

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

NOTICE OF DEVELOPMENT OF RULEMAKING

TO

ALL INTERESTED PERSONS

UNDOCKETED

IN RE: PROPOSED AMENDMENTS TO RULE 25-6.0436, F.A.C., DEPRECIATION, RULE 25-6.04364, F.A.C., ELECTRIC UTILITIES DISMANTLEMENT STUDIES, RULE 25-7.045, F.A.C., DEPRECIATION, AND RULE 25-7.046, F.A.C., SUBCATEGORIES OF GAS PLANT FOR DEPRECIATION


ISSUED: April 30, 2015

NOTICE is hereby given pursuant to Section 120.54, Florida Statutes, that the Florida Public Service Commission staff has initiated rulemaking to amend Rule 25-6.0436, Depreciation, Rule 25-6.04364, Electric Utilities Dismantlement Studies, Rule 25-7.045, Depreciation, and Rule 25-7.046, Subcategories of Gas Plant for Depreciation, Florida Administrative Code, to clarify and update the rules to conform to current accounting principles.

The attached Notices of Development of Rulemaking appeared in the April 30, 2015, edition of the Florida Administrative Register. If requested in writing and not deemed unnecessary by the agency head, a rule development workshop will be scheduled and noticed in the next available Florida Administrative Register. Written requests for a rule development workshop must be submitted to Pamela H. Page, (850) 413-6214, [phpage@psc.state.fl.us](mailto:phpage@psc.state.fl.us) by May 14, 2015. A copy of the preliminary draft rules is attached.

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By DIRECTION of the Florida Public Service Commission this 30th day of April, 2015.

By:   
\_\_\_\_\_  
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Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

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Notice of Development of Rulemaking

**PUBLIC SERVICE COMMISSION**

**RULE NOS.:     RULE TITLES:**

25-6.0436        Depreciation

25-6.04364     Electric Utilities Dismantlement Studies

**PURPOSE AND EFFECT:** To clarify and update the rules to conform to current accounting practices applicable to electric utilities.

Undocketed

**SUBJECT AREA TO BE ADDRESSED:** Depreciation principles for electric utilities.

**RULEMAKING AUTHORITY:** 366.05(1), 350.115, 350.127(2) FS.

**LAW IMPLEMENTED:** 350.115, 366.04(2)(f), 366.041, 366.05(1) FS.

**IF REQUESTED IN WRITING AND NOT DEEMED UNNECESSARY BY THE AGENCY HEAD, A RULE DEVELOPMENT WORKSHOP WILL BE NOTICED IN THE NEXT AVAILABLE FLORIDA ADMINISTRATIVE REGISTER.**

**THE PERSON TO BE CONTACTED REGARDING THE PROPOSED RULE DEVELOPMENT AND A COPY OF THE PRELIMINARY DRAFT, IF AVAILABLE, IS:** Pamela H. Page, Florida Public Service Commission, Office of the General Counsel, 2540 Shumard Oak Blvd., Tallahassee, FL 32399-0850, (850)413-6214, [phpage@psc.state.fl.us](mailto:phpage@psc.state.fl.us)

**THE PRELIMINARY TEXT OF THE PROPOSED RULE DEVELOPMENT IS AVAILABLE AT NO CHARGE FROM THE CONTACT PERSON LISTED ABOVE.**

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Notice of Development of Rulemaking

**PUBLIC SERVICE COMMISSION**

RULE NOS.:                   RULE TITLES:

25-7.045                   Depreciation

25-7.046                   Subcategories of Gas Plant for Depreciation

PURPOSE AND EFFECT: To clarify and update the rules to conform to current accounting practices applicable to gas utilities.

Undocketed

SUBJECT AREA TO BE ADDRESSED: Depreciation principles for gas utilities.

RULEMAKING AUTHORITY: 350.115, 350.127(2), 366.05(1) FS.

LAW IMPLEMENTED: 350.115, 366.04(2)(f), 366.05(1), 366.06, 366.06(1) FS.

IF REQUESTED IN WRITING AND NOT DEEMED UNNECESSARY BY THE AGENCY HEAD, A RULE DEVELOPMENT WORKSHOP WILL BE NOTICED IN THE NEXT AVAILABLE FLORIDA ADMINISTRATIVE REGISTER.

THE PERSON TO BE CONTACTED REGARDING THE PROPOSED RULE DEVELOPMENT AND A COPY OF THE PRELIMINARY DRAFT, IF AVAILABLE, IS: Pamela H. Page, Florida Public Service Commission, Office of the General Counsel, 2540 Shumard Oak Blvd., Tallahassee, FL 32399-0850, (850)413-6214, [phpage@psc.state.fl.us](mailto:phpage@psc.state.fl.us)

1 **25-6.0436 Depreciation.**

2 (1) For the purposes of this rule part, the following definitions shall apply:

3 (a) Category or Category of Depreciable Plant – A grouping of plant for which a depreciation  
4 rate is prescribed. At a minimum it shall ~~should~~ include each plant account prescribed in  
5 subsection 25-6.014(1), F.A.C.

6 (b) Embedded Vintage – A vintage of plant in service as of the date of study or  
7 implementation of proposed rates.

