

Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities

DE 18-057
Electric Assistance Program

Staff Technical Session Data Requests - Set 2

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Respondent: Heather Tebbetts

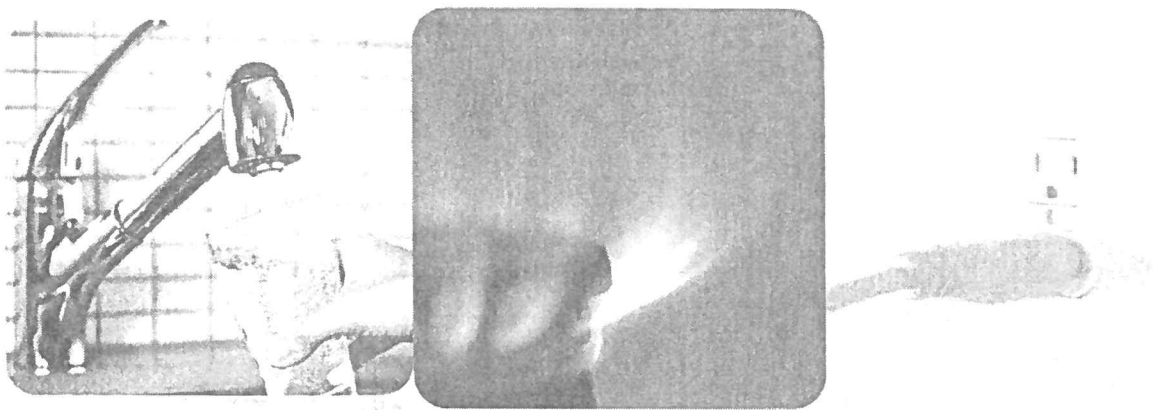
REQUEST:

Reference Staff TS 1-1, Attachment A, Staff TS 1-2 and Staff Set 1-4 (and Liberty's responses)

Please identify Liberty's capitalization threshold i.e. the dollar figure at which Liberty will treat a purchased asset or project as a capital project with related AFUDC and burdens. Is this threshold the same for software? Why or why not? How long have the identified thresholds been in place?

RESPONSE:

Please see the Company's capitalization policy in Attachment Staff TS 2-3 that provides capital projects \$1,000 or greater may be capitalized. The policy is for all capital projects, including software. The Capitalization policy was approved on August 22, 2013. The Addendum (page 39 of 40) included in the policy pertaining to Granite State Electric and EnergyNorth Natural Gas and effective beginning in 2015 describes situations where an asset is purchased that benefits both companies. That addendum was supplemented on March 2, 2017.



Liberty Utilities Capitalization Procedure

 Liberty Utilities <small>WATER GAS ELECTRIC</small>		2845 BRISTOL CIRCLE, OAKVILLE, ONTARIO L6H 7H7		
Policy Name: Liberty Utilities Capitalization Policy		Proc #	2100-900-200-001	
Department	Finance	Revision #	1	Page: 2 of 38
Prepared By	Amneet Sandu	Date 08/22/2013	Signature:	
Approved By	Gerald Tremblay, VP Finance	Date 08/22/2013	Signature:	

LIBERTY ENERGY CAPITALIZATION POLICY CAPITAL vs. MAINTENANCE DECISION FLOWCHART

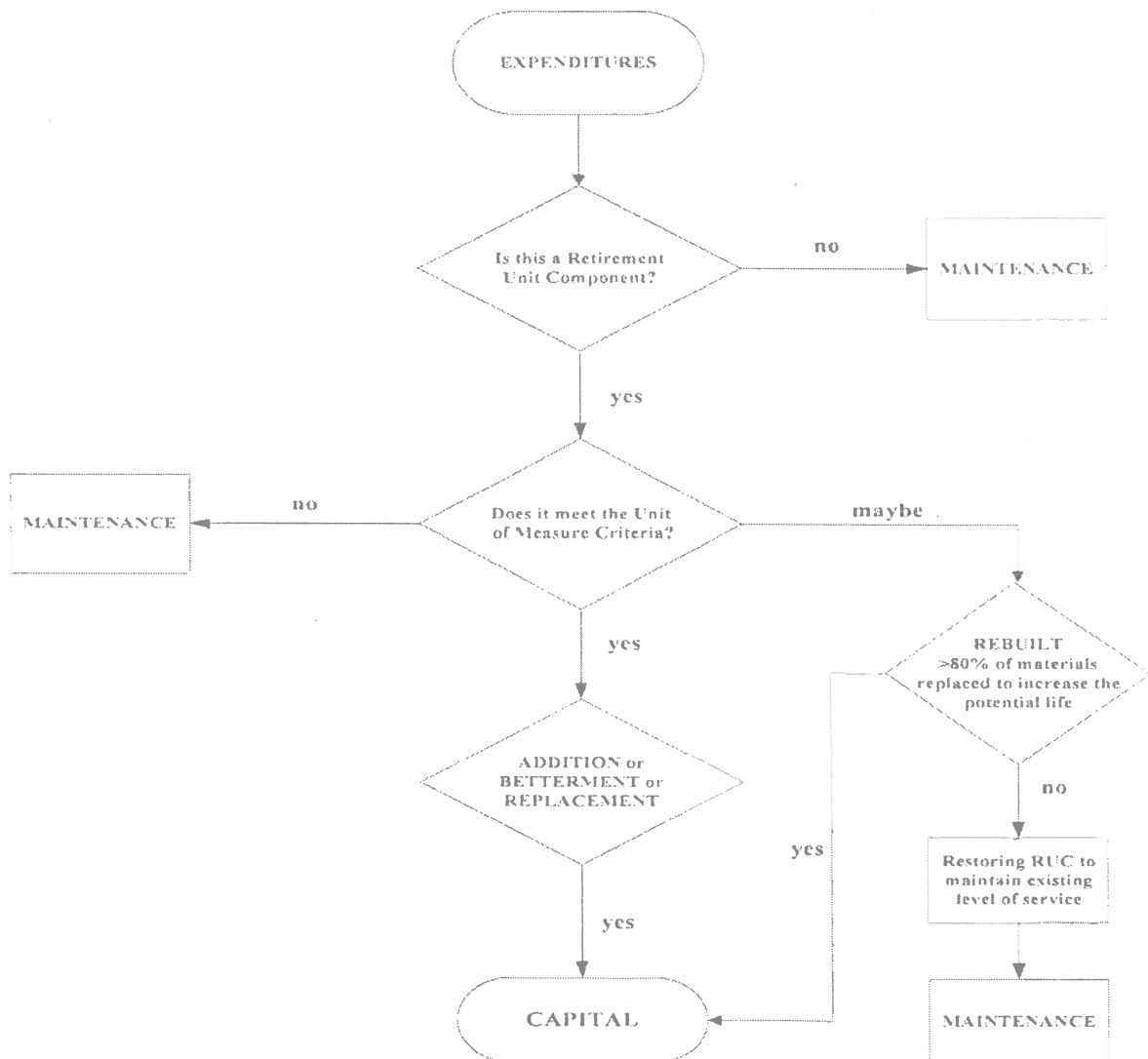




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1.0 PURPOSE

The purpose for "capitalizing" expenditures as capital assets is to provide for an equitable allocation of costs among existing and future customers. As assets are expected to provide "future economic benefits", expenditures incurred for the acquisition, construction or development of assets should be capitalized and allocated over the estimated useful lives of the associated assets in the form of amortization / depreciation. Accordingly, expenditures relating to the acquisition, construction or betterment of an asset, should be capitalized as an asset, and all other expenditures should be expensed in the accounting period incurred.

