlier than its expected service
20 life, the associated unrecovered amount is immediately written-off
21 as a loss.

22 (cc) Unrecovered Amount - Original cost less the accumulated
23 provision for depreciation less expected net salvage.

24 (2) The average service life and salvage components for each
25 class of utility are as follows:

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(a) Water System Guideline Average Service Lives

Account Description	Large Utility (Class A & B)	Small Utility (Class C)	Small Utility Function Composite ²	Net Salvage %
<u>1. Intangible Plant</u>				
<u>351 Organization</u>	40	40		
<u>352 Franchise Cost</u>	<u>40⁵</u>	<u>40⁵</u>		
<u>2.±. Source of Supply</u>			28	
304 Structures & Improvements	32 ¹	27		
<u>Wood Frame</u>	28	25		
Masonry	30	27		
Reinforced Concrete	40	37		
Steel <u>Building</u> (tanks or sheds)	40	35		
<u>Tanks or Sheds</u>	<u>25</u>	<u>20</u>		
Fiberglass	20	18		
305 Collecting and Impounding Reservoirs	50	40		
306 Lake, River and Other Intakes	40	40		
307 Wells and Springs	30	27		
Drilled & Cased Well	<u>30</u>	<u>27</u>		
(Floridan or Non-Corrosive)				
Shallow Well	20	18		
(Sand Aquifer or Corrosive Water)				
308 Infiltration Galleries and Tunnels	40	N/A		
309 Supply Mains	35	32		
<u>310 Power Generation Equip.</u>	<u>20</u>	<u>17</u>		
<u>311 Pumping Equipment</u>	<u>20²</u>	<u>17</u>		

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1	<u>Pumping Equip. Electric</u>	<u>20</u>	<u>15</u>		
2	<u>Pumping Equip. Chemical</u>	<u>8</u>	<u>6</u>		
3	<u>339 Other Miscellaneous Equip.</u>	<u>18</u>	<u>15</u>		
4	<u>3. Water Treatment Plant</u>			<u>21</u>	
5	<u>2. Pumping Plant</u>			<u>20</u>	
6	304 Structures and Improvements (see "Source of Supply" for subcategory lives)	32 ¹	27 ¹		
7	310 Power Generation <u>Equipment</u>	20	17		
8	311 Pumping Equipment	20 ¹	17 ¹		
9	<u>Pumping Equipment-Electric</u>	<u>20</u>	<u>15</u>		
10	Electric Pumping Equip.	20	15		
11	<u>Pumping Equipment-Chemical</u>	<u>8</u>	<u>6</u>		
12	320 Water Treatment Equip.	22 ¹	17 ¹		
13	Chlorination Equip.	10	7		
14	Membrane Elements	5	5		
15	Other Mechanical Equip.	25	20		
16	<u>339 Other Miscellaneous Equip.</u>	<u>18</u>	<u>15</u>		
17	<u>4. Transmission & Distribution Plant</u>			<u>36</u>	
18	304 Structures & Improvements (See "Source of Supply" for subcategory lives)	32 ¹	27 ¹		
19	310 Power Generation Equip.	<u>20</u>	<u>17</u>		
20	311 Pumping Equipment	<u>20</u> ¹	<u>17</u> ¹		
21	<u>Pumping Equipment-Electric</u>	<u>20</u>	<u>15</u>		
22	<u>Pumping Equipment-Chemical</u>	<u>8</u>	<u>6</u>		
23	330 Distribution Reservoirs & Stand Pipes	37	33		
24	Steel Pneumatic Tank	35	30		
25					

