

Article 410

Accounting for Specific Items

Property, Plant and Equipment

service as a function of usage. Other methods may be appropriate in certain situations. For example, an increasing charge method may be used when an enterprise can price its goods or services so as to obtain a constant rate of return on the investment in the capital asset. As another example, a decreasing charge method may be appropriate when the operating efficiency of the capital asset declines over time (CICA s.3061.31).

Note that the CICA Handbook states that factors to be considered in estimating the life and useful life of a capital asset include expected future usage, effects of technological or commercial obsolescence, expected wear and tear from use or the passage of time, the maintenance program, results of studies made regarding the industry, studies of similar items retired, and the condition of existing comparable terms (CICA s.3061.32).

In summary, the CICA Handbook does not provide prescriptive guidance for the amortization of property, plant and equipment but allows professional judgment to be used in choosing the method that allows amortization to be recognized in a rational and systematic manner appropriate to the nature of the capital asset (i.e. based on its use by the enterprise and its estimated useful life).

In contrast, the former Accounting for Municipal Electric Utilities in Ontario manual (section 5102—Fixed Assets Depreciation Rates for General Plant Assets and section 5103—Fixed Assets Depreciation Rates for Other Capital Assets) provided set schedules of asset types, estimated useful life, and depreciation rates based on the straight line method of depreciation.

Appendix E, "Capital Asset – Amortization Rates" of the Electricity Distribution Rate Handbook provides rates based on the straight line method of amortization. Electric utilities that were subject to reporting using the Accounting for Municipal Electric Utilities in Ontario manual as prescribed by the former Ontario Hydro will be expected to use these rates until a change can be supported by an objective study and the change has been authorized by the Board.

Consistent with the CICA Handbook, this APHandbook does not provide prescriptive guidance in terms of the amortization methods to be used, the asset categories, the estimated useful lives or amortization rates. Instead, it is expected that in the absence of an objective study to support changes to the current methods, lives or rates, utilities will continue to use methods, lives or rates consistent with past practice. Note that the Board may review the selected amortization methods, estimated useful lives and amortization rates, as it considers necessary.

Appendix B

Appendix B: Amortization Rates

The amortization rates below apply to the respective assets listed under "Asset Type". All rates are based on the straight line method of amortization.

The inclusion of an asset in the chart below does not imply Board acceptance of the asset for inclusion in the Rate Base or for any other rate making purpose.

The amortization expense related to an asset used for both Distribution and Non-utility activities should be properly allocated to each type of activity. Only the amortization expenses related to distribution assets may be included as an expense in rate applications. The method of allocation should be reasonable and documented.

USoA Account	Asset Type	Effective January 1, 1992		Prior to January 1, 1992	
		Life-Years	Rate	Life-Years	Rates
1930	<u>Rolling Stock and Equipment</u> ¹	4	25.00%	4	25.00%
	Automobiles	5	20.00%	5	20.00%
	Trucks under 3 tonnes	8	12.50%	8	12.50%
	Trucks 3 tonnes and over	8	12.50%	8	12.50%
1950	Work and service equipment	8	12.50%	8	12.50%
Part of 1620, 1708, 1808, 1908 (as applicable)	Buildings and fixtures: brick, stone, concrete, and steel	50	2.00%	60	1.67%
1920	Computer equipment: hardware	5	20.00%	5	20.00%
1830, 1835, part of 1855	Distribution lines and feeders: overhead	25	4.00%	25	4.00%
1840, 1845, part of 1855	Distribution lines and feeders: underground	25	4.00%	25	4.00%
1860	Distribution meters	25	4.00%	25	4.00%
1850	Distribution transformers	25	4.00%	25	4.00%
1915	General office equipment	10	10.00%	10	10.00%
1635 to 1685	Generating stations	60	1.67%	60	1.67%

¹ No allowance will be made for residual value.

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USoA Account	Asset Type	Effective January 1, 1992		Prior to January 1, 1992	
		Life-Years	Rate	Life-Years	Rates
1615, 1705, 1805, 1905	Land	Non-depreciable		Non-depreciable	
1630, 1710, 1810, 1910	Leasehold improvements	Over term of lease		Over term of lease	
1970	Load management controls: customer premises	10	10.00%	15	6.67%
1975	Load management controls: utility premises	10	10.00%	15	6.67%
1940	Miscellaneous equipment, major tools, and instruments	10	10.00%	10	10.00%
1820	Municipal distribution station equipment (below 50 kV)	30	3.33%	30	3.33%
1815, 1715	Municipal transformer stations equipment (above 50 kV)	40	2.50%	40	2.50%
1985	Sentinel lighting rental units	10	10.00%	10	10.00%
1935	Stores warehouse equipment	10	10.00%	10	10.00%
Below 50 kV relates to part of 1720, 1725, and 1735 Above 50 kV relates to 1830 and 1835	Sub-transmission feeders: overhead	25	4.00%	25	4.00%
Below 50 kV relates to 1840 and 1845 Above 50 kV relates to 1735 and 1740	Sub-transmission feeders: underground	25	4.00%	25	4.00%
1980	System supervisory equipment	15	6.67%	25	4.00%
Part of 1725 and 1730	Transmission lines: wood poles	25	4.00%	25	4.00%
1965	Water heater rental units	10 ²	10.00%	10 ²	10.00

² In areas where water conditions are deemed to affect the life of water heaters, a different depreciation rate may be approved. Applicants will be required to file full details as to the determination of such a rate.

Depreciation Rates:

Depreciation method is straightline

Useful life:

90-01-01	Land	NA	
90-02-01	Building	50	
90-02-02	Building Renovations	15	
90-03-01	Station Equip	30	
90-04-01	44kv Feeders (overhead)	25	
90-05-01	44kv Feeders (undergrd)	25	
90-06-01	O/H Distribution Lines	25	
90-06-03	Poles	25	
90-07	U/G Distribution Lines	25	
90-08-01	O/H-U/G Transformers	25	
90-10-01	Distribution Meters	25	
95-01-01	Wires company fibre	25	
90-12-02	GIS	5	
90-12-03	Computer Software	5	
90-12-04	Computer Software contra		
90-13-01	Tools Major Equip	10	
90-17-01	Rolling Stock	4	vehicles
		8	big trucks/equipment
90-15-01	Scada	15	
90-32-01	Electronic Security	10	