2.0 SCOPE

This document serves as a guideline in determining how company expenditures should be charged.

3.0 DEFINITIONS

Expenditures can either be classified as Operations & Maintenance (O&M) or Capital in nature.

- O&M charges are budgeted and actuals are recorded to respective accounts.
- Capital projects are budgeted and actuals are recorded in Construction Work in Progress (CWIP)

When a capital project is complete, it is closed to *Plant in Service* with details in accounts 300-399. Capital projects should be closed to these accounts when they are energized or considered used and useful. This action will cease the calculation of AFDUC (Allowance for funds used during construction) charged to the project.

Certain Criteria are required in order for charges to be classified as Capital. This document addresses these requirements in more detail.

Allowance for Funds Used During Construction (AFUDC)

The net cost for the period of construction of borrowed funds used for construction purposes.

Capitalized Costs

Expenditures incurred for study, design, procurement, construction, installation, start-up commissioning and initial training costs (except software) to place the capital asset in service. These costs include direct labor, materials, supplies, contract costs and overhead costs.

Capital Expenditures

- **Additions** – A new asset has been created
- **Betterment** – A Substitution of an improved asset for the one replaced
- **Replacement** – A substitution made with the similar asset
- **Substantial Rebuild** – Significantly increases the life or potential of the asset



Land

Land will be capitalized at acquisition cost including assessments, commissions, legal and recording fees; draining, filling, other site preparation costs; judgments levied from damage suits; and demolition cost of structures on land acquired by building sites. Land acquired by gift will be capitalized at fair value on date of donation.

Buildings

Buildings and Structures

Buildings will be capitalized and depreciated using the straight-line method.

1. Acquisition by construction:

Initial capitalization includes initial construction costs of the building structure, including all internal piping, wiring, and permanent fixtures associated with the distribution of utilities within the building. Cost should also include architect fees, inspection fees and permits, bid advertising, and any interest expense, bond discount/(premium) amortization and insurance costs incurred during the construction period (less investment income earned). It excludes costs of landscaping, sidewalks, utility tunnels, or furnishings, which are to be capitalized in other fixed asset accounts. Special purpose machinery and equipment installed in the building or structure at the time of construction, which relates to the activity to be conducted in the building or structure, should be capitalized in an equipment asset account rather than the building account.

2. Acquisition by Purchase:

Buildings acquired by outright purchase will be capitalized at acquisition cost with proportionate allocation of the purchase price and associated closing costs allocated to land on the basis of current appraised values. Additional costs incurred for the purpose of renovating or modifying the building structure in order to place it in service will also be capitalized.

3. Building Additions and Modifications:

Building projects or portions of projects, which should be added to the capitalized value of an existing building, would include the items listed below.

- Building additions including attached ramps, truck docks, fire escapes, and other appurtenances.
- Improvements requiring modifications of the structure in order to comply with current fire, health, asbestos and safety codes.
- Improvements undertaken to convert unusable floor space into usable floor space or upgrade the use of floor space.

4. Major Renovation and Remodeling:

Major renovation and remodeling projects which involve updating a building interior for the purpose of enhancing functionality, and extending the useful life will be capitalized providing.



- The cost of the project, when added to the Building Account results in a total capitalized value.
- The project objective and scope includes modernization of the structure as a whole
- Special maintenance projects, undertaken primarily to preserve the building or enhance the general appearance should be charged to expense (i.e., roof repairs, painting, caulking, etc.)

Land Improvements

Costs to build infrastructure and to improve land owned or used by the LIBERTY UTILITIES (excluding buildings) will be capitalized as Land Improvements/Infrastructure Additions to or extensions of existing land improvements or infrastructure will be capitalized in the year such addition or extension is completed. Repair, maintenance, partial replacement, and resurfacing projects should be charged to expense. It shall also be the policy to capitalize all costs in this category, which are incurred in conjunction with a major building project even if the amount is less than stated in the succeeding sections of this policy for various classifications of improvements. The following classifications of improvements will be capitalized:

A. Landscaping Improvements – The following is a listing of land improvement examples:

Parking lots, yard lighting, fencing, paths, septic systems, fountains, fencing and gates, bleachers, parking barriers, swimming pools, tennis courts, retaining walls, athletic fields and golf courses. These examples are to be used as a guide in identifying land improvements and are not intended to be all-inclusive.

B. Infrastructure – The following is a listing of infrastructure examples:

Streets/roads/highways, alleys, sidewalks, curbs, culverts, traffic lights/signals, street signage, street lighting, bridges, guard rails, trestles, sanitary sewer collection piping, storm sewer collection piping, water distribution piping, drainage ditches/systems, irrigation systems, tunnels, dams, sea walls/bulkheads/piers/boardwalks/docks, fire hydrants, gas distribution systems, electric distribution systems, and fiber optic cabling systems. These examples are to be used as a guide in identifying infrastructure and are not intended to be all-inclusive. Infrastructure includes surveying, filling, and draining costs if such costs are incurred solely for the installation of the infrastructure and are not part of an overall land acquisition and construction project.

Equipment and Property

Equipment items acquired by the Utility will be capitalized at net invoice price plus freight and installation charges. For purposes of this policy, equipment and chattel property is defined by the following classifications:

- All Equipment and Chattel Property not specifically Defined in Other Classifications
- Autos, Vans and Other Passenger Vehicles
- Trucks, Truck Bodies, Busses, and Heavy Duty Cargo Vehicles
- Computer Mainframe Installation Equipment
- Personal Computers



- Computer Software
- Equipment Systems Comprised of Components

Construction Work in progress

Construction Work in Progress Account is designed to accumulate all costs incurred in connection with projects undertaken for the construction or renovation of capital assets. Costs will remain in the Construction Work in Progress Account until the project is complete and the building or other constructed asset is placed in service. Upon completion of the project, all costs will be removed from the Construction Work in Progress Account and charged to appropriate Building, Land Improvements, and Equipment Accounts in accordance with the Capitalization Policy.



General Retirement Unit

It is a criterion for retirement unit components of a general functional nature which exist in many systems. If the retirement unit component is of a general functional nature, it must meet the criteria established to be considered for capitalization.

Minor Item of Property

A part, piece, section or portion of the retirement unit component with which it is associated. It is always capitalized when originally installed as part of a retirement unit, and always expensed when replaced independent of its associated retirement unit.

Overhead Costs

Cost that cannot be directly charged to the project but corresponds to many projects. It consists of labor, material and administrative and general loadings, insurance, taxes, project supervision, transportation allocations and allowances for funds used during construction (AFUDC).

Retirement Unit Component

Smallest unit of the property, which when replaced or removed from service, must be retired from the plant accounts. Provided it meets general retirement unit and unit of measure criteria, it is always capitalized when originally installed and its replacement is always capitalized.