8 (c) Mortality Data – Historical data by study category showing plant balances, additions,  
9 adjustments and retirements, used in analyses for life indications or calculations of realized  
10 life. ~~Preferably,~~ It is aged data in accord with the following:

11 1. The number of plant items or equivalent units (usually expressed in dollars) added each  
12 calendar year.

13 2. The number of plant items retired (usually expressed in dollars) each year and the  
14 distribution by years of placing of such retirements.

15 3. The net increase or decrease resulting from purchases, sales or adjustments and the  
16 distribution by years of placing of such amounts.

17 4. The number that remains in service (usually expressed in dollars) at the end of each year  
18 and the distribution by years of placing of such amounts.

19 (d) Net Book Value – The book cost of an asset or group of assets minus the accumulated  
20 depreciation or amortization reserve associated with those assets.

21 (e) Remaining Life Technique Method ~~Method~~ – The method of calculating a depreciation rate based  
22 on the unrecovered plant balance, the ~~less~~ average future net salvage, and the average  
23 remaining life. The formula ~~for calculating a Remaining Life Rate~~ is:

24

25

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1 100% - Reserve % - Average Future Net Salvage %

2 Remaining Life Rate = \_\_\_\_\_

3 Average Remaining Life in Years

4 (f) Reserve (Accumulated Depreciation) – The amount of depreciation/amortization expense,  
5 salvage, cost of removal, adjustments, transfers, and reclassifications accumulated to date.

6 (g) Reserve Data – Historical data by study category showing reserve balances, debits and  
7 credits such as booked depreciation, expense, salvage and cost of removal and adjustments to  
8 the reserve utilized in monitoring reserve activity and position.

9 (h) Reserve Deficiency – An inadequacy in the reserve of a category as evidenced by a  
10 comparison of that reserve indicated as necessary under current projections of life and salvage  
11 with that reserve historically accrued. The latter figure may be available from the utility’s  
12 records or may require retrospective calculation.

13 (i) Reserve Surplus – An excess in the reserve of a category as evidenced by a comparison of  
14 that reserve indicated as necessary under current projections of life and salvage with that  
15 reserve historically accrued. The latter figure may be available from the utility’s records or  
16 may require retrospective calculation.

17 (j) Salvage Data – Historical data by study category showing bookings of retirements, gross  
18 salvage and cost of removal used in analysis of trends in gross salvage and cost of removal or  
19 for calculations of realized salvage.

20 (k) Theoretical Reserve or Prospective Theoretical Reserve – A calculated reserve based on  
21 components of the proposed rate using the formula:

22 Theoretical Reserve = Book Investment - Future Accruals - Future Net Salvage

23 (l) Vintage – The year of placement of a group of plant items or investment under study.

24 (m) Whole Life ~~Technique Method~~ – The method of calculating a depreciation rate based on  
25 the ~~w~~Whole ~~l~~Life (~~a~~Average ~~s~~Service ~~l~~Life) and the ~~a~~Average ~~n~~Net ~~s~~Salvage. Both life and  
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existing law.

1 salvage components are the estimated or calculated composite of realized experience and  
2 expected activity. The formula is:

$$\begin{aligned} & 100\% - \text{Average Net Salvage \%} \\ \text{Whole Life Rate} = & \frac{\hspace{10em}}{\text{Average Service Life in Years}} \end{aligned}$$

6  
7 (2)(a) No utility shall change any existing depreciation rate or initiate any new depreciation  
8 rate without prior Commission approval.

9 (b) No utility shall reallocate accumulated depreciation reserves among any primary accounts  
10 and sub-accounts without prior Commission approval.

11 (c) When plant investment is booked as a transfer from a regulated utility depreciable account  
12 to another or from a regulated company to an affiliate, its associated ~~an appropriate~~ reserve  
13 amount shall also be booked as a transfer. When plant investment is sold from one regulated  
14 utility to an affiliate, ~~the an appropriate~~ associated reserve amount shall also be determined to  
15 calculate the net book value of the utility investment being sold. ~~Appropriate~~ Methods for  
16 determining the ~~appropriate~~ reserve amount associated with plant transferred or sold are as  
17 follows:

18 1. Where vintage reserves are not maintained, synthesization using the currently prescribed  
19 curve shape shall ~~may~~ be required. The same reserve percent associated with the original  
20 placement vintage of the related investment shall then be used in determining the ~~appropriate~~  
21 amount of reserve to transfer.

22 2. Where the original placement vintage of the investment being transferred is unknown, the  
23 reserve percent applicable to the account in which the investment being transferred resides  
24 may be assumed ~~as appropriate~~ for determining the reserve amount to transfer.

25 3. Where the age of the investment being transferred is known and a history of the prescribed  
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existing law.

1 depreciation rates is known, a reserve can be determined by multiplying the age times the  
2 investment times the applicable depreciation rate(s).

3 4. The Commission shall consider any additional methods submitted by the utilities for  
4 determining the ~~appropriate~~ reserve amounts to transfer.

5 (3)(a) Each utility shall maintain depreciation rates and accumulated depreciation reserves in  
6 accounts or subaccounts as prescribed by subsection 25-6.014(1), F.A.C. Utilities may  
7 maintain further sub-categorization.

8 (b) Upon establishing a new account or subaccount classification, each utility shall request  
9 Commission approval of a depreciation rate for the new plant category.

