7825.0500 DEFINITIONS.

Subpart 1. **Accumulated provision for depreciation or depreciation reserve.** "Accumulated provision for depreciation" or "depreciation reserve" means the summation of charges for retirements, net salvage, and the annual provision for depreciation accrual(s) recorded by the utility under an approved method of depreciation accounting.

Subp. 2. **Amortization.** "Amortization" means the gradual extinguishment of an amount in an account by distributing such amount over a fixed period, over the probable service life of an asset or liability to which it applies, or over a period during which it is anticipated the benefit will be realized.

Subp. 3. **Annual provision for depreciation accrual.** "Annual provision for depreciation accrual" means the annual amount of depreciation charged to expenses and/or clearing accounts.

Subp. 4. **Cost of removal.** "Cost of removal" means the cost of demolishing, dismantling, removing, tearing down, or abandoning of physical assets, including the cost of transportation and handling incidental thereto.

Subp. 5. **Depletion.** "Depletion" means the reduction in available capacity incurred in connection with the exhaustion of natural resources in the course of their conversion into units of service.

Subp. 6. **Depreciation.** "Depreciation," as applied to depreciable utility plant, means the loss in service value not restored by current maintenance, incurred in connection with the consumption or prospective retirement of utility plant in the course of service from causes which are known to be in current operation and against which the utility is not protected by insurance. Among the causes to be given consideration are wear and tear, decay, action of the elements, inadequacy, obsolescence, changes in the art, changes in demand and requirements of public authorities, and, in the case of natural gas companies, the exhaustion of natural resources. For purposes of this chapter, references to depreciation will include amortization and depletion, unless otherwise stated.

Subp. 7. **Depreciation accounting.** "Depreciation accounting" means a system of accounting which aims to distribute cost or other basic value of tangible capital assets, less salvage, if any, over the estimated useful life of the unit, which may be a group of assets, in a systematic and rational manner. It is a process of allocation, not of valuation.

Subp. 8. **Net salvage.** "Net salvage" means salvage of property retired less the cost of removal.

Subp. 9. **Original cost.** "Original cost" means the cost of property to the person first devoting it to public service.

Subp. 10. **Probable service life.** "Probable service life" of a unit means that period of time extending from the date of its installation to the forecasted date when it will probably be retired from service.

Subp. 11. **Public utility.** "Public utility" means any electric or gas utility as defined in Minnesota Statutes, section 216B.02, subdivision 4, and also any municipally owned utility operating within the state of Minnesota and under the jurisdiction of the commission.

Subp. 12. **Salvage.**"Salvage" means the amount received for assets retired, less any expenses incurred in connection with the sale or in preparing the assets for sale; or if retained, the amount at which the materials recoverable is chargeable to materials and supplies, or other appropriate accounts.

Subp. 13. **Service value.** "Service value" means the difference between original cost and net salvage value of utility plant.

Subp. 14. **Straight-line method.** "Straight-line method" means the plan under which the original cost of an asset adjusted for net salvage is charged to operating expenses and/or to clearing accounts and credited to the accumulated provision for depreciation through equal annual charges over its probable service life.

Statutory Authority: *MS s 216B.08; 216B.11*

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