1976 Revisions Of Uniform System Of Accounts For Class D Water Utilities 1973

NATIONAL ASSOCIATION
OF
REGULATORY UTILITY
COMMISSIONERS

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These Revisions to this 1973 Uniform System of Accounts were adopted by the Executive Committee of the National Association of Regulatory Utility Commissioners at its Summer Meeting held in San Francisco, California, July 28-29, 1976.

The pagination of the Revisions conforms to that of the 1973 Uniform System of Accounts and, accordingly, the 1973 publication should be updated by substituting the 1976 revised pages for the superseded 1973 pages.

BEFORE THE

PUBLIC SERVICE COMMISSION OF WISCONSIN

In the Matter of Uniform System)
of Accounts for Privately Owned)
Water Utilities)

2-U-7623

FINDINGS OF FACT AND SUPPLEMENTAL ORDER

THE COMMISSION FINDS:

The presently effective Uniform Systems of Accounts for privately owned water utilities were prescribed by the Commission in Docket No. 2-U-5396. The Commission Order in the above docket was issued on August 2, 1960, and Supplemental Orders were issued on April 27, 1961, May 24, 1964, December 9, 1968, December 3, 1971, January 4, 1972, and May 4, 1972.

The National Association of Regulatory Commissioners' Committee on Accounts, after study and analysis, revised the present systems of accounts to reflect the various changes in accounting principles and practices and those necessitated by changes in regulatory practices. These revisions were made available to various regulatory bodies for comments and suggestions which resulted in additional modifications. By action of the National Association of Regulatory Commissioners, these revised systems of accounts are now recommended to its member Commissions with such modifications as they may deem necessary in the public interest.

This Commission, having actively participated in the revision of the systems of accounts for privately owned water utilities, considers them to be in the public interest and adopts said systems of accounts with modifications listed herein. Such adoption may be made effective January 1, 1974, or in any event, no later than January 1, 1975.

Conclusion of Law

THE COMMISSION CONCLUDES:

That it has jurisdiction under sections 196.06(1) and (2), 196.10, and 196.12, Wisconsin Statutes, to enter an Order adopting the revised systems of accounts for privately owned water utilities.

Order

THE COMMISSION ORDERS:

That the Systems of Accounts recommended by the National Association of Regulatory Utility Commissioners for Classes A and B, Class C, and Class D water utilities be and the same are hereby prescribed for use by Classes A and B, Class C, and Class D Privately Owned Water Utilities operating in Wisconsin subject to the following modifications:

1. That paragraph C of account 108, Accumulated Provision for Depreciation of Utility Plant in Service, of the System of Accounts for Classes A and B Water Utilities be and the same is revised to provide as follows:

> C. For general ledger and balance sheet purposes, this account shall be regarded and treated as a single composite provision for depreciation. For purposes of analysis, however, each utility shall maintain subsidiary records in which this account is segregated according to the plant accounts to which applicable. These subsidiary records shall reflect the current credits and debits to this account in sufficient detail to show separately for each plant account: (a) the amount of accrual for depreciation, (b) the book cost of property retired, (c) cost of removal, (d) salvage, and (e) other items including recoveries from insurance.

2. That the following accounts are not adopted by this Commission:

281. Accumulated Deferred Income Taxes - Accelerated Amortization

282. Accumulated Deferred Income Taxes - Liberalized Depreciation

283. Accumulated Deferred Income Taxes - Other

410.1 Provision for Deferred Income Taxes, Utility Operating Income

411.1 Income Taxes Deferred in Prior Years - Credit, Utility Operating Income

410.2 Provision for Deferred Income Taxes, Other Income and Deductions

411.2 Income Taxes Deferred in Prior Years - Credit, Other Income and Deductions

410 Provision for Deferred Income Taxes

411 Income Taxes Deferred in Prior Years - Credit

3. That the texts of accounts 255, Accumulated Deferred Investment Tax Credits; 412.1, Investment Tax Credits, Utility Operations, Deferred to Future Periods; 412.2, Investment Tax Credits, Utility Operations, Restored to Operating Income are revised to provide as follows:

255. Accumulated Deferred Investment Tax Credits
This account shall include the unamortized balance of deferred investment tax credits.

Records with respect to the deferred investment tax credits recorded herein shall be kept by a separate series of subaccounts for each utility department and nonutility operation. Each such series of subaccounts shall be kept by years and further segregated by utility plant primary and subaccounts for which depreciation rates are certified and for nonutility operations by those accounts used by the company.

(1) These subaccounts shall be credited and account 412.1, Investment Tax Credits, Utility Operations, Deferred to Future Periods, debited with earned investment tax credits deferred arising from utility operations. For nonutility operations debit those accounts to which associated income taxes are recorded. There can be neither changes in accounting method for utility operations nor transfers from this account, except as authorized herein or as may otherwise be authorized by the Commission.