10 (4)(a) Each company shall file a depreciation study for each category of depreciable property  
11 for Commission review at least once every four years from the submission date of the previous  
12 study. A utility filing a depreciation study, regardless if a change in rates is being requested  
13 or not, shall submit to the Office of Commission Clerk ~~four~~ ~~six~~ copies of the information  
14 required by paragraphs ~~(5)~~~~(6)~~(a) through (g)(f) of this rule and at least three copies of the  
15 information required by paragraph ~~(6)~~(g). The study shall also be provided in electronic  
16 format with formulas intact and unlocked.

17 (b) A utility proposing an effective date of the beginning of its fiscal year shall submit its  
18 depreciation study no later than the mid-point of that fiscal year.

19 (c) A utility proposing an effective date coinciding with the expected date of a revenue change  
20 initiated through a rate case proceeding shall submit its depreciation study no later than the  
21 filing date of its Minimum Filing Requirements.

22 (d) The plant balances may include estimates. Submitted data including plant and reserve  
23 balances or company planning involving estimates shall be brought to the effective date of the  
24 proposed rates.

25 (e) All underlying data may be unrounded; however, the following rounding conventions shall  
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existing law.



1 be applied. Average service and average remaining lives shall be rounded to the nearest tenth  
2 of a year for lives less than 20 years; average service and average remaining lives over 20  
3 years shall be rounded to the nearest whole year. Net salvage percentages shall be rounded to  
4 the nearest whole number. Reserve percentages shall be rounded to two decimal places.

5 Whole and remaining life depreciation rates shall be rounded to one decimal place.

6 (f) The possibility of corrective reserve transfers shall be investigated by the Commission  
7 prior to changing depreciation rates.

8 (g)(5) Upon Commission approval by final order establishing an effective date, the utility shall  
9 reflect on its books and records the implementation of the proposed rates, subject to  
10 adjustment when final depreciation rates are approved by the consummating order.

11 (5)(6) A depreciation study shall include:

12 (a) A comparison of current and proposed depreciation rates and components for each  
13 category of depreciable plant. Components include average service life, age, curve shape, net  
14 salvage, and average remaining life. Current rates shall be identified as to the effective date  
15 and proposed rates as to the proposed effective date.

16 (b) A comparison of current and proposed annual depreciation rates and expenses as of the  
17 proposed effective date, resulting from current rates with those produced by the proposed rates  
18 for each category of depreciable plant. The comparison of current and proposed rates shall  
19 identify the proposed effective date for the proposed rates. The comparison of current and  
20 proposed annual expenses shall be calculated using current and proposed rates for each  
21 category of depreciable plant. Plant balances, reserve balances and percentages, remaining  
22 lives, and net salvage percentages shall be included in this comparison for each category of  
23 plant. The plant balances may involve estimates. Submitted data including plant and reserve  
24 balances or company planning involving estimates shall be brought to the effective date of the  
25 proposed rates.

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- 1 (c) Each recovery and amortization schedule currently in effect shall ~~should~~ be included with  
2 any new filing showing total amount amortized, effective date, length of schedule, annual  
3 amount amortized and reason for the schedule.
- 4 (d) A comparison of the accumulated book reserve to the prospective theoretical reserve based  
5 on proposed rates and components for each category of depreciable plant to which  
6 depreciation rates are to be applied.
- 7 (e) A general narrative describing the service environment of the applicant company and the  
8 factors, e.g., growth, technology, physical conditions, necessitating a revision in rates.
- 9 (f) An explanation and justification for each study category of depreciable plant defining the  
10 specific factors that justify the life and salvage components and rates being proposed. Each  
11 explanation and justification shall include substantiating factors utilized by the utility in the  
12 design of depreciation rates for the specific category, e.g., company planning, growth,  
13 technology, physical conditions, trends. The explanation and justification shall discuss any  
14 proposed transfers of reserve between categories or accounts intended to correct deficient or  
15 surplus reserve balances. It shall ~~should~~ also state any statistical or mathematical methods of  
16 analysis or calculation used in design of the category rate.
- 17 (g) ~~The filing shall contain~~ All calculations, analysis and numerical basic data used in the  
18 design of the depreciation rate for each category of depreciable plant. Numerical data shall  
19 include plant activity (gross additions, adjustments, retirements, and plant balance at end of  
20 year) as well as reserve activity (retirements, accruals for depreciation expense, salvage, cost  
21 of removal, adjustments, transfers and reclassifications and reserve balance at end of year) for  
22 each year of activity from the date of the last submitted study to the date of the present study.  
23 When available, To the degree possible, retirement data involving retirements shall ~~should~~ be  
24 aged.
- 25 (h) The mortality and salvage data used by the company in the depreciation rate design must  
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existing law.

1 agree with activity booked by the utility. Unusual transactions not included in life or salvage  
2 studies, e.g., sales or extraordinary retirements, must be specifically enumerated and  
3 explained.

4 ~~(i)(7)(a) Utilities shall provide~~ Calculations of depreciation rates using both the whole life  
5 technique method and the remaining life technique method. The use of these techniques  
6 ~~methods~~ is required for all depreciable categories. Utilities may submit additional studies or  
7 methods for consideration by the Commission.