Unit of measure

Minimum units of measure have been established for all retirement unit components. This measure must be met for retirement unit component to be capitalized.



4.0 REFERENCES

Liberty Utilities Capitalization Policy is implemented and administered in accordance with Generally Accepted Accounting Principles (GAAP), the Federal Energy Regulatory Commission (FERC) and the National Association of Regulatory Utility Commission (NARUC). It will be reviewed annually to ensure that it remains consistent with current practices and the needs and interests of the Organization

5.0 OWNER

Liberty Utilities Corporate Finance Team will be the owner of the procedure.

6.0 ADDITIONS & RETIREMENTS

Per the FERC and NARUC Code of Regulations:

"...all property will be considered as consisting of (1) major units/retirement units and (2) minor items of property."

6.1 Additions

Liberty Utilities follows Federal Energy Regulatory and National Association of Regulatory Utilities Commissioners guidelines to determine when expenditures should be classified as capital and considered additions or retirements of a plant. Guidelines state that all property shall be considered as consisting of retirement units and minor units of property. The company has identified as accurately as possible all retirement unit components used in our course of business.

Retirement units are listed under the Retirement Unit Component Table. In general, any item not listed in the Retirement Unit Component Table shall be considered a minor item of property:

6.2 Retirements

Retiring a Property Unit (Retirement Unit): When a retirement unit is retired from a plant with or without replacement, the book cost shall be credited to the plant account in which it is included, as determined in the manner set for the in the Code of Federal Regulations, Electric Plant Instruction 10-D and NARUC instruction utility plant instruction 27-2. If the retirement unit is of a depreciable class, the book cost of the unit retired shall be charged to the accumulated provision for depreciation applicable to the property.

The book cost of the utility plant retired shall be the amount at which such property is included in the utility plant accounts, including all components of construction costs. The book cost shall be determined from the utility's records and if this cannot be done, it shall



be estimated. When it is impractical to determine the book cost of each unit, due to the relatively large number or small cost thereof, an appropriate average book cost of the units, with due allowance for any differences in size and character, shall be used as the book cost of the units retired.

7.0 CAPITAL vs. EXPENSE

Liberty Utilities capitalizes the cost of additions and substantial betterments of units of property and plant, including the cost of labor, material applicable taxes, overheads and allowance for funds used during construction (AFUDC) pursuant to the instructions in the Commission authorized FERC 18 CFR Part 201 –Uniform System of Accounts.

If a project results in the addition or substantial betterment of a unit of property that meets the capitalization criteria, the project will be accounted for as a capital project. FERC 18 CFR Part 201 Uniform System of Accounts – Plant Instructions (10) (C) (3) provides:

"When a minor item of depreciable property is replaced independently of the retirement unit of which it is a part, the cost of replacement shall be charged to the maintenance account appropriate for the item, except that if the replacement effects a substantial betterment (the primary aim of which is to make the property affected more useful, more efficient, or of greater durability, or of greater capacity), the excess cost of the replacement over the estimated cost at current prices of replacing without betterment shall be charged to the appropriate gas plant account".

7.1 Leak Repairs

The Company shall only capitalize leak repair work when the work meets the following criteria:

- (1) If the leak is found on a transmission or distribution main, the section of main must have more than five feet replaced to be capitalized;
- (2) If the leak is found on a service line, more than one-half of the linear feet of the service line must be replaced to be capitalized;
- (3) The total installed cost to replace each main or service line must cost more than \$1,000 to qualify for capitalization; and
- (4) If the only work being completed is placing a leak clamp on a main or service line, the total cost associated with the repair shall be expensed.



8.0 INDIRECT OVERHEADS

Indirect Overheads are the expenses which do not have direct cost causation to a project but are costs that support construction activity.

As per FERC, CFR 18, Part 101, Plant Instruction No.3, Item 12 and Plant instruction No.4:

"All overhead construction costs, such as engineering, supervision, general office salaries & expenses, construction engineering, law expenses, insurance, injuries & damages, relief and pensions, taxes and interest, shall be charged to particular jobs or units on the basis of the amounts of such overheads reasonably applicable thereto, to the end that each job or unit shall bear its equitable proportion of such costs. Where procedure is impractical, special studies shall be made periodically of the time devoted to construction activities."

Below are some of types of Overheads that are loaded to work orders:

- Payroll overheads
- Stores related overheads
- Administrative overheads
- Transportation overheads
- Project Supervision overheads
- Small Tools overheads

8.1 Payroll Overheads

Allocation basis for payroll the time spent on various projects. Major components that are included while calculating basis of payroll overheads are:

- Retirements Costs and benefits
- Worker's Compensation
- Unemployment Insurance
- Health, Life and Dental insurance
- Taxes
- Training
- Sick leave
- Vacation Pay

8.2 Stores Related Overheads

Allocation basis for stores overheads is dollars of materials issued for various projects. Major costs that are accumulated in the stores clearing account are:

- Garage Costs (utilities, maintenance)
- Store Clerks Salary & Salary Overheads
- Depreciation on facilities
- Property Taxes on facilities
- Costs involved with equipment used for inventory handling



8.3 Administrative Overheads

Allocation basis for administrative overheads is overhead rate.

Major components that are included while calculating basis of administrative overheads are:

- Local finance/operations/and administrative department's time spent on capital related activities and related overheads.
- Corporate finance/operations/and administrative time spent on capital related activities and related overhead
- Office costs (rent, utilities, maintenance)
- Depreciation on office equipment
- Property insurance on office equipment
- Liability Insurance
- Office supplies expense

8.4 Transportation Overheads:

Allocation basis for transportation overheads is the labour hours charged to particular work order. Major costs that are accumulated in the transportation clearing account are:

- Insurance
- License Fees
- Equipment Garage Costs
- Equipment Maintenance Costs
- Fuel
- Depreciation on the equipment
- Major Overhaul

8.5 Project Supervision Overheads

Allocation basis for project supervision overheads is the labour hours charged to particular work order. Major costs that are accumulated in the project supervision clearing account are:

- Labor charges and any related overheads

8.6 Small Tools Overheads

Allocation basis for small tools overheads is the material dollars on particular work order. Major costs that are accumulated in this clearing account are:

- Any small tools purchased for various projects



9.0 ALLOWANCE FOR FUNDS DURING CONSTRUCTION

Allowance for funds used during construction...includes the net cost for the period of construction of borrowed funds used for construction purposes and a reasonable rate on other funds when so used, not to exceed, without prior approval of the Commission, allowances computed in accordance with the formula prescribed in paragraph 17(a). No allowances for funds used during construction charges shall be included in these accounts upon expenditures for construction projects which have been abandoned.

Note 1: Per FERC, CFR 18, Part 101, Electric Plant Instruction No.3, Item 17 Note,

When a part only of a plant or project is placed in operation or is completed and ready for service but the construction work as a whole is incomplete, that part of the cost of the property placed in operation or ready for service, shall be treated as Electric Plant in Service and allowance for funds used during construction thereon as a charge to construction shall cease. Allowance for funds used during construction on that part of the cost of the plant which is incomplete may be continued as a charge to construction until such time as it is placed in operation or is ready for service, except as limited in item 17, above.