(2) These subaccounts shall be debited and account 412.2, Investment Tax Credits, Utility Operations, Restored to Operating Income, credited for amortization of the earned investment tax credit on utility property. For nonutility operations credit those accounts in which associated income taxes are recorded. Such amortization will be a proportionate annual amount determined relative to the period of time used in computing depreciation expense for purposes of reflecting operating results in the taxpayer's regulated books of account.

412.1 Investment Tax Credits, Utility Operations, Deferred to Future Periods

A. This account shall be debited with the amounts of earned investment tax credits relative to utility plant deferred to future periods and credited to account 255, Accumulated Deferred Investment Tax Credits. (See account 255.)

B. This account shall be kept so that the debits relating to each utility department may be readily identified.

412.2 Investment Tax Credits, Utility Operations, Restored to Operating Income

A. This account shall be credited with the amounts debited to account 255, Accumulated Deferred Investment Tax Credits, for proportionate amounts of earned investment tax credits relative to utility property restored to income on the basis provided in account 255. (See account 255.)

B. This account shall be kept so that the credits relating to each utility department may be readily identified.

Dated at Madison, Wisconsin, JUL 5 1974

By the Commission.

John F. Goetz Jr.

Secretary

BEFORE THE

PUBLIC SERVICE COMMISSION OF WISCONSIN

In the Matter of Uniform System of Accounts for Privately Owned Electric, Gas, and Water Utilities	)	2-U-7623
In the Matter of Uniform Systems of Accounts for Municipally Owned Water and Electric Utilities	)	2-U-5005

ORDER MODIFYING PRIOR ORDERS

The present Uniform System of Accounts for privately owned electric, gas and water utilities prescribed by this commission was adopted by Order issued June 18, 1973 and Supplemental Orders were issued on July 5, 1974 and May 26, 1977. The classifications of privately owned electric, gas and water utilities prescribed therein which was unchanged from the level established in the prior docket 2-U-5396, dated August 2, 1960 are noted below.

The present Uniform System of Accounts for municipally owned water and electric utilities prescribed by this commission was adopted by Order issued January 9, 1959 and Supplemental Order issued on October 21, 1976. The classification of municipally owned water and electric utilities prescribed therein are noted below.

Private Electric and Gas Utilities

	Annual Operating Revenues	
	At Least	But Less Than
Class A	$2,500,000	$ -
Class B	250,000	500,000
Class C	50,000	250,000
Class D	-	50,000

Municipal Electric Utilities

	Annual Operating Revenues	
	At Least	But Less Than
Class A	$3,000,000	$ -
Class B	1,500,000	3,000,000
Class C	300,000	1,500,000
Class D	-	300,000

Municipal Water Utilities

	Annual Operating Revenues	
	At Least	But Less Than
Class A	$ 500,000	$ -
Class B	250,000	500,000
Class C	80,000	250,000
Class D	-	80,000

Economic conditions since 1960 have changed significantly particularly in regard to the degree of inflation now experienced in the cost of power and natural gas which utilities must obtain for resale to their customers. Because of inflation, utilities find themselves in a situation where their revenues have risen considerably in spite of the fact that their actual investment in operating facilities and relative size of the utility have experienced a much lesser degree of growth. Accordingly, it is reasonable to conclude that the definition of the various classes of electric, gas and water utilities be reviewed and changed as required to recognize present-day conditions.

Conclusion of Law

THE COMMISSION CONCLUDES:

That it has jurisdiction under s. 196.06, Wis. Stats., to prescribe an amended uniform accounting system of those utilities under its jurisdiction.

Order

THE COMMISSION ORDERS:

That the Uniform System of Accounts heretofore prescribed by the commission in dockets 2-U-7623 and 2-U-5005 by Orders dated June 18, 1973 and January 9, 1959 for private and municipal utilities respectively, be amended, effective January 1, 1981 so as to define the various classes of private and municipal electric, gas and water utilities as having the amounts of gross operating revenues as set forth below.

Any utility may, at its option, adopt the system of accounts prescribed by the commission for any higher class of utilities but may not abandon its present system of accounts for that applicable to a lower lass of utility. Subsequent changes in classification shall be made when the annual operating revenues for each of the three immediately preceeding years shall exceed the upper limit of the classification now applicable to the utility.

Privately Owned and Municipally Owned Electric and Gas Utilities

	Annual Operating Revenues	
	At Least	But Less Than
Class A	$8,000,000	$ -
Class B	4,000,000	$8,000,000
Class C	200,000	4,000,000
Class D	-	200,000

Privately Owned and Municipally Owned Water Utilities

	Annual Operating Revenues	
	At Least	But Less Than
Class A	$ 750,000	$ -
Class B	350,000	$ 750,000
Class C	100,000	350,000
Class D	-	100,000

Dated at Madison, Wisconsin, October 7, 1980

y the Commission.