8 ~~(b) The possibility of corrective reserve transfers shall be investigated by the Commission~~  
9 ~~prior to changing depreciation rates.~~

10 ~~(8)(a) Each company shall file a study for each category of depreciable property for~~  
11 ~~Commission review at least once every four years from the submission date of the previous~~  
12 ~~study unless otherwise required by the Commission.~~

13 ~~(b) A utility proposing an effective date of the beginning of its fiscal year shall submit its~~  
14 ~~depreciation study no later than the mid-point of that fiscal year.~~

15 ~~(c) A utility proposing an effective date coinciding with the expected date of additional~~  
16 ~~revenues initiated through a rate case proceeding shall submit its depreciation study no later~~  
17 ~~than the filing date of its Minimum Filing Requirements.~~

18 ~~(6)(9)~~ As part of the filing of the annual report pursuant to Rule 25-6.135, F.A.C., each utility  
19 shall include an annual status report. The annual status reports shall be provided in a paper  
20 copy and in electronic format. In the electronic format, the formulas must be intact and  
21 unlocked. The annual status report shall include booked plant activity (plant balance at the  
22 beginning of the year, additions, adjustments, transfers, reclassifications, retirements and plant  
23 balance at year end) and reserve activity (reserve balance at the beginning of the year,  
24 retirements, accruals, salvage, cost of removal, adjustments, transfers, reclassifications and  
25 reserve balance at end of year) for each category of investment for which a depreciation rate,  
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existing law.

1 amortization, or capital recovery schedule has been approved. The report shall indicate for  
2 each category ~~that: (a) whether t~~There has been ~~a n~~o change of plans or utility experience  
3 since the filing of the last annual status report requiring a revision of rates, amortization or  
4 capital recovery schedules, ~~or (b) There has been a change requiring a revision of rates,~~  
5 ~~amortization or capital recovery schedules.~~

6 ~~(7)(10)~~ For any category where current conditions indicate a need for revision of depreciation  
7 rates, amortization or capital recovery schedules and no revision is sought, the report shall  
8 explain why no revision is requested.

9 (a) Prior to the date of retirement of major installations, the Commission shall approve capital  
10 recovery schedules to correct associated calculated deficiencies where a utility demonstrates  
11 that (1) replacement of an installation or group of installations is prudent and (2) the  
12 associated investment will not be recovered by the time of retirement through the normal  
13 depreciation process.

14 (b) The Commission shall approve a special capital recovery schedule when an installation is  
15 designed for a specific purpose or for a limited duration.

16 (c) Associated plant and reserve activity, balances and the annual capital recovery schedule  
17 expense must be maintained as subsidiary records.

18 *Rulemaking Authority 350.115, 350.127(2), 366.05(1), FS. Law Implemented 350.115,*

19 *366.04(2)(f), 366.06(1) FS. History—New 11-11-82, Amended 1-6-85, Formerly 25-6.436,*

20 *Amended 4-27-88, 12-12-91, 12-11-00, 5-29-08, \_\_\_\_\_.*

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1 **25-6.04364 Electric Utilities Dismantlement Studies.**

2 (1) Each utility that owns a ~~fossil fuel~~ generating unit not identified in Rule 25-6.04365,  
3 F.A.C., is required to establish a dismantlement accrual as approved by the Commission to  
4 accumulate a reserve ~~that is sufficient~~ to meet all expenses at the time of dismantlement. The  
5 purpose of the study required by subsection (3) is to obtain ~~sufficient~~ information to update  
6 cost estimates based on new developments, additional information, technological  
7 improvements, and forecasts; to evaluate alternative methodologies; and to revise the annual  
8 accrual needed to recover the costs.

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

10 (a) "Contingency Costs." A specific provision for unforeseeable elements of cost within the  
11 defined project scope.

12 (b) "Dismantlement." The process of safely managing, removing, demolishing, disposing, or  
13 converting for reuse the materials and equipment that remain at the ~~fossil fuel~~ generating unit  
14 following its retirement from service and restoring the site to a marketable or useable  
15 condition.

16 (c) "Dismantlement Costs." The costs for the ultimate physical removal and disposal of plant  
17 and site restoration, minus any attendant gross salvage amount, upon final retirement of the  
18 site or unit from service.

19 (3) Each utility shall file a dismantlement study for each generating site once every 4 years  
20 from the submission date of the previous study unless otherwise required by Commission  
21 order. The study shall be site-specific unless a showing is made by the utility that a site-  
22 specific study is not possible. A utility may file a study sooner than 4 years. Each utility's  
23 dismantlement study shall include:

24 (a) A narrative describing each ~~fossil fuel~~ generating unit, including the in-service date and  
25 estimated retirement date.

