Accounting Issues & Accounting for Special Equipment

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D. The electric plant accounts shall not include the cost or other value of electric plant contributed to the company. Contributions in the form of money or its equivalent toward the construction of electric plant shall be credited to accounts charged with the cost of such construction. Plant constructed from contributions of cash or its equivalent shall be shown as a reduction to gross plant constructed when assembling cost data in work orders for posting to plant ledgers of accounts. The accumulated gross costs of plant accumulated in the work order shall be recorded as a debit in the plant ledger of accounts along with the related amount of contributions concurrently be recorded as a credit.

➢ Information taken from the FERC Manual under Electric Plant Instructions
Contribution in Aid

- Any funds received to construct plant (grants, TVA incentives, FEMA reimbursements, etc...)

- **Issue:** FERC requires plant to be recorded at cost. However, GASB #33 requires contribution in aid to be accounted for as a revenue item.

- Entries to satisfy GASB and FERC:
  - #1
    - DR 588.1 Loss of Disallowance of Plant
    - CR 421.3 Capital Contributions – Utility Plant
  - #2
    - DR 131 Cash or 143 AR
    - CR 107 CWIP
• 10.1 General: The material accounting procedures discussed in Section 5 of this bulletin relate only to those materials controlled through Account 154, Plant Materials and Operating Supplies. This section details the special accounting procedures and recordkeeping requirements set forth in Part 1767 for the cost of meters, meter sockets, and other metering equipment recorded in Account 370, Meters; for line-type transformers and for pole-type and underground voltage regulators recorded in Account 368, Line Transformers; for load control switches; and for the conversion of small inadequate transformers. Equipment installed at Substations, such as transformers, voltage regulators, meters, and current and potential transformers are not considered "special equipment."

• 10.2 Accounting Procedures; Because special equipment items are continually being moved to accommodate load changes and maintenance practices, Part 1767 provides different accounting procedures from those prescribed for other material items.

• **10.2.1 The original cost of these items is capitalized at the time of purchase and is not charged to Account 154.**

➢ Information taken from RUS Bulletin 1767b-2 Work Order Manual
10.2.2 The first installation cost, as well as all incidental costs required to prepare this equipment for use are capitalized upon purchase.

10.2.3 All subsequent costs of removing, resetting, changing, renewing oil, and repairing are charged to maintenance expense. Account 583 is charged for costs associated with transformers, OCR’s, voltage regulators, and sectionalizers and Account 586 is charged for costs associated with meters, meter sockets, current and potential transformers, and other metering equipment. If special equipment items are bought in small quantities, Accounts 583 and 586 may be credited, immediately upon purchase for the amount of the standard installation costs.

10.2.4 The capitalized cost of special equipment items, including the first installation, is removed from the electric plant accounts only when the items are abandoned or retired from the system.

Information taken from RUS Bulletin 1767b-2 Work Order Manual
General Information About Depreciation Rates

- RUS borrowers have recommended depreciation rates ranges for their key distribution plant. CFC accepts these rates.

- General plant rates are determined by the distributor according to their policies. For example, if they replace their trucks every 5 years they may use 20% depreciation rate on their vehicle account.

- Distributor should look at Accumulated Depreciation individual balances versus individual corresponding 101 plant balance annually to make sure they have not over depreciated. Field Accountants review this from page 11 of your Annual Report to make sure none have been over depreciated or may need to have depreciation started back after new assets have been purchased.
Depreciation Rates

• Background:
  – Historically, TVA has recommended depreciation for the following five accounts:
    • 364- Poles, Towers, and Fixtures
    • 365-Overhead Conductors and Devices
    • 368-Line Transformers
    • 369-Services
    • 370-Meters
  – TVA has not updated depreciation rates recently.
  – Many questions have arisen about what depreciation rates to use for AMI meters.
AMI Meter Depreciation

- TVA recommends that LPC’s check with their auditor and/or the meter manufacturer to determine the useful life of the meter.
- As a guideline, many LPC’s are using between 8-15 years.
- The depreciation rate for standard meters was between 20-39 years.
- Should a different depreciation rate be used for the memory chips installed in a AMI meter?
  - TVA recommends that LPC’s check with the meter/memory chip manufacturer to determine if the useful life should be different.

