



United States Department of Agriculture
Rural Development

APR 3 2009

SUBJECT: Accounting for Novinium's Perficio and Ultrinium Injection
Rehabilitation Products

TO: All RUS Electric Borrowers

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On September 4, 2008, the Federal Energy Regulatory Commission (FERC), acting upon a request from the manufacturer, issued Docket No. AC08-143-000, approving the capitalization of the cost of the injection rehabilitation products for underground cable (URD) known by the product names Perficio and Ultrinium, which are manufactured by Novinium, Inc.

The FERC approved the capitalization of these Novinium products based on the manufacturer's claims that its products extend the useful life of URD cable by at least 20 years from the date of injection and offers a full money back warranty for 20 years for the Perficio fluid and a 40 year full money back warranty for the Ultrinium fluid. Novinium also claims that these products increases the voltage capacity of URD cable, enhances the reliability of the URD cable, and improves public safety. Further, Novinium claims that these products include advancements to the silicone fluid used in CableCURE, an injection rehabilitation product previously approved for capitalization on utility systems. The FERC concluded that this injection rehabilitation process meets the requirement of a substantial addition and, therefore, the cost is properly capitalized.

Based on the actions of the FERC, the Rural Utilities Service now authorizes the capitalization of the cost of Perficio and Ultrinium injected into underground cable. The labor and material costs incurred in the process should not be recorded as a separate retirement unit in the Continuing Property Records (CPRs). The cost should be added to the existing cost of the cable units in the CPRs being injected with Perficio and Ultrinium. The cost of the injected cable should then be segregated into separate cable retirement units. In addition, RUS borrowers should consider the guaranteed life extension of the injected cable when setting its depreciation rates.

If you have any questions regarding the accounting for Perficio and Ultrinium, please contact the Technical Accounting and Auditing Staff at 202-720-5227.

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