

Notice of Proposed Rule

PUBLIC SERVICE COMMISSION

RULE NO.: RULE TITLE:

25-6.0436: Depreciation

25-6.04364: Electric Utilities Dismantlement Studies

PURPOSE AND EFFECT: To update, clarify and streamline depreciation rules for investor-owned electric utilities.

Docket No. 150200-PU

SUMMARY: The amendments modify and define the rules which prescribe accounting principles and procedures for the calculation of depreciation by electric utilities. The amendments also address dismantlement accrual by electric utilities. Rule 25-6.0436 is amended to eliminate the requirement for multiple copies of depreciation studies, provide a specific reference to the Uniform System of Accounts, and codify the Commission's authority to require a depreciation study at a time set by the Commission. Rule 25-6.04364 is amended to apply to all generating units other than fossil fuel, and clarify that this dismantlement rule is not applicable to nuclear generating plants which are addressed in Rule 25-6.04365, F.A.C.

SUMMARY OF STATEMENT OF ESTIMATED REGULATORY COSTS AND LEGISLATIVE RATIFICATION:

The Agency has determined that this will not have an adverse impact on small business or likely increase directly or indirectly regulatory costs in excess of \$200,000 in the aggregate within one year after the implementation of the rule. A SERC has been prepared by the Agency.

The rules are also not likely to have an adverse impact on economic growth, private sector job creation or employment, private sector investment, business competitiveness, productivity, or innovation in excess of \$1 million in the aggregate within 5 years after implementation of the rule. The SERC examined the factors required by Section 120.541(2), FS, and concluded that the rule amendments will not have an adverse impact on economic growth, business competitiveness, or small business and that there would likely be transactional cost savings to the individual and entities required to comply with the rules. The amendments to these rules should benefit affected entities by codifying current practices. Affected entities also potentially may benefit from the removal of the requirement for paper copies.

The Agency has determined that the proposed rule is not expected to require legislative ratification based on the statement of estimated regulatory costs or if no SERC is required, the information expressly relied upon and described herein: based upon the information contained in the SERC.

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

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

LAW IMPLEMENTED: 350.115, 366.04(2)(f), 366.041, 366.05(1), F.S.

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

THE PERSON TO BE CONTACTED REGARDING THE PROPOSED RULE IS: Pamela H. Page, Office of General Counsel, 2540 Shumard Oak Blvd., Tallahassee, FL 32399-0850, (850) 413-6214, phpage@psc.state.fl.us.

THE FULL TEXT OF THE PROPOSED RULE IS:

25-6.0436 Depreciation.

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

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

(b) No change.

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

1. through 4. No change.

(d) No change.

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

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

(f) through (l) No change.

(m) Whole Life ~~Technique Method~~ – The method of calculating a depreciation rate based on the ~~w~~ Whole Life (~~a~~ Average service Life) and the ~~a~~ Average net salvage. Both life and salvage components are the estimated or calculated composite of realized experience and expected activity. The formula is:

$$\text{Whole Life Rate} = \frac{100\% - \text{Average Net Salvage \%}}{\text{Average Service Life in Years}}$$

(2)(a) through (b) No change.

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

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

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

3. No change.

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

(3)(a) Each utility shall maintain depreciation rates and accumulated depreciation reserves in accounts or subaccounts in accordance with the Uniform System of Accounts for Public Utilities and Licensees as found in the Code of Federal Regulations, Title 18, Subchapter C, Part 101, for Major Utilities as revised April 1, 2013, which is

incorporated by reference in Rule 25-6.014, F.A.C. as prescribed by subsection 25-6.014(1), F.A.C. Utilities may maintain further sub-categorization.

(b) No change.

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

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

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

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

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

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

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

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

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

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

(d) through (e) No change.