9.1 NARUC GUIDELINES

According to NARUC guidelines no. 19, AFUDC includes the net cost for the period of construction of borrowed funds used for construction purposes and a reasonable rate on other funds when so used. No allowance for funds used during construction shall be included in these accounts upon expenditures for construction projects which have been abandoned.

AFUDC is important to calculate as the installation of major distribution facility usually requires large expenditures of money to be made during construction periods ranging from several months to years. Substantial financing may be required in advance of the time these facilities are ready for use in utility service in order to provide the money needed to support the construction work in progress. As such, FERC allows utilities to calculate AFUDC, similar to capitalization of interest during construction, on such projects that meet the criteria as outlined by FERC in the code of Federal Regulations.

AFUDC can be calculated on the following projects/jobs:

- AFUDC is accrued on all open jobs, except as noted below.
- AFUDC is also calculated on land.

AFUDC cannot be calculated on:

- Projects that span less than one calendar month
- Projects paid for by the customer (i.e. contributions in Aid of Construction)
- General and Stores equipment purchases
- Non-Capital projects
- Projects with a negative balance



Note: If a project is put on hold or cancelled, the AFDUC calculation stops

9.2 AFUDC Model Calculation

As defined by the Federal Energy Regulatory Commission (FERC) in the code of Federal Regulations (CFR) 18, Part 101, electric Plant Instruction No.3, item 17:

AFUDC is calculated on the project's ending Construction Work in Progress ("CWIP") balance from the prior month, excluding previously calculated AFUDC.

The formula and elements for the computation of the allowance for funds used during construction shall be:

$$A_i = s (S/W) + d (D/D+P+C) (1-S/W)$$

$$A_e = [1-S/W] [(P/D+P+C) + c(C/D+P+C)]$$

A_i = Gross allowance for borrowed funds used during construction rate.

A_e = Allowance for other funds used during construction rate.

S = Average short-term debt.

s = Short-term debt interest rate.

D = Long-term debt.

d = Long-term debt interest rate.

P = Preferred stock.

p = Preferred stock cost rate.

C = Common Equity

c = Common Equity cost rate.

W = Average balance in construction work in progress less asset retirement costs related to plant under construction.



10.0 CAPITALIZATION OF COMPUTER SOFTWARE

Internal-use software is software having the following characteristics:

- The software is acquired, internally developed, or modified solely to meet the entity's internal needs.
- During the software's development or modification, no substantive plan exists or is being developed to market the software externally.

10.1 Large Software Project

There are three stages of large computer software development. They are Preliminary Project Stage, Application Development Stage, and Post Implementation/Operational Stage.

- The Preliminary Project Stage is the planning stage where the business case is developed and strategic decisions are made to develop or purchase software for internal-use. Preliminary Stage cost is considered expense. Training costs should be recorded to the appropriate expense account by functional area.
- The application Development Stage is where the tasks of design, coding, installation of hardware, configuring, and testing are performed. These charges include internal software development labor costs, consultant fees, AFUDC, etc. Application development stage charges for software is capitalized to CWIP account 107 and then moved to the software account.
- Post-implementation/Operational stage is the stage after the software is substantially complete and ready for its intended use. Expenses incurred during this stage typically relate to training and maintenance expenses. They costs shall be expensed as incurred.

10.2 Preliminary Project Stage

When a software project is in the preliminary project phase, entities will likely do the following:

- Make strategic decisions to allocate resources between alternative projects at a given point in time. For example, should programmers develop a new payroll system or direct their efforts toward correcting existing problems in an operating payroll system?
- Determine the performance requirements (that is, what it is that they need the software to do) and systems requirements for the computer software project it has proposed to undertake
- Invite vendors to perform demonstrations of how their software will fulfill an entity's needs
- Explore alternative means of achieving specified performance requirements. For example, should an entity make or buy the software? Should the software run on a mainframe or a client server system?
- Determine that the technology needed to achieve performance requirements exists
- Select a vendor if an entity chooses to obtain software



- Select a consultant to assist in the development or installation of the software

These costs should all be expensed. Related processes at this stage include the following:

- Conceptual formulation of alternatives
- Evaluation of alternatives
- Determination of existence of needed technology
- Final selection of alternatives

10.3 Application Development Stage

Internal and external costs incurred to develop internal-use computer software during the application development stage should be capitalized. Costs to develop or obtain software that allows for easy access to or conversion of old data by new systems shall also be capitalized.

Data conversion costs (purging or cleansing data of existing data, reconciliation or balancing of the old data and the data in the new system, creation of new or additional data, and conversion of the old data to the new system), except as noted above, shall be expensed as incurred.

Related processes at this stage include the following:

- Design of chosen path, including software configuration and software interfaces
- Coding
- Installation to hardware
- Testing, including parallel processing phase

Capitalization shall cease no later than the point at which a computer software project is substantially complete and ready for its intended use, that is, after all substantial testing is completed. Costs of computer software developed or obtained for internal use that shall be capitalized include only the following:

- External direct costs of materials and services consumed in developing or obtaining internal-use computer software. Examples include:
 1. Fees paid to third parties for services provided to develop the software during the application development stage
 2. Costs incurred to obtain software from third parties
 3. Travel expenses incurred by employees in their duties directly associated with developing software
- Payroll and payroll-related costs (employee benefits) for employees who are directly associated with and who devote time to the internal-use computer software project, to the extent of the time spent directly on the project. Examples of employee activities include but are not limited to coding and testing during the application development stage.



10.4 Post-Implementation Operational Phase

Internal and external training costs and maintenance costs during the post-implementation operational phase should be expensed as incurred. Related processes at this stage include the following:

1. Training
2. Application maintenance

10.4.1 Upgrades and Enhancements

In order for costs of specified upgrades and enhancements to internal-use computer software to be capitalized, it must be probable that those expenditures will result in additional functionality. Upgrades and enhancements are defined as modifications to existing internal-use software that result in additional functionality – that is, modifications to enable the software to perform tasks that it was previously incapable of performing. Upgrades and enhancements normally require new software specifications and may also require a change to all or part of the existing software specifications.

Internal costs incurred for maintenance shall be expensed as incurred. Entities that cannot separate internal costs on a reasonably cost-effective basis between maintenance and relatively minor upgrades and enhancements shall expense such costs as incurred.

10.4.2 Amortization

If the functionality of a module is entirely dependent on the completion of other modules, amortization of that model shall begin when both that module and the other modules upon which it is functionally dependent are ready for their intended use.



11.0 ENERGY DISTRIBUTION

FERC ACCOUNT DEFINITIONS AND RETIREMENT UNIT COMPONENT TABLES

The information located in this table is per the FERC (Federal Energy Regulatory Commission).

ACCOUNT # 360: LAND AND LAND RIGHTS

This account shall include the cost of land and land rights used in connection with distribution operations.
Note: Do not include in this account the cost of permits to erect poles, towers, etc. or to trim trees.

<u>Property Unit</u>	<u>Retirement Unit</u>	<u>Unit of Measure</u>
<u>Comments</u>		
Land & Land Rights	Land & Land Rights	Acreage

ACCOUNT # 361: STRUCTURES AND IMPROVEMENTS

This account shall include the cost in place of structures and improvements used in connection with distribution operations.