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1	Concrete Ground Storage Reservoir	40	37		
2					
3	331 Transmission & Distribution				
4	Mains	43 ¹	38 ¹		
5	Galvanized Steel Pipe & Fittings	35	33		
6	Black Steel Pipe	20	18		
7	Plastic Pipe ²	45	40		
8	Asbestos - Cement	40	35		
9	Cast Iron or Ductile Iron	40	35		
10	Valves & Valve Boxes	25	20		
11	Fire Mains	33	30		
12	333 Services ²	40	35		
13	334 Meters and Meter Installation	20	17		
14	335 Hydrants	45	40		
15	<u>336 Backflow Prevention Devices</u>	<u>15</u>	<u>10</u>		
16	339 Other Plant and Miscellaneous Equipment	25	20		
17	5. General Plant				
18	304 Structures & Improvements	40 ¹	35 ¹		
19	<u>Wood Building</u>	<u>35</u>	<u>30</u>		
20	Reinforced Concrete Bldg.	45	40		
21	Masonry Building	40	35		
22	<u>Reinforced Concrete Bldg.</u>	<u>40</u>	<u>37</u>		
23	<u>Wood Building</u>	<u>35</u>	<u>30</u>		
24	Steel Building	40	35		
25	Tanks or Sheds	25	20		
	340 Office Furniture & Equip.	15	15		
	Computers	6	6		
	341 Transportation Equipment	6	6		10

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1	342 Stores Equipment	18	N/A	14 (composite of 342-348)	
2					
3	343 Tools, Shop & Garage Equip.	16	15		
4	344 Laboratory Equip.	15	N/A		
5	345 Power Operated Equip.	12	10		5
6	346 Communication Equip.	10	N/A		10
7	347 Miscellaneous Equip.	15	N/A		
8	348 Other Tangible Plant	10	10		

(b) Wastewater System Guideline Average Services Lives

9	Account Description	Large Utility (Class A & B)	Small Utility (Class C)	Small Utility Function Composite ³	Net Salvage % ⁴
10					
11	<u>1. Intangible Plant</u>				
12	<u>351 Organization</u>	<u>40</u>	<u>40</u>		
13	<u>352 Franchise Cost</u>	<u>40⁵</u>	<u>40⁵</u>		
14	2.1. Collection System			35	
15	354 Structures & Improvements	32 ¹	27 ²		
16	Above Grade				
17	Wood	28	25		
18	Reinforced Concrete Bldg.	38	35		
19	Masonry	30	27		
20	<u>Reinforced Concrete Frame</u>	<u>38 28</u>	<u>35 25</u>		
21	Steel	25	22		
22	Below Grade				
23	Concrete	35	32		
24	Steel	22	20		
25	Lift Stations	25	22		
	<u>355 Power Generation Equipment</u>	<u>20</u>	<u>17</u>		
	360 Collection Sewers-Force	30 ²	27 ²		

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1	361 Collection Sewers-Gravity ²	45	40		
2	Manholes	30	27		
3	362 Special Collecting Structures	40	37		
4	363 Services to Customers ²	38	35		
5	364 Flow Measuring Devices	5	5		
6	365 Flow Measuring Installations	38	35		
7	<u>389 Other Miscellaneous Equip.</u>	<u>18</u>	15		
8	3.2. Pumping Plant			18	
9	354 Structures & Improvements	32 ¹	27 ¹		
10	<u>355 Power Generating Equipment</u>	<u>20</u>	<u>17</u>		
11	370 Receiving Wells	30	25		
12	Pumping Equip.	N/A	15		
13	<u>371 Pumping Equipment</u>	<u>18</u>	<u>15</u>		
14	371 Pumping Equip.	18	N/A		
15	<u>Pumping Equipment -Electric</u>	<u>18</u>	<u>15</u>		
16	<u>Pumping Equipment - Chemical</u>	<u>7</u>	<u>5</u>		
17	<u>389 Other Miscellaneous Equip.</u>	<u>18</u>	<u>15</u>		
18	4.3. Treatment and Disposal Plant			18	
19	354 Structures & Improvements (see "Collection System" for subcategory lives)	32 ¹	27 ¹		
20	<u>355 Power Generating Equipment</u>	<u>20</u>	<u>17</u>		
21	<u>371 Pumping Equipment</u>	<u>18</u> ¹	<u>15</u> ¹		
22	<u>Pumping Equipment - Electric</u>	<u>18</u>	<u>15</u>		
23	<u>Pumping Equipment - Chemical</u>	<u>7</u>	<u>5</u>		
24	380 Treatment & Disposal Equip.	18 ¹	15 ¹		
25	Blowers, Motors, Pumps, Electric Controls	15	12		
	Chlorination Equipment	10	7		
	Other Mechanical Equipment	23	18		

