

**CHAPTER 73. ANNUAL DEPRECIATION REPORTS,
SERVICE LIFE STUDIES AND CAPITAL
INVESTMENT PLANS**

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Authority

The provisions of this Chapter 73 issued under the Public Utility Code, 66 Pa.C.S. §§ 501, 504—506, 1301 and 1501, unless otherwise noted.

Source

The provisions of this Chapter 73 adopted August 4, 1995, effective August 5, 1995, 25 Pa.B. 3104, unless otherwise noted.

§ 73.1. Purpose.

The purpose of this chapter is to establish uniform and industry-wide reporting requirements designed to improve the Commission's ability to monitor on a regular basis the depreciation practices and capital planning of electric, telephone, gas and water public utilities subject to Commission jurisdiction.

§ 73.2. Definitions.

The following words and terms, when used in this chapter, have the following meanings, unless the context clearly indicates otherwise:

Depreciation accrual—The depreciation expense amount, excluding any net salvage allowance amount not already a component of the depreciation formula, which is debited to the income statement and credited to the depreciation reserve account.

Depreciation parameter—A variable used in the depreciation rate formula or used to develop a variable of the depreciation rate formula.

Depreciation rate—The value expressed as a percent applied to utility plant investment to develop annual depreciation accruals.

Major—Each project with a cost in excess of 1% of the undepreciated original cost of the utility's total plant in service or \$10 million, whichever is less.

Net salvage—The gross salvage less the cost of removal.

§ 73.3. Annual depreciation reports.

(a) A public utility providing electric service, gas service or water service which has gross intraState revenues in excess of \$20 million per year, except telecommunications interexchange carriers and gas and petroleum transportation pipeline companies, shall file an annual depreciation report with the Bureau of Fixed Utility Services under this chapter.

(b) The due dates for the annual depreciation report are as follows:

(1) Electric, water and gas public utilities reports are due on or before June 30.

(2) When a public utility is also required to file a service life study report in the same year, the public utility shall notify the Secretary in writing, on or before the date its annual depreciation report would be due, stating that both the service life study and the annual depreciation report will be filed on or before August 31.

(3) When a public utility is required to file a depreciation report in response to a Commission Order, the report shall be prepared consistent with formats and filing deadlines specified in this chapter.

(c) The public utility shall file a copy of its annual depreciation report required by this chapter with the Office of Consumer Advocate and the Office of Small Business Advocate at the same time that it files the report with the Office of Special Assistants.

Authority

The provisions of this § 73.3 amended under the Public Utility Code, 66 Pa.C.S. §§ 501 and 1501.

Source

The provisions of this § 73.3 amended December 15, 2006, effective December 16, 2006, 36 Pa.B. 7558. Immediately preceding text appears at serial page (235414).

§ 73.4. Format for filing the annual depreciation report.

The public utility shall include the following information in the annual depreciation report:

(1) An executive summary of the annual depreciation report, including an explanation of depreciation methods used.

(2) A comparison with the prior year's annual depreciation report.

(3) Explanations of extraordinary events occurring in the past year which significantly affected the amount of the utility's depreciation reserve or annual depreciation expense, and proposed changes to its depreciation methods or parameters, or both, as a result of those events.

(4) Plant database used in the most recent service life study shall be submitted to the Office of Special Assistants in an electronic medium or computerized format as directed by that office. The plant database shall be updated for the current annual depreciation report, if requested by the Office of Special Assistants.

(5) The Office of Special Assistants will notify each utility in writing of the software and format that will be acceptable prior to filing the depreciation reports in electronic medium or computerized format by March 31st of the year in which the report is due.

(6) A summary of the depreciation calculations at the end of the calendar year by function or account which includes the following information:

- (i) Original cost balance.
- (ii) Book reserve.
- (iii) Net original cost.
- (iv) Average service life and survivor curve.
- (v) Remaining life, for utilities using that method.
- (vi) Annual accrual.
- (vii) Annual accrual rate.

(7) When the information required by this section has been provided in another required report to the Commission, the utility shall notify the Office of Special Assistants as to the location of the information. If the information was not previously filed in the electronic format designated by the Office of Special Assistants, the information shall either be submitted in, or converted to, the electronic format required under this chapter.