<u>Property Unit</u>	<u>Retirement Unit</u>	<u>Unit of Measure</u>
Complete Structure	Complete Structure	Each

ACCOUNT # 362: STATION EQUIPMENT

This account shall include the cost installed of station equipment, including transformer banks, etc., which are used for the purpose of changing the characteristics of electricity in connection with its distribution.

<u>Property Unit</u>	<u>Retirement Unit</u>	<u>Unit of Measure</u>
Bus	Bus	Each
Capacitor Bank	Capacitor Bank	Each
Circuit Breaker	Circuit Breaker	Each
Complete Structure	Complete Structure	Each
Control Enclosure	Control Enclosure	Each

ACCOUNT # 362: STATION EQUIPMENT



Current Transformer	Current Transformer	Each
Potential Transformer	Potential Transformer	Each
Driveway & Parking Lot	Driveway & Parking Lot	Entire driveway
Fence & Gate	Fence & Gate	Each
Grounding Grid	Grounding Grid	Each
High Tension Fuse	High Tension Fuse	Each
Insulators	Insulator	Each
Lightning Arrester	Lightning Arrester	Each
Meters, Relays, and Tone Equip.	Meters, Relays, and Tone Equip.	Each
Motor Generator Set	Motor Generator Set	Each
Portable Unit Station Complete	Portable Unit Station Complete	Each
Potential Transformer	Potential Transformer	Each
Regulating Transformer	Regulating Transformer	Each
Storage Battery	Storage Battery	Each
Structures	Structures	Each
Substation Transformer	Substation Transformer	Each
Switches	Switches	Each
Testing Equipment	Testing Equipment	Each

ACCOUNT # 364: POLES, TOWERS AND FIXTURES

This account shall include the cost installed of poles, towers, and appurtenant fixtures used for supporting overhead distribution conductors and service wires.

<u>Property Unit</u>	<u>Retirement Unit</u>	<u>Unit of Measure</u>
Wood Poles	Wood Poles	Each
Wood Structure	Wood Structure	Each



ACCOUNT # 365: OVERHEAD CONDUCTORS AND DEVICES

This account shall include the cost installed of Overhead conductors and devices used for distribution purposes.

<u>Property Unit</u>	<u>Retirement Unit</u>	<u>Unit of Measure</u>	<u>Comments</u>
Switch	Switch	Each	
Wire	Wire	Feet	10' or greater

ACCOUNT # 366: UNDERGROUND CONDUIT

This account shall include the cost installed of underground conduit and tunnels used for housing distribution cables or wires.

<u>Property Unit</u>	<u>Retirement Unit</u>	<u>Unit of Measure</u>
Manhole	Manhole	Complete Unit
Pullbox	Pullbox	Complete Box
Underground Conduit Systems	Underground Conduit Systems	10' or greater

FERC Note: The cost of underground conduit used solely for street lighting or signal system shall be included in account #373.

ACCOUNT # 367: UNDERGROUND CONDUCTORS AND DEVICES

This account shall include the cost installed of underground conductors and devices used for distribution purposes.

<u>Property Unit</u>	<u>Retirement Unit</u>	<u>Unit of Measure</u>
Cable	Cable	Feet
Switch	Switch	Each

FERC note: The cost of underground conductors and devices used solely for street lighting or signal systems shall be included in account#373.

ACCOUNT # 368: LINE TRANSFORMERS



This account shall include the cost installed of overhead and underground distribution line transformers and pole type and underground voltage regulators owned by the utility, for use in transforming electricity to the voltage at which it is to be used by the customer, whether actually in service or held in reserve.

The records covering line transformers shall be so kept that the utility can furnish the number of transformers of various capacities in service and those in reserve, and the location and the use of each transformer.

FERC note: The cost of removing and resetting line transformers shall not be charged to this account 583, Overhead line expenses, or account 584, Underground Line Expenses, as appropriate. The cost of the line transformers used solely for street lighting or signal systems shall be included in account 373, Street Lighting and Signal Systems.

<u>Property Unit</u>	<u>Retirement Unit</u>	<u>Unit of Measure</u>
Capacitor Bank	Capacitor Bank	Entire Bank
Transformer	Transformer	Each
Voltage Regulator	Voltage Regulator	Each

ACCOUNT # 369: SERVICES

This account shall include the cost installed of overhead and underground Conductors leading from a point where wires leave the last pole of the overhead system or the distribution box or manhole, or the top of the pole of the distribution line, to the point of connection with the customer's outlet or wiring. Conduit used for underground service conductors shall be included herein.

<u>Property Unit</u>	<u>Retirement Unit</u>	<u>Unit of Measure</u>
Overhead services	Overhead services	Each
Underground services	Underground services	Each

ACCOUNT # 370: METER

This account shall include the cost installed of meters or devices and appurtenances thereto, for use in measuring the electricity delivered to its users, whether actually in service or held in reserve.

The records covering meters shall be so kept that the utility can furnish information as to the number of meters of various capacities in service and in reserve as well as the location of each meter owned.



FERC note: This account shall not include meters for recording output of a generating station, substation meters, etc. It includes only those meters used to record energy delivered to customers. The cost of removing and resetting meters shall be charged to account 586, Meter Expenses.

<u>Property Unit</u>	<u>Retirement Unit</u>	<u>Unit of Measure</u>
Meters, Electric	Meter	Each

ACCOUNT # 371: INSTALLATION ON CUSTOMER PREMISES

This account shall include the cost installed of equipment on the customer's side of a meter when the utility incurs such cost and when the utility retains title to and assumes full responsibility for maintenance and replacement of such property. This account shall not include leased equipment.

FERC note: Do not include in this account any costs incurred in connection with merchandising, jobbing, or contract work activities.

<u>Property Unit</u>	<u>Retirement Unit</u>	<u>Unit of Measure</u>
Light Fixtures	Light Fixtures	Complete light unit
Poles	Poles	Each

ACCOUNT # 373: STREET LIGHTING AND SIGNAL SYSTEMS

This account shall include the cost installed of equipment used wholly for public street and highway lighting or traffic, fire alarm, police, and other signal systems.

<u>Property Unit</u>	<u>Retirement Unit</u>	<u>Unit of Measure</u>
Light Fixtures	Light Fixtures	Complete light unit
Poles	Poles	Each



12.0 GAS DISTRIBUTION

FERC ACCOUNT DEFINITIONS AND RETIREMENT UNIT COMPONENT TABLES

ACCOUNT # 374: LAND AND LAND RIGHTS

This account shall include the cost of land and land rights used in connection with distribution operations.

<u>Property Unit</u>	<u>Retirement Unit</u>	<u>Unit of Measure</u>
Land in Fee	Land in Fee	Acreage
Land Rights	Land Rights	

ACCOUNT # 375: STRUCTURES AND IMPROVEMENTS

This account shall include the cost in place of structures and improvements used in connection with distribution operations.

<u>Property Unit</u>	<u>Retirement Unit</u>	<u>Unit of Measure</u>
Building	Building	Each
Roof	Roof	Each
Leasehold Improvements	Leasehold Improvements	Each

ACCOUNT # 376: MAINS

This account shall include the cost installed of distribution system mains.