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1	381 Plant Sewers	35	32		
2	382 Outfall Sewer Lines	30	30		
3	389 Other Plant and Miscellaneous Equipment	18	15		
4	<u>5. Reclaimed Water Treatment Plant</u>			<u>21</u>	
5	<u>354 Structures & Improvements</u>	<u>32¹</u>	<u>27¹</u>		
6	(see "Collection System" for subcategory lives)				
7	<u>355 Power Generating Equipment</u>	<u>20</u>	<u>17</u>		
8	<u>371 Pumping Equipment</u>	<u>18¹</u>	<u>15¹</u>		
9	<u>Pumping Equipment-Electric</u>	<u>18</u>	<u>15</u>		
10	<u>Pumping Equipment-Chemical</u>	<u>7</u>	<u>5</u>		
11	<u>374 Reuse Distribution</u>				
12	<u>Reservoirs</u>	<u>37¹</u>	<u>33¹</u>		
13	<u>Steel Pneumatic Tank</u>	<u>35</u>	<u>30</u>		
14	<u>Concrete Ground Storage Reservoir</u>	<u>40</u>	<u>37</u>		
15	<u>380 Treatment & Disposal Equip.</u>	<u>18¹</u>	<u>15¹</u>		
16	<u>Blowers, Motors, Pumps, Electric Controls</u>	<u>15</u>	<u>12</u>		
17	<u>Chlorination Equipment</u>	<u>10</u>	<u>7</u>		
18	<u>Other Mechanical Equipment</u>	<u>23</u>	<u>18</u>		
19	<u>381 Plant Sewers</u>	<u>35</u>	<u>32</u>		
20	<u>389 Other Plant and Miscellaneous Equipment</u>	<u>16</u>	<u>15</u>		
21	<u>6. Reclaimed Water Distribution Plant</u>			<u>36</u>	
22	<u>354 Structures & Improvements</u>	<u>32</u>	<u>27¹</u>		
23	(see "Collection System" for subcategory lives)				
24	<u>355 Power Generating Equipment</u>	<u>20</u>	<u>17</u>		
25	<u>366 Reuse Services</u>	<u>40</u>	<u>35</u>		

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1	<u>367 Reuse Meters and Meter Installation</u>	<u>20</u>	<u>17</u>		
2					
3	<u>371 Pumping Equipment</u>	<u>18</u>	<u>15</u> ¹		
4	<u>Pumping Equipment-Electric</u>	<u>18</u>	<u>15</u>		
5	<u>Pumping Equipment-Chemical</u>	<u>7</u>	<u>5</u>		
6	<u>375 Reuse Transmission & Distribution System</u>	<u>43</u> ¹	<u>38</u> ¹		
7	<u>Plastic Pipe</u>	<u>45</u>	<u>40</u>		
8	<u>Valves & Valve Boxes</u>	<u>25</u>	<u>20</u>		
9	<u>Fire Mains</u>	<u>33</u>	<u>30</u>		
10	<u>389 Other Plant and Miscellaneous Equipment</u>	<u>18</u>	<u>15</u>		
11	<u>7.4. General Plant</u>				
12	<u>354 Structures & Improvements</u>	<u>40</u> ¹	<u>35</u> ¹		
13	<u>Wood Building</u>	<u>35</u>	<u>30</u>		
14	<u>Masonry Building</u>	<u>40</u>	<u>35</u>		
15	<u>Reinforced Concrete Bldg.</u>	<u>45</u>	<u>40</u>		
16	<u>Steel Building</u>	<u>40</u>	<u>35</u>		
17	<u>Tanks or Sheds</u>	<u>25</u>	<u>20</u>		
18	<u>390 Office Furniture & Equip.</u>	<u>15</u>	<u>15</u>		
19	<u>Computers</u>	<u>6</u>	<u>6</u>		
20	<u>391 Transportation Equipment</u>	<u>6</u>	<u>6</u>		<u>10</u>
21	<u>392 Stores Equipment</u>	<u>18</u>	N/A	<u>14 (composite of 392-398)</u>	
22	<u>393 Tools, Shop & Garage Equip.</u>	<u>16</u>	<u>15</u>		
23	<u>394 Laboratory Equipment</u>	<u>15</u>	N/A		
24	<u>395 Power Operated Equipment</u>	<u>12</u>	<u>10</u>		<u>5</u>
25	<u>396 Communication Equipment</u>	<u>10</u>	N/A		<u>10</u>
	<u>397 Miscellaneous Equipment</u>	<u>15</u>	N/A		
	<u>398 Other Tangible Plant</u>	<u>10</u>	<u>10</u>		