- Process for updating depreciation
  - Notify TVA that you wish to update your depreciation rate for Account 370.
  - TVA will not have an issue if the rate seems reasonable.
  - Footnote the new depreciation rate on your Annual Report.
Can a mass meter retirement/disposal be considered an extraordinary item?
- Yes, if it meets FERC guidelines
- Other options to consider include:
  - Increase Depreciation percentage
  - Increase Monthly Accrual

Should not be charged to Retained Earnings
Extraordinary Item

- Those items related to the effects of events and transactions which have occurred during the current period and which are of unusual nature and infrequent occurrence shall be considered extraordinary items.
- To be considered as extraordinary under the above guidelines, an item should be more than approximately 5 percent of net income, computed before extraordinary items.
- Examples:
  - Under Depreciation on Meters when switching from old Dial meters to AMI/AMR Meter System
  - Funding for the liability for a retirement program
Standby Time

• The normal recommendation is that it should be charged to the appropriate account that the crews would be working on had they been able to work.
  – Example meter reader should be charged to meter reading, crews to the works orders, etc. The reason for this is that this is just like a fringe benefit.

• Other Options:
  – If employees are cleaning up the store room during the rain or idle time, then 163 would be correct.
  – Some distributors do not feel that capitalizing idle time is appropriate and charge idle time to Account 593.
  – Some distributors also charge all idle time to 163 and clear out each month to spread the expense to their clearing accounts.
392 Transportation equipment - This account shall include the cost of transportation vehicles used for utility purposes. TVA recommends putting Bucket Trucks into this account even if some power operated equipment (such as Diggers) is installed on it.

Items
- 1. Airplanes
- 2. Automobiles
- 3. Bicycles
- 4. Electrical vehicles
- 5. Motor trucks
- 6. Motorcycles
- 7. Repair cars or trucks
- 8. Tractors and trailers
- 9. Other transportation vehicles

- Information taken from the FERC Manual
396 Power operated equipment - This account shall include the cost of power operated equipment used in construction or repair work exclusive of equipment includible in other accounts. Include, also, the tools and accessories acquired for use with such equipment and the vehicle on which such equipment is mounted.

Items
- 1. Air compressors, including driving unit and vehicle
- 2. Back filling machines
- 3. Boring machines
- 4. Bulldozers
- 5. Cranes and hoists
- 6. Diggers
- 7. Engines
- 8. Pile drivers
- 9. Pipe cleaning machines
- 10. Pipe coating or wrapping machines
- 11. Tractors—Crawler type
- 12. Trenchers
- 13. Other power operated equipment.

Note: It is intended that this account include only such large units as are generally self-propelled or mounted on movable equipment.

- Information taken from the FERC Manual
Credits

### Electric Sales Summary (ESS):

<table>
<thead>
<tr>
<th>Energy Product</th>
<th>Rate Schedule Revenue (RSR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>VII</td>
<td>No</td>
</tr>
<tr>
<td>EGC/SMC</td>
<td>No</td>
</tr>
<tr>
<td>5MR/60MR Credit, TDHUD Credit, etc.</td>
<td>Yes</td>
</tr>
<tr>
<td>Green Power Switch Charge</td>
<td>No</td>
</tr>
<tr>
<td>Gen Part/Green Pwr Providers</td>
<td>No</td>
</tr>
</tbody>
</table>

➢ *The Valley Commitment Program (VCP) is handled the same way as SMC which is a reduction in sales revenue on the retail side and a reduction to power cost on the wholesale invoice.*