Jacqueline K. Reynolds
Assistant Secretary to
the Commission

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DEFINITIONS

When used in this system of accounts:

1. "Accounts" means the accounts prescribed in this system of accounts.

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

3. "Book cost" means the amount at which property is recorded in these accounts without deduction of related provisions for accrued depreciation, amortization or for other purposes.

4. "Commission," unless otherwise indicated by the context, means the Commission prescribing this system of accounts.

5. "Cost" means the amount of money actually paid for property or services. When the consideration given is other than cash, the value of such consideration shall be determined on a cash basis.

6. "Cost of removal" means the cost of demolishing, dismantling, tearing down or otherwise removing utility plant, including the cost of transportation and handling incidental thereto.

7. "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.

8. "Investment advances" means advances, represented by notes or by book accounts only, with respect to which it is mutually agreed or intended between the creditor and debtor that they shall be settled by the issuance of securities or shall not be subject to current settlement.

9. "Minor items of property" means the associated parts or items of which retirement units are composed.

10. "Net salvage value" means the salvage value of property retired less the cost of removal.

11. "Original cost," as applied to utility plant, means the cost of such property to the person first devoting it to public service.

12. "Property retired," as applied to utility plant, means property which has

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8. "Investment advances" means advances, represented by notes or by book accounts only, with respect to which it is mutually agreed or intended between the creditor and debtor that they shall be settled by the issuance of securities or shall not be subject to current settlement.

9. "Minor items of property" means the associated parts or items of which retirement units are composed.

10. "Net salvage value" means the salvage value of property retired less the cost of removal.

11. "Original cost," as applied to utility plant, means the cost of such property to the person first devoting it to public service.

12. "Property retired," as applied to utility plant, means property which has

been removed, sold, abandoned, destroyed, or which for any cause has been withdrawn from service.

13. "Replacing" or "replacement," when not otherwise indicated in the context, means the construction or installation of utility plant in place of property retired, together with the removal of the property retired.

14. "Retained Earnings" means the accumulated net income of the utility less distributions to stockholders, transfers to other capital accounts, and other adjustments. (See account 439, Adjustments to Retained Earnings.)

15. "Retirement units" means those items of utility plant which, when retired, with or without replacement, are accounted for by crediting the book cost thereof to the utility plant account in which included.

16. "Salvage value" means the amount received for property retired, less any expenses incurred in connection with the sale or in preparing the property for sale; or, if retained, the amount at which the material recoverable is chargeable to materials and supplies, or other appropriate account.

17. "Service life" means the time between the date utility plant is includible in utility plant in service, or utility plant leased to others, and the date of its retirement. If depreciation is accounted for on a production basis rather than on a time basis, then service life should be measured in terms of the appropriate unit of production.

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

19. "Utility," as used herein and when not otherwise indicated in the context, means any public utility to which this system of accounts is applicable.

GENERAL INSTRUCTIONS

1. Classification of Utilities.

A. For the purpose of applying systems of accounts prescribed by the Commission, water utilities are divided into four classes as follows:

Class A. Utilities having annual water operating revenues of $500,000 or more.

Class B. Utilities having annual water operating revenues of $250,000 or more but less than $500,000.

Class C. Utilities having annual water operating revenues of $50,000 or more but less than $250,000.

Class D. Utilities having annual water operating revenues of less than $50,000.

B. This system of accounts applies to Class D utilities. Those applicable to Class A and Class B utilities and to Class C utilities are issued separately.

C. The class to which any utility belongs shall originally be determined by the average of its annual water operating revenues for the last three consecutive years. Subsequent changes in classification shall be made when the annual water operating revenues for each of the three immediately preceding years shall exceed the upper limit, or be less than the lower limit, of the annual water operating revenues of the classification previously applicable to the utility.

D. Any utility may, at its option, adopt the system of accounts prescribed by the Commission for any larger class of utilities.

2. Records.

A. Each utility shall keep its books of account, and all other books, records, and memoranda which support the entries in such books of account so as to be able to furnish readily full information as to any item included in any account. Each entry shall be supported by such detailed information as will permit a ready identification, analysis, and verification of all facts relevant thereto.

B. In addition to prescribed accounts, clearing accounts, temporary or experimental accounts, and subdivisions of any account, may be kept provided the integrity of the prescribed accounts is not impaired.

C. Each utility shall keep its books on either a monthly or quarterly basis. Each utility shall close its books at the end of each calendar year unless otherwise authorized by the Commission.