(f) An explanation and justification for each study category of depreciable plant defining the specific factors that justify the life and salvage components and rates being proposed. Each explanation and justification shall include substantiating factors utilized by the utility in the design of depreciation rates for the specific category, e.g., company planning, growth, technology, physical conditions, trends. The explanation and justification shall discuss any proposed transfers of reserve between categories or accounts intended to correct deficient or surplus reserve balances. It shall should also state any statistical or mathematical methods of analysis or calculation used in design

of the category rate.

(g) ~~The filing shall contain~~ All calculations, analysis and numerical basic data used in the design of the depreciation rate for each category of depreciable plant. Numerical data shall include plant activity (gross additions, adjustments, retirements, and plant balance at end of year) as well as reserve activity (retirements, accruals for depreciation expense, salvage, cost of removal, adjustments, transfers and reclassifications and reserve balance at end of year) for each year of activity from the date of the last submitted study to the date of the present study. When available To the degree possible, retirement data involving retirements shall should be aged.

(h) No change.

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

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

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

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

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

~~(6)(9) As part of the filing of the annual report pursuant to Rule 25-6.135, F.A.C., each utility shall include an annual depreciation status report. The annual depreciation status reports shall be provided in electronic format. In the electronic format, the formulas must be intact and unlocked. The annual depreciation status report shall include booked plant activity (plant balance at the beginning of the year, additions, adjustments, transfers, reclassifications, retirements and plant balance at year end) and reserve activity (reserve balance at the beginning of the year, retirements, accruals, salvage, cost of removal, adjustments, transfers, reclassifications and reserve balance at year end) for each category of investment for which a depreciation rate, amortization, or capital recovery schedule has been approved. The report shall indicate for each category that: whether there has been a change of plans or utility experience since the filing of the last annual depreciation status report requiring a revision of rates, amortization or capital recovery schedules. For any category where current conditions indicate a need for revision of depreciation rates, amortization, or capital recovery schedules and no revision is sought, the report shall explain why no revision is requested.~~

~~(a) There has been no change of plans or utility experience requiring a revision of rates, amortization or capital recovery schedules; or~~

~~(b) There has been a change requiring a revision of rates, amortization or capital recovery schedules.~~

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

(a) through (c) No change.

Rulemaking Authority 350.115, 350.127(2), 366.05(1), FS. Law Implemented 350.115, 366.04(2)(f), 366.06(1) FS. History—New 11-11-82, Amended 1-6-85, Formerly 25-6.436, Amended 4-27-88, 12-12-91, 12-11-00, 5-29-08,

25-6.04364 Electric Utilities Dismantlement Studies.

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

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

(a) No change.

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

(c) No change.

(3) Each utility shall file a dismantlement study for each generating site once every 4 years from the submission date of the previous study or pursuant to ~~unless otherwise required by Commission order; and within the time specified in the order.~~ The study shall be site-specific unless a showing is made by the utility that a site-specific study is not possible. A utility may file a study sooner than 4 years. Each utility's dismantlement study shall include:

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

(b) through (m) No change.

(4) through (8) No change.

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

NAME OF PERSON ORIGINATING PROPOSED RULE: Sue Ollila

NAME OF AGENCY HEAD WHO APPROVED THE PROPOSED RULE: Florida Public Service Commission

DATE PROPOSED RULE APPROVED BY AGENCY HEAD: March 1, 2016

DATE NOTICE OF PROPOSED RULE DEVELOPMENT PUBLISHED IN FAR: Volume 41, Number 84, April 30, 2015.

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Notices Submitted to ACR

ID	Rule No./ Organization	Rule Title	Section	Issue	Date
17248945	25-7.045,...	Depreciation, Subcategories of Gas Plant for Depreciation	Proposed	3/7/2016 Vol. 42/45	3/4/2016
17248557	25-6.0436,...	Depreciation, Electric Utilities Dismantlement Studies	Proposed	3/7/2016 Vol. 42/45	3/4/2016

Notices Confirmed by ACR

ID	Rule No./ Organization	Rule Title	Section	Issue	Date
None					

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