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1 (c) For the purposes of paragraphs (2)(a) and (b), the
2 following apply:

- 3 1. ¹Denotes composite life.
- 4 2. ²Plastic pipe footnote - assumes use of AWWA
5 standard pipe only. Assumes AWWA DR18 used for all
6 mains of 6" or more.
- 7 3. ³To be used only when acceptable company plant
8 balances are not available for developing
9 composites using account lives.
- 10 4. ⁴Net Salvage zero except as indicated.
- 11 5. ⁵Franchise costs shall be amortized over a period of

12 40 years unless a specific time period is designated in the utility
13 franchise agreement.

14 (3)(a) Average service life depreciation rates based on
15 guideline lives and salvages shall be used in any Commission
16 proceeding in which depreciation rates are addressed, except for
17 those utilities using depreciation rates in accordance with the
18 requirements listed in Subsections (6) and (7) of this rule.
19 ~~Except as listed in Subsections (5) and (6) of this rule average~~
20 ~~service life depreciation rates based on the guideline lives and~~
21 ~~salvages shall be used in any proceeding before this Commission~~
22 ~~that involves the setting of rates. A utility shall also implement~~
23 the applicable guideline rates for any new plant to be placed in
24 service.
25

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1 (b) A utility may implement applicable guideline rates
2 without specific approval by the Commission. Guideline rates, if
3 implemented for any account, must be implemented for all accounts.
4 If a utility implements applicable guideline rates outside of a
5 rate proceeding, the utility shall provide written notification to
6 the Director of Economic Regulation within 30 days of such
7 implementation.

8 (c) If guideline depreciation rates have been implemented,
9 the rates shall not be changed unless approved by the Commission.

10 (4) (a) All Class A and B utilities shall maintain
11 depreciation rates and reserve activity data by account as
12 prescribed by this Commission.

13 (b) All Class C utilities shall maintain depreciation rates
14 and reserve activity data by total depreciable plant, function or
15 account as prescribed by this Commission.

16 (5) Computation of depreciation expense. Regulatory book
17 depreciation expense shall be computed on a monthly basis in
18 conformity with group depreciation accounting procedures.

19 ~~(6) (a) (5) (a)~~ At the time a utility applies for a change in
20 its revenue rates and charges, it may also petition for average
21 service life depreciation rates different from those in the above
22 schedule if it can justify the service lives that the utility is
23 proposing in lieu of the guideline lives. That justification
24 should be in the form of historic data, technical information or
25 utility planning for the affected accounts or sub-accounts. Common

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1 causes of need for different depreciation rates include composition
2 of account, adverse environmental conditions, high growth or
3 regulatory changes.

4 (b) A utility filing for such a revision of depreciation
5 rates shall submit ten copies of the filing to the Director of the
6 Commission Clerk and Administrative Services ~~office of the~~
7 ~~Commission Clerk.~~

8 (c) For each account or function of depreciable plant
9 addressed in the filing, the following shall be included:

10 1. A comparison of current and proposed depreciation
11 rates and service lives. The proposed effective
12 date of the new rates shall be identified.

13 2. A comparison of depreciation expenses resulting
14 from current rates with those produced by the
15 proposed rates. Plant balances used in this
16 calculation shall be those as of the effective date
17 of the proposed rates.

18 3. A general narrative defining the service
19 environment of the applicant utility and the
20 factors (e.g., composition of account, growth,
21 environmental conditions, regulatory changes)
22 leading to the present application for a revision
23 in rates in the affected accounts.

24 4. Any statistics, data, analyses or calculations used
25 in the development of the proposed average service

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1 lives.