3. Item Lists.

Lists of "items" appearing in the texts of the accounts or elsewhere herein are for the purpose of more clearly indicating the application of the prescribed accounting. The lists are intended to be representative, but not exhaustive. The appearance of an item in a list warrants the inclusion of the item in the account mentioned only when the text of the account also indicates inclusion inasmuch as the same item frequently appears in more than one list. The proper entry in each instance must be determined by the texts of the accounts. In cases of doubtful interpretation, the matter shall be submitted to the Commission for decision.

4. Extraordinary Items.

It is the intent that net income shall reflect all items of profit and loss during the period with the sole exception of prior period adjustments as described in General Instruction 5. Those items related to the effects of events and transactions which have occurred during the current period and which are not typical or customary business activities of the company shall be considered extraordinary items. Commission approval must be obtained to treat an item as extraordinary. Such request must be accompanied by complete detailed information. (See accounts 433 and 434.)

5. Prior Period Items.

Items relating to transactions which occurred prior to the current calendar year but were not recorded in the books of account shall be included in the same accounts in which they would have been recorded had the item been recorded in the proper period. Such items relate to events or transactions which occurred in a prior period or periods, the accounting effects of which could not be determined with reasonable assurance at the time, usually because of major uncertainty then existing. When the amount of a prior period item is relatively so large that the company believes its inclusion in the income statement would seriously distort the net income for the year, the company may request Commission approval to record the amount in account 439, Adjustments to Retained Earnings. Such a request must be accompanied by adequate justification.

6. Distribution of Pay and Expenses of Employees.

The charges to utility plant, operating expenses and other accounts for services and expenses of employees engaged in activities chargeable to various accounts, such as construction, maintenance, and operations, shall be based upon the actual time engaged in the respective classes of work, or in case that method is impracticable, upon the basis of a study of the time actually engaged during a representative period.

UTILITY PLANT INSTRUCTIONS

1. Utility Plant to be Recorded at Cost.

A. All amounts included in the accounts for utility plant acquired as an operating unit or system, shall be stated at the cost incurred by the person who first devoted the property to utility service and all other utility plant shall be included in the accounts at the cost incurred by the utility except as otherwise provided in the texts of the intangible plant accounts. Where the term "cost" is used in the detailed plant accounts, it shall have the meaning stated in this paragraph.

B. When the consideration given for property is other than cash, the value of such consideration shall be determined on a cash basis. In the entry recording such transaction, the actual consideration shall be described with sufficient particularity to identify it. The utility shall be prepared to furnish the Commission the particulars of its determination of the cash value of the consideration if other than cash.

C. When property is purchased under a plan involving deferred payments, no charge shall be made to the utility plant accounts for interest, insurance or other expenditures occasioned solely by such form of payment.

D. Utility plant contributed to the utility or constructed by it from contributions to it of cash or its equivalent shall be charged to the utility plant accounts at cost of construction, estimated if not known. There shall be credited to the accounts for accumulated depreciation and amortization the estimated amount of depreciation and amortization applicable to the property at the time of its contribution to the utility. The difference between the amounts included in the utility plant accounts and the accumulated depreciation and amortization shall be credited to account 271, Contributions in Aid of Construction.

2. Components of Construction Cost.

The cost of construction of property chargeable to the utility plant accounts shall include, where applicable, the cost of labor, materials and supplies, transportation, work done by others for the utility, injuries and damages incurred in construction work, privileges and permits, special machine service, allowance for funds used during construction, and such portion of general engineering, administrative salaries and expenses, insurance, taxes and other analogous items as may be properly includible in construction costs.

3. Land and Land Rights.

A. The accounts for land and land rights include the cost of land owned in fee by the utility and rights, interests, and privileges held by the utility in land owned by others, such as leaseholds, easements, water and water power rights, diversion rights, submersion rights, rights of way, and other like interest in land. Do not include in the accounts for land and land rights and rights of way costs incurred in connection with first clearing and grading of land and rights of way and the damage costs associated with the construction and installation of plant. Such costs shall be included in the appropriate plant accounts directly benefited.

B. Where special assessments for public improvements provide for deferred payments, the full amount of the assessments shall be charged to the appropriate land account and the unpaid balance shall be carried in an appropriate liability account. Interest on unpaid balances shall be charged to the appropriate interest account. If any part of the cost of public improvements is included in the general tax levy, the amount thereof shall be charged to the appropriate tax account.

C. The cost of buildings and other improvements (other than public improvements) shall not be included in the land accounts. If at the time of acquisition of an interest in land such interest extends to buildings or other improvements (other than public improvements), which are then devoted to utility operations, the land and improvements shall be separately appraised and the cost allocated to land and buildings or improvements on the basis of the appraisals. If the improvements are removed or wrecked without being used in operations, the cost of removing or wrecking shall be charged and the salvage credited to the account in which the cost of the land is recorded.