### Retail Side - Customer's Bill:

<table>
<thead>
<tr>
<th>Energy Product</th>
<th>Process</th>
<th>Debit Account #</th>
<th>Credit Account #</th>
</tr>
</thead>
<tbody>
<tr>
<td>VII</td>
<td>Should post to 908 (basically a wash to 908)</td>
<td>908</td>
<td>142</td>
</tr>
<tr>
<td>EGC/SMC</td>
<td>System generated JE to reflect reduction in revenue</td>
<td>442</td>
<td>142</td>
</tr>
<tr>
<td>5MR/60MR Credit, TDHUD Credit, etc.</td>
<td>Processed as RSR reductions through ESS interface to the GL</td>
<td>Auto feed from stats to GL</td>
<td></td>
</tr>
<tr>
<td>Green Power Switch Charge</td>
<td>Manually created JE to reflect increase in revenue</td>
<td>142</td>
<td>442</td>
</tr>
<tr>
<td>Gen Part/Green Pwr Providers</td>
<td>Manually created JE to reflect increase in power cost (basically a wash to 555)</td>
<td>555</td>
<td>142</td>
</tr>
</tbody>
</table>

### Wholesale Side - Power Bill:

<table>
<thead>
<tr>
<th>Energy Product</th>
<th>Process</th>
<th>Debit Account #</th>
<th>Credit Account #</th>
</tr>
</thead>
<tbody>
<tr>
<td>VII</td>
<td>Should post to 908 (basically a wash to 908)</td>
<td>232</td>
<td>908</td>
</tr>
<tr>
<td>EGC/SMC</td>
<td>Credits reflected on wholesale power invoice - reduction in power cost</td>
<td>232</td>
<td>555</td>
</tr>
<tr>
<td>5MR/60MR Credit, TDHUD Credit, etc.</td>
<td>Credits reflected on wholesale power invoice - reduction in power cost</td>
<td>232</td>
<td>555</td>
</tr>
<tr>
<td>Green Power Switch Charge (Admin Credit)</td>
<td>Charges (credits) reflected on pwr invoice - increase (decrease) in pwr cost</td>
<td>555 (232)</td>
<td>232 (555)</td>
</tr>
<tr>
<td>Gen Part/Green Pwr Providers</td>
<td>Credits reflected on wholesale power invoice - reduction in power cost</td>
<td>232</td>
<td>555</td>
</tr>
</tbody>
</table>
Valley Commitment Program (VCP)

- Minimum demand requirements for the VCP credit
  - The usage criteria is described in section 4 of the VCP agreement:
    - VC Customers eligible to receive Small Manufacturing Credits will receive the VC credit on the same energy sales base as those energy sales eligible for the Small Manufacturing Credit. All other VC Customers will receive VC credits on the total billed kWh for each qualifying month.
  - The threshold usage criteria for exceeding 1 MW of metered demand applies ONLY to GSA 3 and MSA customers who are small manufacturing credit qualified.
  - If a VCP qualified customer is served on MSB, MSC, or MSD or TDMSA and in a minimum bill situation, the VCP credit would still apply.
  - Additionally, if a VCP qualified customer served on TDMSA does not exceed 1 MW of metered demand, the credit would still apply to them as well as long as the contract demand is over 1 MW.
• Monthly Report
  – Page 3 (Monthly) Page 7 (Annual) – Code 75 (Special Outdoor Lighting) customers are now separately entered in the ‘Number of Customers’ section on the Statistical Data page. Please do not include these customers in the total for Street Lighting and Athletic Lighting.

• Annual Report
  – Page 4 – Cash Flow - boxes for the Other Lines to identify what the amount represents
  – Page 8 - is no longer an optional page for the annual report
  – Page 35 - is for Retained Earnings adjustment details
DARS Future Changes

- **Monthly Report**
  - Credit amounts will be available to be inserted on a monthly basis that are coded to each Revenue Class.

- **Annual Report**
  - Page 14 – The investment section (123) will have the ability to insert a new page if more space is needed due to a long list of investments.
  - Reconciliation Report Enhancements
    - Assets/Liabilities out of balance
    - Any items on page 11 that have been over depreciated
    - If Item 840 on page 12 has a balance
  - Report Option
    - Additional report to list variances in excess of 20% from prior year for page 1, 2, 3, 5 and 6 of annual report
Questions???