(8) A summary of book reserve entries by function or account shall be submitted with the following information:

- (i) Book reserve at the beginning of the year.
- (ii) Annual accrual.
- (iii) Retirements.
- (iv) Gross salvage.
- (v) Cost of removal.
- (vi) Adjustments.
- (vii) Book reserve at year end.
- (viii) Book reserve as a percentage of original cost.

(9) A summary of retirements by function or account shall be submitted with the following information:

- (i) Original cost balance of plant at the beginning of year.
- (ii) Original cost of additions during year.
- (iii) Original cost of retirements during year.
- (iv) Adjustments to original cost.
- (v) Original cost balance of plant at the end of year.
- (vi) Percent of beginning of year original cost retired.
- (vii) Explanation of whether the level of retirements is considered abnormal for the type of property being retired and if the level of retirements necessitates a review of the average service life of that type of property.

(10) For utilities that do not include salvage in the depreciation rate calculation, the utilities shall provide the calculation of the 5-year rolling average of net salvage by function or account showing each year's experienced gross sal-

vage and cost of removal, including a detailed explanation of any amounts excluded from the 5-year rolling average calculation of net salvage. Utilities using average or future net salvage in the depreciation rate calculation shall provide the average or future net salvage by depreciation rate category or account.

(11) Additional information and schedules shall be submitted as requested by the Commission if unique procedures are used by a utility.

§ 73.5. Service life study report.

(a) A public utility with gross intrastate revenues in excess of \$20 million per year providing electric service, gas service or water service, except gas and petroleum transportation pipeline companies, shall file a service life study report every 5 years. The first service life study report shall be filed with the Office of Special Assistants by August 31, 2000.

(b) The due dates for the service life study report are as follows:

(1) Electric, water and gas public utilities are due on or before August 31.

(2) If a public utility is required to file a service life study report by an existing Commission Order or other directive, the study period shall commence on January 1 of the year in which the last report was filed.

(3) When a public utility is required to file a service life study in response to a Commission Order, the report shall be prepared consistent with formats and filing deadlines specified in this chapter.

(4) Service life studies shall be based upon the same body of historic data used in the annual depreciation reports.

(5) The public utility shall file a copy of the service life study report required under this chapter with the Office of Consumer Advocate and the Office of Small Business Advocate at the same time that it files the report with the Office of Special Assistants.

Authority

The provisions of this § 73.5 amended under the Public Utility Code, 66 Pa.C.S. §§ 501 and 1501.

Source

The provisions of this § 73.5 amended December 15, 2006, effective December 16, 2006, 36 Pa.B. 7558. Immediately preceding text appears at serial page (235416).

§ 73.6. Format for filing service life study report.

(a) The public utility shall include the following information in the service life study report:

(1) An explanation of methods used in selecting average service lives and survivor curves, if applicable; any significant changes in comparison with the

previous service life study report; and the impact of the proposed service lives on annual depreciation expense.

(2) The exhibits shall include the following:

- (i) Account or category number.
- (ii) Account or category description.
- (iii) Present average service life or average remaining life.
- (iv) Present survivor curve, if applicable.
- (v) Proposed average service life or average remaining life.
- (vi) Proposed survivor curve, if applicable.

(3) An explanation by account or category of the individual factors used in selection of an average service life, survivor curve or other depreciation parameter. When a change from the previous average service life, survivor curve or other depreciation parameter is proposed, the utility shall provide an explanation of what developments brought about the change.

(4) When survivor curve comparisons are used, a graph showing the developed, experienced or projected plant data, parameters used to develop the plant data, and the selected survivor curve.

(5) An exhibit detailing the calculations done to develop plant data for survivor curve or other depreciation parameter comparisons, including a description of the parameters and an explanation of the life tables and other data used.

(6) Interim service life studies on individual accounts when circumstances indicate that a significant service life estimate change may be warranted, or when requested by the Office of Special Assistants.

(7) An exhibit of depreciation calculations by function, account or rate category supporting annual depreciation expense claims, including an explanation of methods used.