D. When the purchase of land for utility operations requires the purchase of more land than needed for such purposes, the charge to the specific land account shall be based upon the cost of the land purchased less the fair market value of that portion of the land which is not to be used in utility operations. The portion of the cost measured by the fair market value of the land not to be used shall be included in account 394, Property Held for Future Use, or account 121, Nonutility Property, as appropriate.

4. Structures and Improvements.

A. The accounts for structures and improvements include the cost of all buildings and facilities to house, support, or safeguard property of persons, including all fixtures permanently attached to and made a part of buildings and which cannot be removed therefrom without cutting into the walls, ceilings, or floors, or without in some way impairing the buildings, and improvements of a permanent character on or to land. Also include those costs incurred in connection with the first clearing and grading of land and rights of way, and the damage costs associated with construction and installation of plant.

B. The cost of specially provided foundations not intended to outlast the machinery or apparatus for which provided, and the cost of angle irons, castings, etc., installed at the base of any item of equipment, shall be charged to the same account as the cost of the machinery, apparatus or equipment.

C. Where furnaces and boilers are used primarily for furnishing steam for some particular department and only incidentally for furnishing steam for heating a building and operating the equipment therein, the entire cost of such furances and boilers shall be charged to the appropriate plant account, and no part to the building account.

D. Where the structure of a dam forms also the foundation of a building, such foundation shall be considered a part of the dam.

5. Equipment.

A. The cost of equipment chargeable to the utility plant accounts, unless otherwise indicated in the text of an equipment account, includes the net purchase price thereof, sales taxes, investigation and inspection expenses necessary to such purchase, expenses of transportation when borne by the utility, labor employed, materials and supplies consumed, and expenses incurred by the utility in unloading and placing the equipment in readiness to operate. Also include those costs incurred in connection with the first clearing and grading of land and rights of way, and the damage costs associated with construction and installation of plant.

B. Exclude from equipment accounts hand and other portable tools, which are likely to be lost or stolen or which have relatively small value or short life, unless the correctness of the accounting therefor as utility plant is verified by current inventories. Special tools acquired and included in the purchase price of equipment shall be included in the appropriate plant account. Portable drills and similar tool equipment when used in connection with the operation and maintenance of a particular plant or department, such as pumping, distribution, etc., or in "stores," shall be charged to the plant account appropriate for their use.

C. The equipment accounts shall include angle irons and similar items which are installed at the base of an item of equipment, but piers and foundations which are designed to be as permanent as the buildings which house the equipment, or which are constructed as a part of the building and which cannot be removed without cutting into the walls, ceilings, or floors, or without in some way impairing the building, shall be included in the building accounts.

6. Utility Plant Retired.

A. When depreciable utility plant is abandoned, destroyed, withdrawn or otherwise retired from service for any cause, the book cost of the plant shall be deducted from the utility plant accounts and charged to accumulated provision for depreciation. The cost of removing such plant (except customer meters) shall be charged to accumulated provision for depreciation and the amount received for any materials recovered and sold, or salvage value if returned to stores, shall be credited to the accumulated provision for depreciation. It is not intended that the above procedure shall be followed in the replacement of minor items of plant, the replacement of which is charged to operating expense accounts.

B. The book cost of land retired shall be credited to the appropriate land account. If the land is sold, the difference between the book cost (less any accumulated provision for depreciation or amortization thererfor which has been authorized and provided) and the sale price of the land (less commissions and other expenses of making the sale) shall be included in account 422, Gains (Losses) From Disposition of Property, unless otherwise authorized or required by the Commission. If the land is not used in utility service but is retained by the utility, the book cost shall be charged to account 394, Property Held for Future Use, or account 121, Nonutility Property, as appropriate.

C. The book cost of utility plant retired shall be the amount at which such property is included in the utility plant accounts, including all components of construction costs. The book cost shall be determined from the utility's records and, if this cannot be done, it shall be estimated. When it is impracticable to determine the book cost of each unit, due to the relatively large number or small cost thereof, an appropriate average book cost of the units, with due allowance for any differences in size and character, shall be used as the book cost of the units retired.

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281. Accumulated Deferred Income Taxes — Accelerated Amortization
282. Accumulated Deferred Income Taxes — Liberalized Depreciation
283. Accumulated Deferred Income Taxes — Other

BALANCE SHEET ACCOUNTS

1. UTILITY PLANT

100. Utility Plant.

A. This account shall include the book amount of utility plant, included in the plant accounts 301 to 397, inclusive, prescribed herein and in similar accounts for other utility departments, and having an expectation of life in service of more than one year from date of installation, including such property owned by the utility but held by nominees. Separate subaccounts shall be maintained hereunder for each utility department.