<u>Property Unit</u>	<u>Retirement Unit</u>	<u>Unit of Measure</u>
Mains, Gas	2" PE Main	Feet
Mains, Gas	2" Steel Main	Feet
Mains, Gas	4" PE Main	Feet
Mains, Gas	4" Steel Main	Feet
Mains, Gas	6" PE Main	Feet
Mains, Gas	6" Steel Main	Feet

ACCOUNT # 376: MAINS



Mains, Gas	8" Steel Main	Feet
Mains, Gas	12" Steel Main	Feet
Mains, Gas	16" Steel Main	Feet
Mains, Gas	18" Steel Main	Feet
Mains, Gas	2" PE Valve	Each
Mains, Gas	4" PE Valve	Each
Mains, Gas	6" PE Valve	Each
Mains, Gas	8" Steel Valve	Each
Mains, Gas	12" Steel Valve	Each
Mains, Gas	16" Steel Valve	Each
Mains, Gas	18" Steel Valve	Each

ACCOUNT # 378: MEASURING AND REGULATING STATION EQUIPMENT, GENERAL

This account shall include the cost installed of meters, gauges and other equipment used in measuring and regulating gas in connection with distribution system operation other than the measurement of gas deliveries to customers.

<u>Property Unit</u>	<u>Retirement Unit</u>	<u>Unit of Measure</u>
Gauges & Instruments	Gauges & Instruments	Each
Measuring & Regulating Equip.	Measuring & Regulating Equip.	Each
Gas Meter	Gas Meter	Each
Pressure Relief Equipment	Pressure Relief Equipment	Each
Regulator & Control Valve	Regulator & Control Valve	Each
Regulator & Governors	Regulator & Governors	Each

ACCOUNT # 379: MEASURING AND REGULATING STATION EQUIPMENT

This account shall include the cost installed of meters, gauges and other equipment used in measuring and regulating the receipt of gas at entry points to distribution systems.

<u>Property Unit</u>	<u>Retirement Unit</u>	<u>Unit of Measure</u>
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Gauges & Instruments	Gauges & Instruments	Each
Measuring & Regulating Equip.	Measuring & Regulating Equip.	Each
Gas Meter	Gas Meter	Each
Pressure Relief Equipment	Pressure Relief Equipment	Each
Regulator & Control Valve	Regulator & Control Valve	Each
Regulator & Governors	Regulator & Governors	Each

ACCOUNT # 380: SERVICES

This account shall include the cost installed of service pipes and accessories leading to customers' premises. When a meter is permanently retired from service, the installed cost included herein shall be credited to this account.

<u>Property Unit</u>	<u>Retirement Unit</u>	<u>Unit of Measure</u>
Gas Services	Gas Services	Per Service

ACCOUNT # 381: METERS

This account shall include the cost installed of meters or devices and appurtenances thereto, for use in measuring gas delivered to users, whether actually in service or held for reserve.

<u>Property Unit</u>	<u>Retirement Unit</u>	<u>Unit of Measure</u>
Meter, Gas	Meter, Gas	Each

ACCOUNT # 382: METER INSTALLATION

This account shall include the cost of labor and materials used, and expenses incurred in connection with the original installation of customer meters.

When a meter installation is permanently retired from service, the installed cost included herein shall be credited to this account.

<u>Property Unit</u>	<u>Retirement Unit</u>	<u>Unit of Measure</u>
Gas Meter Installation	Gas Meter Installation	Each

ACCOUNT # 383: HOUSE REGULATORS



This account shall include the cost installed of house regulators whether actually in service or held for reserve.

When a house regulator is permanently retired from service, the installed cost thereof shall be credited to this account.

<u>Property Unit</u>	<u>Retirement Unit</u>	<u>Unit of Measure</u>
Regulators & Governors	Regulators & Governors	Each

13.0 WATER AND WASTE WATER

The information located in this table is per the NARUC (National Association of Regulatory Utility Commission).

ACCOUNT # 303 & 353: LAND AND LAND RIGHTS

This account shall include the cost of land and land rights used in connection with distribution operations. Note: Do not include in this account the cost of permits to erect poles, towers, etc. or to trim trees.

<u>Property Unit</u>	<u>Retirement Unit</u>	<u>Unit of Measure</u>
Land & Land Rights	Land & Land Rights	Acreage

ACCOUNT # 304 & 354: STRUCTURES AND IMPROVEMENTS

This account shall include the cost in place of structures and improvements used in connection with distribution operations.

<u>Property Unit</u>	<u>Retirement Unit</u>	<u>Unit of Measure</u>
Boilers	Boiler	Each
Furnace	Furnace	Each
Building	Building	Each
Roof	Roof	Each
Floor covering	Floor covering	Each
Fences	Fence	Each

ACCOUNT # 307: WELLS AND SPRINGS



This account shall include the cost in place of wells & Springs used in connection with distribution operations.

<u>Property Unit</u>	<u>Retirement Unit</u>	<u>Unit of Measure</u>
Collecting basins	Collecting basin	Each
Sewers	Sewer	Each
Landscaping	Landscaping	Each

ACCOUNT # 309: SUPPLY MAINS

This account shall include the cost in place of supply mains used in connection with distribution operations.

<u>Property Unit</u>	<u>Retirement Unit</u>	<u>Unit of Measure</u>
Air Chambers	Air Chamber	Each
Canals	Canal	Each
Bridges	Bridge	Each
Manholes	Manhole	Each

ACCOUNT # 310 & 355: POWER GENERATION EQUIPMENT

This account shall include the cost installed on any equipment used for the production of power principally used in pumping operations.

<u>Property Unit</u>	<u>Retirement Unit</u>	<u>Unit of Measure</u>
Complete Equipment	Complete Equipment	Each

ACCOUNT # 311: PUMPING EQUIPMENT

This account shall include the cost installed on any equipment used for the pumping operations.

<u>Property Unit</u>	<u>Retirement Unit</u>	<u>Unit of Measure</u>
Engine	Motor	Each
<u>Property Unit</u>	<u>Retirement Unit</u>	<u>Unit of Measure</u>



Motor	Motor	Each
Pumps	Pumps	Each

ACCOUNT # 320: WATER TREATMENT EQUIPMENT

This account shall include the cost installed on any equipment used for the water treatment operations.

<u>Property Unit</u>	<u>Retirement Unit</u>	<u>Unit of Measure</u>
Chemical Treating Plant	Treatment Plant	Each
Mixing Chambers	Mixing Chamber	Each
Disinfection Plant	Disinfection Plant	Each

ACCOUNT # 305 & 362: SPECIAL COLLECTING STRUCTURES

This account shall include the special designed structures unusual to the water & wastewater system should be included herein but specifically noted as to what they do.

<u>Property Unit</u>	<u>Retirement Unit</u>	<u>Unit of Measure</u>
Bridges	Bridge	Each
Dams	Dams	Each
Aerators	Aerators	Each
Enbankments	Enbankment	Each

ACCOUNT # 333 & 363: SERVICES

This account shall include the installed cost of service water & sewers, from collection water & sewer to the customer's property or curb line. It shall be included herein.

