Smaller Retirement Unit Accounting
Philosophy

- Concept is not new to utility accounting practices.

- Sometimes called "Capitalized Maintenance."

- Establishes when routine "repair" or overhaul work involving replacing a major component of Property, Plant or Equipment should be charged to Expense or Capitalized as part of the Plant In Service.

- Chugach became heavily involved due to Docket U-93-1.

- In U-93-1 Chugach treated a major overhaul as expense because components replaced were not considered separate "retirement units" – were not separately recorded as individual units or components of property.

- Wholesale customers disputed this as it increased expenses and caused that period's rates to increase.

- The (then) Alaska Public Utilities Commission (APUC) found that Chugach had properly accounted for the overhaul, but ordered a study of "Smaller Retirement Unit Accounting of Generation Assets" to be undertaken and results reported back to them.

- As a result of this study, Chugach's major in service generating turbines were further segmented into "smaller retirement units" with costs assigned to each component.

- If one or more of these components are replaced during a major overhaul, the cost of the replacement item (including cost to install) are added to the value of the plant and depreciated over the entire plant's useful life.

- The component that is taken out of service is "retired" (its' value is taken off of the plant records). The original cost plus the cost of removal is charged to the Depreciation Reserve for that classification of property.

- If components that are not considered "retirement units" (such as lower value, minor items of plant) are taken out of service during the overhaul, the cost of removing them or repairing them (without replacing them) is charged to Operating Expense.

- Chugach recently completed a smaller retirement unit study for Transmission Substation Plant and has implemented the results of that study.