B. The cost of additions to and betterments of property leased from others, which are includible in this accounts, shall be maintained in subdivisions separate and distinct from those relating to owned property.

110. Accumulated Provision for Depreciation and Amortization of Utility Plant.

A. This account shall be credited with the following:

(1) Amounts charged to account 403, Depreciation Expense, to account 404, Amortization Expense, to account 413, Income from Utility Plant leased to Others, to account 416, Costs and Expenses of Merchandising, Jobbing and Contract Work, or to clearing accounts for currently accruing depreciation or amortization of plant.

(2) Amounts of depreciation applicable to utility properties acquired as operating units or systems.

(3) Amounts chargeable to account 182, Extraordinary Property Losses, when authorized by Commission.

(4) Amounts of depreciation applicable to utility plant donated to the utility.

Note. — See General Instruction 5 and account 439 regarding adjustments for past accrued depreciation and amortization.

B. At the time of retirement of utility plant, this account shall be charged with the book cost of the property retired and the cost of removal, and shall be credited with the salvage value and any other amounts recovered, such as insurance.

C. The credits and debits to this account shall be so kept as to show separately: (1) the amount of accrual for depreciation or amortization, (2) the book cost of property retired, (3) cost of removal, (4) salvage, and (5) other items, including recoveries from insurance.

D. The utility is restricted in its use of the provisions for depreciation to the purposes set forth above. It shall not divert any portion of this account to retained earnings or make any use thereof without authorization by the Commission.

2. OTHER PROPERTY AND INVESTMENTS

121. Nonutility Property.

This account shall include the book cost of land, structures, equipment or other tangible or intangible property owned by the utility, but not used in utility service and not properly includible in account 394, Property Held for Future Use.

122. Accumulated Provision for Depreciation and Amortization of Nonutility Property.

This account shall include the accumulated provision for depreciation and amortization applicable to property other than utility plant.

124. Other Investments.

A. This account shall include the book cost of investments in securities issued or assumed by other companies, investment advances to such companies, and any investments not accounted for elsewhere. Include also the offsetting entry to the recording of amortization of discount or premium on interest-bearing investments. (See account 419, Interest and Dividend Income.)

B. The records shall be maintained in such manner as to show the amount of each investment and the investment advances to each person.

125. Special Funds.

This account shall include the amount of cash and book cost of investments which have been segregated in special funds for bond retirements, property additions and replacements, insurance, employees' pensions, savings, relief, hospital, and other purposes not provided for elsewhere. A separate account, with appropriate title, shall be kept for each fund.

Note. — Amounts deposited with a trustee under the terms of an irrevocable trust agreement for pensions or other employees' benefits shall not be included in this account.

3. CURRENT AND ACCRUED ASSETS

131. Cash and Working Funds.

This account shall include the amount of cash on hand and in banks and cash advanced to officers, agents, employees, and others as petty cash or working funds. Special cash deposits for payment of interest, dividends or other special purposes shall be included in this account in separate subdivisions which shall specify the purpose for which each such special deposit is made.

Note. — Special deposits for more than one year which are not offset by current liabilities, shall not be charged to this account but to account 125, Special Funds.

132. Temporary Cash Investments.

A. This account shall include the book cost of investments, such as demand and time loans, bankers' acceptances, United States Treasury certificates, marketable securities, certificates of deposit, and other similar investments, acquired for the purpose of temporarily investing cash.

B. This account shall be so maintained as to show separately temporary cash investments in securities of associated companies and of others. Records shall be kept of any pledged investments.

141. Notes Receivable.

This account shall include the book cost, not includible elsewhere, of all collectible obligations in the form of notes receivable and similar evidences (except interest coupons) of money due on demand or within one year from the date of issue.

Note. — The face amount of notes receivable, discounted, sold, or transferred without releasing the utility from liability as endorser thereon, shall be credited to a separate subdivision of this account and appropriate disclosure shall be made in financial statements of any contingent liability arising from such transactions.

142. Customer Accounts Receivable.

A. This account shall include amounts due from customers for utility service, and for merchandising, jobbing and contract work.

B. This account shall be maintained so as to permit ready segregation of the amounts due for merchandising, jobbing and contract work.

143. Other Accounts Receivable.

A. This account shall include amounts due the utility upon open accounts, other than amounts due from customers for utility services and merchandising, jobbing and contract work.

B. This account shall be maintained so as to show separately amounts due on subscriptions to capital stock and from officers and employees, but the account shall not include amounts advanced to officers or others as working funds.

