
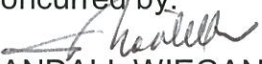



GUAM POWER AUTHORITY STANDARD OPERATING PROCEDURE	No.: *SOP-152	Issued: 9/22/11
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TITLE: USEFUL LIFE OF CAPITAL ASSET	Concurred by:  RANDALL WIEGAND, Chief Financial Officer Approved By:  JOAQUIN C. FLORES, P.E., General Manager	
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1.0 Purpose

This is to establish the reasonable useful life of a retirement unit also known as "Capital Asset" which is critical for the following purposes:

1. Accurate reporting of the salvage value of each asset operated and owned by the Authority.
2. Guidance for future replacement of retiring units.
3. To fairly state the operating results and financial condition of the Authority's asset.
4. Reasonable determination of the fair value of assets used in rate design and cost of service studies.

2.0 Definition

Depreciation as defined in the Uniform System of Accounts defined as follows:

"The loss in service value not restored by current maintenance, incurred in connection with the consumption or prospective retirement in utility plant in the course of service from causes which are known to be in current operation against which the utility is not protected by insurance. Among the causes given consideration are wear and tear, decay, and action of the elements, inadequacy, obsolescence, changes in the art, changes in demand and requirements of public authorities."

Straight-line Method is the method used by the Authority to depreciate the assets by dividing costs over its useful life. The straight-line method allocates an equal amount of the net cost of an asset to each accounting period in its useful life.

Useful Life is the number of years an asset is expected to be operational.

Salvage Value is the book cost or acquisition cost less accumulated depreciation.

Accumulated Depreciation is the amount of depreciation expense that has been accumulated to date.

Steam Production Plant is an electric generating plant in which the prime mover is a steam turbine.

Other Production Plant is an electric generating plant other than steam, nuclear and hydraulic generating plants like the Combustion Turbines Generators and Diesel Engine Driven Generators.

Transmission Plant includes all equipment and facility from the point of generation or receipt of power supply to the entrance of the distribution system.

Distribution includes all other plant(s) from substation needed to deliver power to a customer's meter.

General Plant is the cost of equipment owned by the utility and not permanently attached to the building or cost of structures and improvements which is not properly includible in other capital asset accounts.

Intangible Plant is the cost of patent rights, licenses, privileges and any other intangible property necessary in the authority's operation.

3.0 Table of Useful Life

The useful life of a capital asset is based on its usefulness to the Authority. The following table displays the capital asset's useful life as approved by the Consolidated Commission on Utilities and will be used to calculate depreciation.

GUAM POWER AUTHORITY – DEPRECIATION RATES

	FERC ACCOUNTS	USEFUL LIFE IN YEARS	ANNUAL DEPRECIATION RATE
I.	INTANGIBLE PLANT		
	303 Miscellaneous Intangible Plant	30	3.33%
II.	POWER PRODUCTION PLANT		
A.	STEAM PRODUCTION PLANT		
	310 Land & Land Rights	N/A	N/A
	311 Structures & Improvements	50	2.00%
	312 Boiler Plant	35	2.86%
	313 Equipment Engine & Engine Driven Generators	25	4.00%
	314 Turbo-generator Units	40	2.50%
	315 Accessory Electric Equipment	35	2.86%
	316 Miscellaneous Power Plant Equipment	25	4.00%
B.	OTHER PRODUCTION PLANT		
	340 Land & Land Rights	N/A	N/A
	341 Structures & Improvements	25	4.00%
	342 Fuel Holders, Producers & Accessories	25	4.00%
	343 Prime Movers	25	4.00%
	344 Generators	25	4.00%
	345 Accessory Electric Equipment	25	4.00%
	346 Miscellaneous Power Plant Equipment	25	4.00%
III.	TRANSMISSION PLANT		
	350 Land & Land Rights	N/A	N/A
	352 Structures & Improvements	40	2.50%
	353 Station Equipment	35	2.86%
	354 Towers & Fixtures	45	2.22%

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	355 Poles & Fixtures	30	3.33%
	356 Overhead Conductors & Devices	40	2.50%
	357 Underground Conduit	45	2.22%
	358 Underground Conductors & Devices	30	3.33%
	359 Roads and Trails		
IV.	DISTRIBUTION PLANT		
	360 Land and Land Rights	N/A	N/A
	361 Structures & Improvements	40	2.50%
	362 Station Equipment	30	3.33%
	363 Storage Battery Equipment	30	3.33%
	364 Poles, Towers & Fixtures	30	3.33%
	365 Overhead Conductors and Devices	30	3.33%
	366 Underground Conduit	45	2.22%
	367 Underground Conductors & Devices	30	3.33%
	368 Line Transformers	30	3.33%
	369 Services	25	4.00%
	370 Meters	30	3.33%
	370 Meters – Smart Grid	15	6.67%
	371 Installation on Customer's Premises	25	4.00%
V.	GENERAL PLANT		
	390 Structures & Improvements	PA	PA
	390 Air Conditioning Equipment Duct	10	10.00%
	391 Furniture	10	10.00%
	391 Personal Computers & Laptops	3	33.33%
	391 Printers	3	33.33%
	391 Major Computer Equipment	10	10.00%
	391 PC Software	3	33.33%
	391 Mainframe / Other Computer Software	7	14,29%
	391 Fax Machines	5	20.00%

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	391 Hand-held Meter Devices	5	20.00%
	391 Other Office Equipment	5	20.00%
	392 Vehicles and Light Trucks	7	14.29%
	393 Stores Equipment	10	10.00%
	394 Tools and Shop Equipment	10	10.00%
	395 Lab Equipment	10	10.00%
	396 Power Operated Equipment	10	10.00%
	397 Communication Equipment	5	20.00%
	398 Air Conditioning Equipment Non-duct	7	14.29%
	398 Miscellaneous Equipment	7	14.29%

NA = Not Applicable

PA = Plant Accounting on a "Judgmental basis"

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