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- 1 (b) A list of all entities owning an interest in each generating unit and the percentage of  
2 ownership by each entity.
- 3 (c) The dismantlement study methodology.
- 4 (d) A summary of the major assumptions used in the study.
- 5 (e) The methodology selected to dismantle each generating unit and support for the selection.
- 6 (f) The methodology and escalation rates used in converting the current estimated  
7 dismantlement costs to future estimated dismantlement costs and supporting documentation  
8 and analyses.
- 9 (g) The total utility and jurisdictional dismantlement cost estimates in current dollars for each  
10 unit.
- 11 (h) The total utility and jurisdictional dismantlement cost estimates in future dollars for each  
12 unit.
- 13 (i) For each year, the estimated amount of dismantlement expenditures.
- 14 (j) The projected date each generating unit will cease operations.
- 15 (k) For each site, a comparison of the current approved annual dismantlement accruals with  
16 those proposed. Current accruals shall be identified as to the effective date and proposed  
17 accruals to the proposed effective date.
- 18 (l) A summary and explanation of material differences between the current study and the  
19 utility's last filed study including changes in methodology and assumptions.
- 20 (m) Supporting schedules, analyses, and data, including the contingency allowance, used in  
21 developing the dismantlement cost estimates and annual accruals proposed by the utility.  
22 Supporting schedules shall include the inflation analysis.
- 23 (4) The dismantlement annual accrual shall be calculated using the current cost estimates  
24 escalated to the expected dates of actual dismantlement. The future costs less amounts  
25 recovered to date shall then be discounted in a manner that accrues the costs over the

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1 remaining life span of the unit.

2 (5) Dismantlement accruals shall be recorded monthly to assure that the costs for  
3 dismantlement have been provided for at the time the production unit or site ceases operations.

4 (6) A utility shall not establish a new annual dismantlement accrual, revise its annual  
5 dismantlement accrual, or transfer a dismantlement reserve without prior Commission  
6 approval.

7 (7) The annual dismantlement accrual shall be a fixed dollar amount and shall be based on a 4-  
8 year average of the accruals related to the years between the dismantlement study reviews.

9 (8) The accumulated dismantlement reserve and accruals shall be maintained in a subaccount  
10 of Account 108 "Accumulated Depreciation" and separate from the accumulated depreciation  
11 reserve and expenses. Subsidiary records shall include sufficient detail to allow for separate  
12 site or unit reporting.

13 *Rulemaking Authority 350.115, 350.127(2), 366.05(1), FS. Law Implemented 366.041,*  
14 *366.05(1), 366.06(1) FS. History—New 12-30-03, Amended \_\_\_\_\_.*

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1 **25-7.045 Depreciation.**

2 (1) For the purpose of this rule part, the following definitions shall apply:

3 (a) Category or Category of Depreciable Plant – A grouping of plant for which a depreciation  
4 rate is prescribed. At a minimum it shall ~~should~~ include each plant account prescribed in Rule  
5 25-7.046, F.A.C.

6 (b) Embedded Vintage – A vintage of plant in service as of the date of study or  
7 implementation of proposed rates.

8 (c) Mortality Data – Historical data by study category showing plant balances, additions,  
9 adjustments and retirements, used in analyses for life indications or for calculations of realized  
10 life. ~~Preferably~~ this is aged data in accord with the following:

11 1. The number of plant items or equivalent units (usually expressed in dollars) added each  
12 calendar year.

13 2. The number of plant items retired (usually expressed in dollars) each year and the  
14 distribution by years of placing of such retirements.

15 3. The net increase or decrease resulting from purchases, sales or adjustments and the  
16 distribution by years of placing of such amounts.

17 4. The number that remains in service (usually expressed in dollars) at the end of each year  
18 and the distribution by years of placing of such amounts.

19 (d) Net Book Value - The book cost of an asset or group of assets minus the accumulated  
20 depreciation or amortization reserve associated with those assets.

21 (e)(d) Remaining Life Technique Method – The method of calculating a depreciation rate  
22 based on the unrecovered plant balance, the less average future net salvage and the average  
23 remaining life. The formula ~~for calculating a Remaining Life Rate~~ is:

$$24 \quad \text{Remaining Life Rate} = \frac{100\% - \text{Reserve \%} - \text{Average Future Net Salvage \%}}{25 \quad \text{Average Remaining Life in Years}}$$

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1 (f) Reserve (Accumulated Depreciation) – The amount of depreciation/amortization expense,  
2 salvage, cost of removal, adjustments, transfers, and reclassifications accumulated to date.

3 (g)(e) Reserve Data – Historical data by study category showing reserve balances, debits and  
4 credits, such as booked depreciation expense, salvage and cost of removal, and adjustments to  
5 the reserve utilized in monitoring reserve activity and position.

6 (h)(f) Reserve Deficiency – An inadequacy in the reserve of a category as evidenced by a  
7 comparison of that reserve indicated as necessary under current projections of life and salvage  
8 with that reserve historically accrued. The latter figure may be available from the utility’s  
9 records or may require retrospective calculation.

10 (i)(g) Reserve Surplus – An excess in the reserve of a category as evidenced by a comparison  
11 of that reserve indicated as necessary under current projections of life and salvage with that  
12 reserve historically accrued. The latter figure may be available from the utility’s records or  
13 may require retrospective calculation.

14 (j)(h) Salvage Data – Historical data by study category showing bookings of retirements, gross  
15 salvage and cost of removal used in analysis of trends in gross salvage and cost of removal or  
16 for calculations of realized salvage.

17 (k)(i) Theoretical Reserve or Prospective Theoretical Reserve – A calculated reserve based on  
18 components of the proposed rate using the formula:

19 
$$\text{Theoretical Reserve} = \text{Book Investment} - \text{Future Accruals} - \text{Future Net Salvage.}$$

20 (l)(j) Vintage – The year of placement of a group of plant items or investment under study.