144. Accumulated Provision for Uncollectible Accounts.

A. This account shall be credited with amounts provided for losses on accounts receivable which may become uncollectible, and also with collections on accounts previously charged thereto. Concurrent charges shall be made to account 690, Uncollectible Accounts, for amounts applicable to utility operations, and to corresponding accounts for other operations. Records shall be maintained so as to show the write-offs of accounts receivable for each utility department.

B. This account shall be subdivided to show the provision applicable to the following classes of accounts receivable:

Utility Customers
Merchandising, Jobbing and Contract Work
Officers and Employees
Other

Note A. — Accretions to this account shall not be made in excess of a reasonable provision against losses of the character provided for.

Note B. — If provisions for uncollectible notes receivable are necessary, separate subaccounts therefor shall be established under account 141, Notes Receivable.

150. Materials and Supplies.

A. This account shall include the cost of fuel on hand and unapplied materials and supplies (except meters). It shall include also the book cost of materials recovered in connection with construction, maintenance or the retirement of property, such materials being credited to construction, maintenance, or accumulated depreciation provision, respectively, and included herein as follows:

(1) Reusable materials consisting of large individual items shall be included in this account at original cost, estimated if not known. The cost of repairing such items shall be charged to the maintenance account appropriate for the previous use.

(2) Reusable materials consisting of relatively small items, the identity of which (from the date of original installation to the final abandonment or sale thereof) cannot be ascertained without undue refinement in accounting, shall be included in this account at current prices new for such items. The cost of repairing such items shall be charged to the appropriate expense account as indicated by previous use.

(3) Scrap and nonusable materials included in this account shall be carried at the estimated net amount realizable therefrom. The difference between the amounts realized for scrap and nonusable materials sold and the net amount at which the materials were carried in this account, as far as practicable, shall be adjusted to the accounts credited when the materials were charged to this account.

B. Materials and supplies issued shall be credited hereto and charged to the appropriate construction, operating expense, or other account on the basis of a unit price determined by the use of cumulative-average, first-in-first-out, or such other method of inventory accounting as conforms with accepted accounting standards consistently applied.

C. Inventories of materials, supplies, fuel, etc., shall be taken at least annually and the necessary adjustments shall be made to bring this account into agreement with the actual inventories. In effecting the adjustments, large differences which can be assigned to important classes of materials shall be equitably adjusted among the accounts to which such classes of materials have been charged since the previous inventory. Other differences shall be equitably apportioned among the accounts to which materials have been charged.

ITEMS

1. Invoice price of materials less cash or other discounts.
2. Freight, switching or other transportation charges when practicable to include as part of the cost of particular materials to which they relate.
3. Customs duties and excise taxes.
4. Costs of inspection and special tests prior to acceptance.
5. Insurance and other directly assignable charges.

Note A. — Where expenses applicable to materials purchased cannot be directly assigned to particular purchases, they may be charged to a stores expense clearing account and distributed therefrom to the appropriate account.

Note B. — When materials and supplies are purchased for immediate use, they need not be carried through this account but may be charged directly to the appropriate utility plant or expense account.

166. Prepayments.

A. This account shall include the amount of rents, taxes, insurance, interest and like disbursements made in advance of the period to which they apply. As the periods covered by such prepayments expire, credit this account and charge the proper operating expense or other account with the amount applicable to the period.

B. This account shall be kept or supported in such manner as to disclose the amount of each class of prepayments.

170. Other Current and Accrued Assets.

This account shall include the book cost of all other current and accrued assets, appropriately designated and supported so as to show the nature of each asset included herein.

4. DEFERRED DEBITS

181. Unamortized Debt Discount and Expense.

A. This account shall include the total of the unamortized balance of discount and expense for all classes of long-term debt.

B. The discount and expense shall be amortized over the life of the respective issues under a plan which will distribute the amounts equitably over the life of the securities. The amortization shall be charged to account 428, Amortization of Debt Discount and Expense. The utility may, however, accelerate the writing off of discount and expense where the amounts are insignificant.

182. Extraordinary Property Losses.

A. When authorized or directed by the Commission, this account shall include extraordinary losses, net of income taxes, on property abandoned or otherwise retired from service which are not provided for by the accumulated provisions for depreciation or amortization and which could not reasonably have been foreseen and provided for, and extraordinary losses, such as unforeseen damages to property, which could not reasonably have been anticipated and which are not covered by insurance or other provisions.

B. The entire cost, less net salvage, of depreciable property retired shall be charged to accumulated provision for depreciation. If all, or a portion, of the loss is to be included in this account, the accumulated provision for depreciation shall then be credited and this account charged with the amount properly chargeable hereto.

C. Application to the Commission for permission to use the account shall be accompanied by a statement giving a complete explanation with respect to the items which it is proposed to include herein, the period over which, and the accounts to which it is proposed to write off the charges, and other pertinent information.