2 (7)(6)(a) A Class A, B, or C utility may apply for guidelines
3 for a proposal for implementation of remaining life depreciation
4 rates if the ~~under the following conditions:~~

5 ~~(a) A Class A or B~~ utility has maintained both plant activity
6 data by account and accumulated provision for depreciation
7 (reserve) data by account, function or total depreciable plant
8 generally in accord with the Uniform System of Accounts for either
9 at least ten years or since the inception of the utility, whichever
10 is less.

11 ~~(b) A Class C~~ utility has maintained both plant activity data
12 and accumulated provision for depreciation (reserve) data by
13 account, function or total depreciable plant generally in accord
14 with the Uniform System of Accounts for either at least ten years
15 or since the inception of the utility, whichever is less.

16 (b)(c) To provide time for study development, any
17 application for remaining life guidelines should be submitted at
18 least six months before the filing for a test year in connection
19 with a request for a revenue rate increase.

20 (8)(7) Prior to the date of retirement of major
21 installations, the Commission may approve capital recovery
22 schedules to correct associated calculated deficiencies in recovery
23 where a utility demonstrates that retirement of the installation or
24 group of installations is prudent and the associated investment
25 will not be recovered by the time of retirement through the normal

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1 depreciation process.

2 (9) (a) Beginning with the year ending December 31, 2003,
3 all Class A and B utilities shall maintain separate sub-accounts
4 for: (1) each type of Contributions-in-Aid-of-Construction (CIAC)
5 charge collected including, but not limited to, plant capacity,
6 meter installation, main extension or system capacity; (2)
7 contributed plant; (3) contributed lines; and (4) other contributed
8 plant not mentioned previously. Establishing balances for each new
9 sub-account may require an allocation based upon historical
10 balances. Each CIAC sub-account shall be amortized in the same
11 manner that the related contributed plant is depreciated. Separate
12 sub-accounts for accumulated amortization of CIAC shall be
13 maintained to correspond to each sub-account for CIAC. Each sub-
14 account shall be maintained so as to maximize compliance with
15 Treasury Regulation 1.118-2.

16 (b) Beginning with the year ending December 31, 2003, for
17 Class C utilities, where adequate CIAC records are maintained in
18 sub-accounts, by type of charge or contributed plant, CIAC
19 amortization rates shall be applied separately to each sub-account.
20 Where CIAC records are not kept by sub-account, a composite
21 depreciation rate for total plant, excluding general plant, shall
22 be applied to the entire CIAC account. CIAC records shall be
23 maintained so as to maximize compliance with Treasury Regulation
24 1.118-2.

25 (c) Any composite rate used shall be recalculated each year

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1 based on the applicable plant balances and depreciation rates.

2 ~~(8) (a) Contributions in Aid of Construction Adequate~~
3 ~~records to account for CIAC must be maintained by the utility.~~
4 ~~Where adequate records separating CIAC from utility investments are~~
5 ~~maintained by account, depreciation rates shall be applied~~
6 ~~separately to contributed and non-contributed plant with the~~
7 ~~resulting amortization of contributed plant not considered an~~
8 ~~expense for ratemaking purposes. Where CIAC records are not kept~~
9 ~~by account, the depreciation rates shall be applied to the entire~~
10 ~~depreciable plant. The CIAC plant shall then be amortized either~~
11 ~~by account, function or bottom line depending on availability of~~
12 ~~supporting information. The amortization rate shall be that of the~~
13 ~~appropriate account or function where supporting documentation is~~
14 ~~available to identify the account or function of the related CIAC~~
15 ~~plant. Otherwise, the composite plant amortization rate shall be~~
16 ~~used. The depreciation expense then is the net of depreciation~~
17 ~~expense for total plant less the amortization of CIAC plant. The~~
18 ~~non-CIAC depreciation reserve is the net of depreciation reserve~~
19 ~~for total plant less the accumulated amortization of CIAC plant.~~

20 Specific Authority: 350.127(2), 367.121(1), F.S.

21 Law Implemented: 350.115, 367.081(2), 367.121(1), F.S.

22 History: New 3/22/84, Formerly 25-10.32, 25-10.032, Amended
23 11/9/86, 5/8/88, 11/21/95,_____.

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25
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