21 (m)(k) Whole Life Technique Method – The method of calculating a depreciation rate based  
22 on the wWhole lLife (aAverage sService lLife) and the aAverage nNet sSalvage. Both life and  
23 salvage components are the estimated or calculated composite of realized experience and  
24 expected activity. The formula is:

25

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1 Whole Life Rate = 100% - Average Net Salvage %  
2 Average Service Life in Years

3 (2)(a) No utility shall ~~may~~ change any existing depreciation rate or initiate any new  
4 depreciation rate without prior Commission approval.

5 (b) No utility shall ~~may~~ reallocate accumulated depreciation reserves among any primary  
6 accounts and sub-accounts without prior Commission approval.

7 (c) When plant investment is booked as a transfer from a regulated utility depreciable account  
8 to another or from a regulated company to an affiliate, its associated reserve amount shall also  
9 be booked as a transfer. When plant investment is sold from one regulated utility to an  
10 affiliate, the associated reserve amount shall also be determined to calculate the net book value  
11 of the utility investment being sold. Methods for determining the reserve amount associated  
12 with plant transferred or sold are as follows:

13 1. Where vintage reserves are not maintained, synthesization using the currently prescribed  
14 curve shape shall be required. The same reserve percent associated with the original  
15 placement vintage of the related investment shall then be used in determining the amount of  
16 reserve to transfer.

17 2. Where the original placement vintage of the investment being transferred is unknown, the  
18 reserve percent applicable to the account in which the investment being transferred resides  
19 shall be assumed for determining the reserve amount to transfer.

20 3. Where the age of the investment being transferred is known and a history of the prescribed  
21 depreciation rates is known, a reserve can be determined by multiplying the age times the  
22 investment times the applicable depreciation rate(s).

23 4. The Commission shall consider any additional methods submitted by the utilities for  
24 determining reserve amounts to transfer.

25 (3)(a) Each utility shall maintain depreciation rates and accumulated depreciation reserves in  
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existing law.

1 accounts or subaccounts as prescribed by Rule 25-7.046, F.A.C. Utilities may maintain further  
2 sub-categorization.

3 (b) Upon establishing a new account or subaccount classification, each utility shall request  
4 Commission approval of a depreciation rate for the new plant category.

5 (4)(a) Each company shall file a study for each category of depreciable property for  
6 Commission review at least once every five years from the submission date of the previous  
7 study. A utility filing a depreciation study, regardless if a change in rates is being requested  
8 or not, shall submit to the Office of Commission Clerk four ~~six~~ copies of the information  
9 required by paragraphs (5)(6)(a) through (g) (f) and (h) of this rule and at least three copies of  
10 the information required by paragraph (6)(g). The study shall also be provided in electronic  
11 format with formulas intact and unlocked.

12 (b) A utility proposing an effective date of the beginning of its fiscal year shall submit its  
13 depreciation study no later than the mid-point of that fiscal year.

14 (c) A utility proposing an effective date coinciding with the expected date of additional  
15 revenues initiated through a rate case proceeding shall submit its depreciation study no later  
16 than the filing date of its Minimum Filing Requirements.

17 (d) The plant balances may include estimates. Submitted data including plant and reserve  
18 balances or company planning involving estimates shall be brought to the effective date of the  
19 proposed rates.

20 (e) All underlying data may be unrounded; however, the following rounding conventions  
21 shall be applied. Average service and average remaining lives shall be rounded to the nearest  
22 tenth of a year for lives less than 20 years; average service and average remaining lives over  
23 20 years shall be rounded to the nearest whole year. Net salvage percentages shall be rounded  
24 to the nearest whole number. Reserve percentages shall be rounded to two decimal places.  
25 Whole and remaining life depreciation rates shall be rounded to one decimal place.

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1 (f) The possibility of corrective reserve transfers shall be investigated by the Commission  
2 prior to changing depreciation rates.

3 ~~(g)(5)~~ Upon Commission approval by final order establishing an effective date, the utility may  
4 reflect on its books and records the implementation of the proposed rates, subject to  
5 adjustment when final depreciation rates are approved by the consummating order.

6 ~~(5)(6)~~ A depreciation study shall include:

7 (a) A comparison of current and proposed depreciation rates and components for each  
8 category of depreciable plant. Current rates shall be identified as to the effective date and  
9 proposed rates as to the proposed effective date.

10 (b) A comparison of annual depreciation expense resulting from current rates with those  
11 produced by the proposed rates for each category of depreciable plant. ~~The plant balances may~~  
12 ~~involve estimates. Submitted data including plant and reserve balances or company planning~~  
13 ~~involving estimates should be brought to the effective date of the proposed rates.~~

14 (c) Each recovery and amortization schedule currently in effect shall ~~should~~ be included with  
15 any new filing showing total amount amortized, effective date, length of schedule, annual  
16 amount amortized and reason for the schedule.

17 (d) A comparison of the accumulated book reserve to the prospective theoretical reserve based  
18 on proposed rates and components for each category of depreciable plant to which  
19 depreciation rates are to be applied.

20 (e) A general narrative describing the service environment of the applicant company and the  
21 factors, e.g., growth, technology, physical conditions, leading to the present application for a  
22 revision in rates.