<u>Property Unit</u>	<u>Retirement Unit</u>	<u>Unit of Measure</u>
Services connection	Services connection	Each



ACCOUNT # 364: FLOW MEASURING DEVICES

This account shall include the cost of flow measuring and recording equipment and initial testing used for measuring the quantity of wastewater or wastewater effluent delivered by customers, whether actually in service or held in reserve.

<u>Property Unit</u>	<u>Retirement Unit</u>	<u>Unit of Measure</u>
Complete Unit	Complete Unit	Each

ACCOUNT # 334 & 367: METERS

This account shall include the cost installed of meters or devices and appurtenances thereto, for use in measuring the quantity of reclaimed water delivered to its users, whether actually in service or held in reserve.

The records covering meters shall be so kept that the utility can furnish information as to the number of meters of various capacities in service and in reserve as well as the location of each meter owned.

NARUC note: This account shall not include meters for recording output of a supply or treatment plant, or those located on mains etc. It includes only those meters used to record energy delivered to customers.

<u>Property Unit</u>	<u>Retirement Unit</u>	<u>Unit of Measure</u>
Meter	Meter	Each

ACCOUNT # 335: HYDRANTS

This account shall include the cost installed of hydrants in service owned by the utility. This account shall include:

<u>Property Unit</u>	<u>Retirement Unit</u>	<u>Unit of Measure</u>
Hydrants & Fittings	Hydrants & Fittings	Complete unit

ACCOUNT # 371: PUMPING EQUIPMENT



This account shall include the cost installed of pumping equipment driven by electric power or diesel engines. This account shall include:

<u>Property Unit</u>	<u>Retirement Unit</u>	<u>Unit of Measure</u>
Motors & Pumps	Motors & Pumps	Complete unit

ACCOUNT # 330 & 374: DISTRIBUTION RESERVOIRS

This account shall include the cost in place of reservoirs, tank and appurtenances used in storing reclaimed water for distribution. This account shall include:

<u>Property Unit</u>	<u>Retirement Unit</u>	<u>Unit of Measure</u>
Gates & Gate houses	Gates & Gate houses	Each
Tanks	Tanks	Each
Towers	Towers	Each
Dams	Dams	Each
Fences	Fences	Each

ACCOUNT # 331 & 375: TRANSMISSION AND DISTRIBUTION Mains

This account shall include the cost installed of reclaimed water transmission and distribution mains and appurtenances. This account shall include:

<u>Property Unit</u>	<u>Retirement Unit</u>	<u>Unit of Measure</u>
Electrolysis Control Equipment	Electrolysis Control Equipment	Each
Air Chambers	Air Chambers	Each
Gauges & Recorders	Gauges & Recorders	Each
Pipes	Pipes	Each

ACCOUNT # 380: TREATMENT AND DISPOSAL EQUIPMENT



This account shall include the cost installed of apparatus equipment and other facilities used for the treatment of Wastewater, disposal of sewage wastes and the treatment of effluent for reuse. This account shall include:

<u>Property Unit</u>	<u>Retirement Unit</u>	<u>Unit of Measure</u>
<u>Comments</u>		
Aeration Chambers	Aeration Chambers	Each
Disinfection Facilities	Disinfection Facilities	Each
Monitoring Equipment	Monitoring Equipment	Each
Septic Tank	Septic tank	Each
Oxidation Lagoon	Oxidation Lagoon	Each
Screen Unit	Screen Unit	Each
Sludge Digestion Equipment	Sludge Digestion Equipment	Each

ACCOUNT # 381: PLANT SEWERS

This account shall include the cost installed of plant yard piping and appurtenances, and facilities required to dispose of treatment plant liquid effluent into the outfall sewer line. This account shall include:

<u>Property Unit</u>	<u>Retirement Unit</u>	<u>Unit of Measure</u>
Piping	Piping	Feet

14.0 GENERAL PLANT AND INTANGIBLES

ACCOUNT # 301: ORGANIZATION

This account shall include the cost of land and land rights used in connection with distribution operations. Note: Do not include in this account the cost of permits to erect poles, towers, etc. or to trim trees.

<u>Property Unit</u>	<u>Retirement Unit</u>	<u>Unit of Measure</u>
Land & Land Rights	Land & Land Rights	Acreage

ACCOUNT # 302: FRANCHISES & CONSENTS



This account shall include the cost of land and land rights used in connection with distribution operations.

Note: Do not include in this account the cost of permits to erect poles, towers, etc. or to trim trees.

<u>Property Unit</u>	<u>Retirement Unit</u>	<u>Unit of Measure</u>
Franchise & Consents	Franchise & Consents	Each

ACCOUNT # 303: MISCELLANEOUS INTANGIBLE PLANT

This account shall include the cost of patent rights, licenses, privileges, and other intangible property necessary or valuable in the conduct of utility operations and not specifically chargeable to any other account.

<u>Property Unit</u>	<u>Retirement Unit</u>	<u>Unit of Measure</u>
Software	Software	Each

ACCOUNT # 389: LAND AND LAND RIGHTS

This account shall include the cost of land and land rights used for utility purposes, the cost of which is not properly includible in other land and land rights accounts.

<u>Property Unit</u>	<u>Retirement Unit</u>	<u>Unit of Measure</u>
Land in Fee	Land in Fee	Acreage
Land Rights	Land Rights	

ACCOUNT # 390: STRUCTURES AND IMPROVEMENTS

This account shall include the cost in place of structures and improvements used for utility purposes, the cost of which is not properly includible in other structures and improvements accounts.

<u>Property Unit</u>	<u>Retirement Unit</u>	<u>Unit of Measure</u>
Complete Structure	Complete Structure	Each
HVAC System	Air conditioning	Complete System
<u>Property Unit</u>	<u>Retirement Unit</u>	<u>Unit of Measure</u>
HVAC System	Heating System	Complete System



HVAC System

Ventilating System

Complete System

ACCOUNT # 391 & 340: OFFICE FURNITURE AND EQUIPMENT

This account shall include the cost of office furniture and equipment owned by the utility and devoted to utility service, and not permanently attached to buildings, except the cost of such furniture and equipment which the utility elects to assign to other plant accounts on a functional basis.

<u>Property Unit</u>	<u>Retirement Unit</u>	<u>Unit of Measure</u>
Computer Equipment	Computer Equipment	Each
Computer Equipment	Server	Each
Computer Equipment	Printer	Each
Office Furniture & Equipment	Office Furniture & Equipment	Each

ACCOUNT # 392 & 341: TRANSPORTATION EQUIPMENT

This account shall include the cost of transportation vehicles used for utility purposes.

<u>Property Unit</u>	<u>Retirement Unit</u>	<u>Unit of Measure</u>
Transportation Vehicle	Transportation vehicle	Entire Unit*

*Only an entire auto or vehicle and costs associated with placing each item in service, may be capitalized. Additional costs, incurred after the initial purchase of the unit shall be expensed.

ACCOUNT # 393 & 342: STORES EQUIPMENT

This account shall include the cost of equipment used for the receiving, shipping, handling, and storage of materials and supplies.

<u>Property Unit</u>	<u>Retirement Unit</u>	<u>Unit of Measure</u>
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Forklifts	Forklifts	Each
Shelving	Shelving	Each

ACCOUNT # 394 & 343: TOOLS, SHOPS AND GARAGE EQUIPMENT

This account shall include the cost of tools, implements, and equipment used in construction, repair work, general shops and garages and not specifically provided for or includible in other accounts.