(b) When the information required by this section has been provided in another required report to the Commission, the utility shall notify the Office of Special Assistants as to the location of the information. If the information was not previously filed in the electronic format designated by the Office of Special Assistants, the information shall either be submitted in, or converted to, the electronic format required under this chapter.

§ 73.7. Capital investment plan report.

(a) A public utility with gross intrastate revenues in excess of \$20 million per year providing electric service, gas service or water service, except gas and petroleum transportation pipeline companies, shall file a capital investment plan report every 5 years. The first capital investment plan report shall be filed with the Office of Special Assistants by August 31, 2000.

(b) Thereafter, the capital investment plan report for electric, water and gas public utilities shall be filed with the Office of Special Assistants on or before August 31 of the year in which the report is due.

(c) The public utility shall file a copy of its capital investment plan report required under this chapter with the Office of Consumer Advocate and the Office of Small Business Advocate at the same time that it files the report with the Office of Special Assistants.

Authority

The provisions of this § 73.7 amended under the Public Utility Code, 66 Pa.C.S. §§ 501 and 1501.

Source

The provisions of this § 73.7 amended December 15, 2006, effective December 16, 2006, 36 Pa.B. 7558. Immediately preceding text appears at serial pages (235417) to (235418).

§ 73.8. Format for filing capital investment plan report.

The public utility shall include the following information in the capital investment plan report:

- (1) A summary with an overview of plans for major project expansion, modification or other alteration of current and proposed facilities.
- (2) A discussion of each major project expansion, modification or other alteration of current and proposed facilities expected to commence before the next capital investment plan report, or which was not addressed under this chapter in any other capital investment plan report, including the following:
 - (i) An explanation of what need the expansion, modification or other alteration of the facilities will meet.
 - (ii) A summary of other alternatives investigated to meet the need and criteria used in selecting the expansion, modification or other alteration of the facilities, including a discussion and explanation of alternatives considered and analyzed on an economic and functional basis.
 - (iii) A description of the expansion, modification or other alteration of the facilities including whether it entails an enlargement of existing service (more equipment for more customers), or a replacement of existing service (new equipment for the same customers).
 - (iv) The effect of the expansion, modification or other alteration of the facilities on the service life of existing equipment.
 - (v) The projected in-service date of the expansion, modification or alteration of the facilities.
 - (vi) The cost of the expansion, modification or other alteration and the associated original cost of equipment of the facilities to be retired.
- (3) A discussion of anticipated major expansions, modifications or other alterations of the facilities which are not addressed under this chapter, including replacement schedules for major facilities and anticipated expansions, modifications or alterations of facilities affecting projected service lives of facilities.

(4) When the material is provided in the utility's annual resource planning report, specific references shall be made to the section of that report where the data may be found.

(5) A utility may designate portions of its capital investment planning report as confidential subject to challenges by the Office of Trial Staff, the Office of Consumer Advocate, the Office of Small Business Advocate or other participants.

(6) When the information required by this section has been provided in another required report to the Commission, the utility shall notify the Office of Special Assistants as to the location of the information. If that information was not previously filed in the electronic format designated by the Office of Special Assistants, the information shall either be submitted in, or converted to, the electronic format required under this chapter.

§ 73.9. Processing of filings under this chapter.

(a) When the annual depreciation report is based upon previously approved service lives, depreciation parameters or methods, the public utility's annual depreciation report will be deemed approved by the Commission, for accounting purposes only, 120 days from the filing date unless the Commission takes other action.

(b) A service life study or annual depreciation report containing proposed changes to service lives or other depreciation parameters or methods, will be deemed approved by the Commission, for accounting purposes only, within 180 days from the filing date unless the Commission takes other action. The filing utility may request Commission authorization to implement proposed changes in a new service life study.

(c) In subsequent ratemaking proceedings, the most recent annual depreciation report or service life study approved or deemed approved for accounting purposes only under this chapter, constitutes a rebuttable presumption as to the reasonableness of the accrued depreciation claimed for ratemaking purposes, and the burden of proving the unreasonableness of the accrued depreciation shall be on the challenging party.

(d) Capital investment plans are for informational purposes only and are not endorsed or approved for any purpose due to actions or inactions by the Commission under this chapter.

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