23 (f) An explanation and justification for each study category of depreciable plant defining the  
24 specific factors that justify the life and salvage components and rates being proposed. Each  
25 explanation and justification shall include substantiating factors utilized by the utility in the

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1 design of the depreciation rates for the specific category, e.g., company planning, growth,  
2 technology, physical conditions, trends. The explanation and justification shall discuss any  
3 proposed transfers of reserve between categories or accounts intended to correct deficient or  
4 surplus reserve balances. It ~~shall~~ should also state any statistical or mathematical methods of  
5 analysis or calculation used in design of the category rate.

6 ~~(g) The filing shall contain~~ Aall calculations, analysis and numerical basic data used in the  
7 design of the depreciation rate for each category of depreciable plant. Numerical data shall  
8 include plant activity (gross additions, adjustments, retirements, and plant balance at end of  
9 year) as well as reserve activity (retirements, accruals for depreciation expense, salvage, cost  
10 of removal, adjustments, transfers and reclassifications and reserve balance at end of year) for  
11 each year of activity from the date of the last submitted study to the date of the present study.

12 When available, To the degree possible, retirement data involving retirements shall ~~should~~ be  
13 aged.

14 (h) The mortality and salvage data used by the company in the depreciation rate design must  
15 agree with activity booked by the utility. Unusual transactions not included in life or salvage  
16 studies, e.g., sales or extraordinary retirements, must be specifically enumerated and  
17 explained.

18 ~~(i)(7)(a) Utilities shall provide~~ Ccalculations of depreciation rates using both the whole life  
19 technique and the remaining life technique ~~method~~. The use of these techniques ~~methods~~ is  
20 required for all depreciable categories. Utilities may submit additional studies or methods for  
21 consideration by the Commission.

22 ~~(b) The possibility of corrective reserve transfers shall be investigated by the Commission~~  
23 ~~prior to changing depreciation rates.~~

24 ~~(8)(a) Each company shall file a study for each category of depreciable property for~~  
25 ~~Commission review at least once every five years from the submission date of the previous~~

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1 ~~study unless otherwise required by the Commission.~~

2 ~~(b) A utility proposing an effective date of the beginning of its fiscal year shall submit its~~  
3 ~~depreciation study no later than the mid-point of that fiscal year.~~

4 ~~(c) A utility proposing an effective date coinciding with the expected date of additional~~  
5 ~~revenues initiated through a rate case proceeding shall submit its depreciation study no later~~  
6 ~~than the filing date of its Minimum Filing Requirements.~~

7 ~~(6)(9)~~ As part of the filing of the annual report under subsection 25-7.014(3), F.A.C., each  
8 utility shall include an annual status report. The annual status reports shall be provided in a  
9 paper copy and in electronic format. In the electronic format, the formulas must be intact and  
10 unlocked. The annual status report shall include booked plant activity (plant balance at the  
11 beginning of the year, additions, adjustments, transfers, reclassifications, retirements and plant  
12 balance at year end) and reserve activity (reserve balance at the beginning of the year,  
13 retirements, accruals, salvage, cost of removal, adjustments, transfers, reclassifications and  
14 reserve balance at end of year) for each category of investment for which a depreciation rate,  
15 amortization schedule, or capital recovery schedule has been approved. The report shall  
16 indicate for each category ~~that:~~ (a) whether tThere has been a no change of plans or utility  
17 experience since the filing of the last annual status report requiring a revision of the rates,  
18 amortization, or capital recovery schedules; ~~or (b) There has been a change requiring a~~  
19 ~~revision of rates, amortization, or capital recovery schedules.~~ For any category where current  
20 conditions indicate a need for revision of depreciation rates, amortization, or capital recovery  
21 schedules and no revision is sought, the report shall explain why no revision is requested.

22 ~~(7)(10)~~ (a) Prior to the date of retirement of major installations, the Commission may approve  
23 capital recovery schedules to correct associated calculated deficiencies where a utility  
24 demonstrates that (1) replacement of an installation or group of installations is prudent, and (2)  
25 the associated investment will not be recovered by the time of retirement through the normal

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1 depreciation process.

2 (b) The Commission shall ~~may~~ approve a special capital recovery schedule when an  
3 installation is designed for a specific purpose or for a limited duration.

4 (c) Associated plant and reserve activity, balances and the annual capital recovery schedule  
5 expense must be maintained as subsidiary records.

6 *Rulemaking Authority 350.127(2), 350.115, 366.05(1) FS. Law Implemented 350.115,*  
7 *366.04(2(f)), 366.06, 366.06(1) FS. History—New 11-11-82, Amended 1-6-85, Formerly 25-*  
8 *7.45, Amended 4-27-88, 12-12-91, 5-29-08, \_\_\_\_\_.*

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1 **25-7.046 Subcategories of Gas Plant for Depreciation.**

2 (1) The accounts under subsection (3) below are to be used in the design of depreciation rates.  
3 They are intended to group together items which are relatively homogeneous in their expected  
4 life and salvage characteristics. Reserve, mortality data, salvage and costs of removal shall  
5 ~~should~~ be maintained accordingly for each depreciation category for which a depreciation rate  
6 is to be applied. This shall ~~should~~ be done on the books of the company, or as a side record for  
7 depreciation study use only.