<u>Property Unit</u>	<u>Retirement Unit</u>	<u>Unit of Measure</u>
Automobile Repair Equipment	Automobile Repair Equipment	Each
Electric Equipment	Electric Equipment	Each
Hoist & Lift Equipment	Hoist & Lift Equipment	Each
Lathe & Gear	Lathe & Gear	Each
Line Tools	Line Tools	Each
Machines & Hydraulic Equipment	Machines & Hydraulic Equipment	Each
Power Tools & Equipment	Power Tools & Equipment	Each
Pumps & Blowers	Pumps & Blowers	Each
Survey Equipment	Survey Equipment	Each
Tools, Shops & Garage Equipment	Tools, Shops & Garage Equipment	Each

ACCOUNT # 395 & 344: LABORATORY EQUIPMENT

This account shall include the cost installed of laboratory equipment used for general laboratory purposes and not specially provided for or includible in other departmental or functional plant accounts.

<u>Property Unit</u>	<u>Retirement Unit</u>	<u>Unit of Measure</u>
Analyzer	Analyzer	Each
Calibrator	Calibrator	Each
<u>Property Unit</u>	<u>Retirement Unit</u>	<u>Unit of Measure</u>
Detector	Detector	Each



Environmental Equipment	Environmental Equipment	Each
Line Monitoring System	Line monitoring System	Each
Meter-Testing Equipment	Meter-Testing Equipment	Each
Monitor	Monitor	Each
Oscilloscope	Oscilloscope	Each

ACCOUNT # 396 & 345 : 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.

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

<u>Property Unit</u>	<u>Retirement Unit</u>	<u>Unit of Measure</u>
Small Power Equipment	Power Equipment	Each
Heavy Power Equipment	Power Equipment	Each
General Equipment Trailer	General Equipment Trailer	Each
Transport Trailer	Transport Trailer	Each

ACCOUNT # 397 & 346: COMMUNICATION EQUIPMENT

This account shall include the cost installed of telephone, telegraph, and wireless equipment for general use in connection with utility operations.

<u>Property Unit</u>	<u>Retirement Unit</u>	<u>Unit of Measure</u>
Alarm RTU System	Alarm RTU System	Each
Antenna	Antenna	Each
Circuit Termination Equipment	Circuit Termination Equipment	Each

<u>Property Unit</u>	<u>Retirement Unit</u>	<u>Unit of Measure</u>
Communication Equipment	Telephone Equipment	Each System



EMS/SCADA Equipment, RTU's	EMA/SCADA Equipment RTU's	Each
Fiber Patch Panel	Fiber Patch Panel	Each
Fiber Optic Cable	Fiber Optic cable	Each
GPS	GPS	Each
Intercommunicating Telephone	Dispatch Console	Each
LMR-Base Station	LMR-Base Station	Each
LMR-Controller	LMR-Controller	Each
LMR-IMC/CSD	LMR-IMC/CSD	Each
LMR-MAS Radios	LMR-MAS Radios	Each
LMR-Mobile Radios	LMR-Mobile Radios	Each
Transmitter/Receiver	Radio Site	Each
Motor Generator Set	Motor Generator Set	Each
MW-Communication Tower	MW-Communication Tower	Each
MW-Microwave Radios	MW-Microwave Radios	Each
Network Equipment	Network Equipment	Each
Battery Bank	Battery Bank	Each
Battery Charger	Battery Charger	Each
Power Distribution Panel	Power Distribution Panel	Each
Power line Carrier	Power Line Carrier	Each
Radio User Equipment	Radio User Equipment	Each
TDM-Digital Cross Connect	TDM-Digital Cross Connect	Each
TDM-Fiber Loop Converter	TDM-Fiber loop Converter	Each
TDM-Multiplexers	TDM-Multiplexers	Each
TDM-SONET Equipment	TDM-SONET Equipment	Each
Testing Equipment	Testing Equipment	Each
Tower Gateway Base Station	Tower Gateway Base Station	Each
<u>Property Unit</u>	<u>Retirement Unit</u>	<u>Unit of Measure</u>
Video Conferencing System	Video Conferencing System	Each



Video Surveillance System	Video Surveillance System	Each
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ACCOUNT # 398 & 347 : MISCELLANEOUS EQUIPMENT

This account shall include the cost of equipment, apparatus, etc., used in the utility operations, which is not includible in any other account of this system of accounts.

<u>Property Unit</u>	<u>Retirement Unit</u>	<u>Unit of Measure</u>
Miscellaneous Equipment	Miscellaneous Equipment	Each

Liberty Utilities New Hampshire
Addendum to Company's Capitalization Policy

Accounting for Capital Expenditures Benefitting Both EnergyNorth and Granite State Electric

The capitalization dollar threshold for both EnergyNorth and Granite State Electric is \$1,000. On occasion an asset is purchased that benefits both companies (e.g. a desk for an employee who does work for both companies). The traditional cost allocation between the two companies is 70% for EnergyNorth and 30% for Granite State Electric for purchases of this nature. There are situations where an asset is purchased and after the 70/30 allocation is calculated, the capitalization threshold is met for one Company but not the other. Below is an example of such a situation:

Example: A joint asset is purchased for \$1,500. After the 70/30 allocation is applied, EnergyNorth is allocated \$1,050 for this asset while Granite State Electric is allocated \$450. In this particular case, the \$1,000 capitalization threshold is met for EnergyNorth but not for Granite State Electric.

The purpose of this addendum is to standardize the methodology for accounting for shared asset capital costs.

Shared Asset Capitalization Policy

For any shared asset for which the allocated costs for one company are **above** the \$1,000 capitalization threshold and for the other company are **below** the threshold, the costs will be expensed on the books of both companies. This is a change from the current practice where the costs would be capitalized on the former company's books and expensed on the latter's books. This methodology is being implemented because.

- it ensures consistent treatment for the same asset for both companies; and
- this approach avoids any inconsistency between the companies when the asset is ultimately retired.

In practice this would mean the following for assets allocated 70/30 to EnergyNorth and Granite State Electric:

- Shared assets with a gross cost of up to \$1,428 would be **expensed** on the books of both companies as the allocated cost for each would be below the \$1,000 capitalization threshold ($\$1,428 \times 70\% = \$1,000$);
- Shared assets with a gross cost of between \$1,428 and \$3,333 would be **expensed** on the books of both companies as the allocated cost to Granite State Electric would fall below the \$1,000 threshold ($\$3,333 \times 30\% = \$1,000$);
- Shared assets with a gross cost above \$3,333 would be **capitalized** on the books of both companies.

This policy is for assets acquired after January 1, 2015 and was formally documented on December 28, 2015.

Approved by: 

Date: 1/15/16

Supplement added and effective on March 1, 2017:

Accounting for Capital Expenditures Benefitting EnergyNorth and/or Granite State Electric from Entities Outside New Hampshire

For capital expenditures that benefit regional entities including EnergyNorth and/or Granite State Electric, such allocated expenditures will be capitalized regardless of the dollar amount to ensure consistent accounting treatment among the entities.

Approved by: Julia Q. Sandersen
Date: 3/2/2017