8 (2)(a) No company shall establish a new sub-account that would represent less than 10% of  
9 the original primary account unless it meets the following criteria:

10 1. Introduction of a new technology.

11 2. The present inclusion of an obsolescent/dying technology in a viable technology.

12 (b) Any company may further develop sub-accounts within the listed primary account as  
13 appropriate for its plant.

14 (3) The depreciation accounts listed below shall be in accordance with the Uniform System of  
15 Accounts for Natural Gas Companies (USOA) as found in the Code of Federal Regulations,  
16 Title 18, Subchapter F, Part 201, as revised April 1, 2013, which is incorporated by reference  
17 in Rule 25-7.014, F.A.C. New depreciation subaccounts shall be established under these  
18 accounts as listed in this subsection. ~~The accounts listed below directly follow the primary~~  
19 ~~plant accounts prescribed in the Uniform System of Accounts prescribed by the Federal~~  
20 ~~Energy Regulatory Commission in the Code of Federal Regulations, Title 18, Subchapter F,~~  
21 ~~Part 201, as revised, April 1, 2012 1981, introducing sub-divisions within those accounts for~~  
22 ~~the purpose of uniformity among the companies in depreciation studies.~~

23 I. Local Storage Plant.

24 A. Structures and Improvements – (Account 361)

25 B. Gas Holders – (Account 362)

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- 1 C. Other – (Account 363) – Equipment such as compressors, gauges and other instruments  
2 used in connection with the storage of gas in holders.
- 3 II. Distribution Plant.
- 4 A. Structures and Improvements – (Account 375)
- 5 B. Mains – (Account 376) – The following sub-accounts shall ~~should~~ be used:
- 6 1. Plastic
- 7 2. Other – cast iron, steel, etc.
- 8 C. Compressor Station Equipment – (Account 377)
- 9 D. Measuring and Regulating Equipment – General – (Account 378) – Equipment used in  
10 measuring and regulating gas in connection with distribution systems other than the  
11 measurements of gas deliveries to customers.
- 12 E. Measuring and Regulating Equipment – City Gate – (Account 379) – Equipment used in  
13 measuring of gas at entry points to distribution systems.
- 14 F. Services – (Account 380) – The following sub-accounts shall ~~should~~ be used:
- 15 1. Plastic
- 16 2. Other – cast iron, steel, etc.
- 17 G. Meters – (Account 381)
- 18 H. Meter Installations – (Account 382)
- 19 I. Regulators – (Account 383)
- 20 J. Regulator Installations – (Account 384)
- 21 K. Industrial Measuring and Regulating Equipment – (Account 385)
- 22 L. Other Property on Customer’s Premises – (Account 386) – Investment of equipment owned  
23 by the company installed on the customer’s premises that is not includible in other accounts.
- 24 M. Other Equipment – (Account 387) – Investment in equipment used for the distribution  
25 system not included in any of the above accounts such as fire protection equipment, leak  
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1 | detectors, pipe locators, ~~,-ete-~~

2 | III. General Plant.

3 | A. Structures and Improvements – (Account 390)

4 | B. Office Furniture and Equipment – (Account 391) – The following sub-accounts shall

5 | ~~should~~ be used:

6 | 1. Office Furniture – Regular office furniture and furnishings and miscellaneous equipment

7 | such as lounge equipment.

8 | 2. Office devices such as typewriters, calculating, reproducing, addressing, blueprinting, cash

9 | registers, check writers and other office machines.

10 | 3. Computers and peripheral equipment

11 | C. Transportation Equipment – (Account 392) – The following sub-accounts shall ~~should~~ be

12 | used:

13 | 1. Passenger cars and light trucks (trucks of one ton capacity or less)

14 | 2. Heavy trucks (trucks of greater than one ton capacity)

15 | 3. Special purpose vehicles such as trailers

16 | 4. Airplanes

17 | D. Stores Equipment – (Account 393)

18 | E. Tools, Shop and Garage Equipment – (Account 394)

19 | F. Laboratory Equipment – (Account 395)

20 | G. Power Operated Equipment – (Account 396)

21 | H. Communication Equipment – (Account 397)

22 | I. Miscellaneous Equipment – (Account 398) – Investment in miscellaneous equipment such

23 | as kitchen equipment, infirmary equipment, ~~,-ete-~~

24 | (4) The accounts under subsection (3) shall be implemented as of the beginning of the next

25 | fiscal year following the adoption of this rule. As of that point in time:

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- 1 (a) Reserve activity data, mortality activity data, salvage and costs of removal are to be  
2 recorded to these accounts for subsequent activity.
- 3 (b) The separation of embedded investments and reserves under prior accounts into balances  
4 relating to accounts under subsection (3) may require estimation. For accounts where vintage  
5 data is to be maintained, development of the vintaged distributions of those investments may  
6 require synthesization. Vintaged distribution of the reserves is not required.
- 7 (c) Where any existing accounts are, ~~in the opinion of the Commission, essentially~~ compatible  
8 with those listed in subsection (3) for depreciation study purposes, those existing accounts  
9 shall be deemed to be in compliance with this rule.

10 *Rulemaking Authority 350.127(2), 366.05(1) FS. Law Implemented 366.05(1), 366.06(1) FS.*  
11 *History—New 11-7-85. Formerly 25-7.46. Amended, \_\_\_\_\_.*

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