183. Other Deferred Debits.

A. This account shall include the following classes of items:

(1) Expenditures for preliminary surveys, plans, investigations, etc., made for the purpose of determining the feasibility of projects under contemplation. If construction results, this account shall be credited with the amount applicable thereto and the appropriate plant accounts shall be charged with an amount which does not exceed the expenditures which may reasonably be determined to contribute directly and immediately and without duplication to plant. If the work is abandoned, the charge shall be to account 426, Miscellaneous Income Deductions, or to the appropriate operating expense account.

(2) Undistributed balances in clearing accounts at the date of the balance sheet. Balances in clearing accounts shall be substantially cleared not later than the end of the calendar year unless items held therein relate to a future period.

(3) Balances representing expenditures for work in progress other than on utility plant. This includes jobbing and contract work in progress.

(4) Losses on disposition of property, net of income taxes, deferred by authorization of the Commission.

(5) Other debit balances, the proper final disposition of which is uncertain, and unusual or extraordinary expenses, not included in other accounts, which are in process of being written off.

B. Separate subaccounts shall be established and maintained for each of the above classes of deferred items. The records supporting the entries to each subaccount shall be so kept that the utility can furnish full information as to the cost, nature and purpose of each item included therein.

5. EQUITY CAPITAL

201. Common Capital Stock.

204. Preferred Capital Stock.

A. These accounts shall include the par value or the stated value of stock without par value if such stock has a stated value, and, if not, the cash value of the consideration received for such nonpar stock, of each class of capital stock actually issued, including the par or stated value of such capital stock in account 217, Reacquired Capital Stock.

B. When the actual cash value of the consideration received is more or less than the par or stated value of any stock having a par or stated value, the difference shall be credited or debited, as the case may be, to the premium or discount account for the particular class and series.

C. When capital stock is retired, these accounts shall be charged with the amount at which such stock is carried herein.

D. A separate ledger account, with a descriptive title, shall be maintained for each class and series of stock.

The supporting records shall show the shares nominally issued, actually issued, and nominally outstanding.

Note. — When a levy or assesssment, except a call for payment on subscriptions, is made against holders of capital stock, the amount collected upon such levy or assessment shall be credited to account 207, Other Paid-In Capital; provided, however, that the credit shall be made to account 213, Discount on Capital Stock, to the extent of any remaining balance of discount on the issue of stock.

207. Other Paid-In Capital.

This account shall include the balance of all other credits for paid-in capital not includible in the capital stock accounts, and shall be kept so as to show the source of the credits includible herein.

ITEMS

1. Premium received on original issues of capital stock.
2. Donations received from stockholders consisting of capital stock or reduction of debt of the utility, and the cash value of other assets received as a donation.
3. Reduction in par or stated value of capital stock.
4. Gain on resale or cancellation of reacquired capital stock.
5. Miscellaneous paid-in capital.

Note. — Premium on capital stock shall not be set off against expenses. Further, a premium received on an issue of a certain class or series of stock shall not be set off against expense of another issue of the same class or series.

212. Installments Received on Capital Stock.

A. This account shall include in a separate subdivision for each class and series of capital stock the amount of installments received on capital stock on a partial or installment payment plan for subscribers who are not bound by legally enforceable subscription contracts.

B. As subscriptions are paid in full and certificates issued, this account shall be charged and the appropriate capital stock account credited with the par or stated value of such stock. Any discount or premium on an original issue shall be included in the appropriate discount or premium account.

213. Discount on Capital Stock.

A. This account shall include in a separate subdivision for each class and series of capital stock all discount on the original issuance and sale of capital stock, including additional capital stock of a particular class or series as well as first issues.

B. When capital stock which has been actually issued is retired, the amount in this account applicable to the shares retired shall be written off to account 207, Other Paid-In Capital, provided, however, that the amount shall be charged to account 439, Adjustments to Retained Earnings, to the extent that it exceeds the balance in account 207.

C. The utility may amortize the balance in this account by systematic charges to account 425, Miscellaneous Amortization, or it may write off capital stock discount in whole or in part by charges to account 439, Adjustments to Retained Earnings.

214. Capital Stock Expense.

A. This account shall include in a separate subdivision for each class and series of stock all commissions and expenses incurred in connection with the original issuance and sale of capital stock, including additional capital stock of a particular class or series as well as first issues. Expenses applicable to capital stock shall not be deducted from premium on capital stock.

B. When capital stock which has been actually issued by the utility is retired, the amount in this account applicable to the shares retired shall be written off to account 207, Other Paid-In Capital, to the extent of gains on resale or cancellation of reacquired stock includible therein; provided, however, that the amount shall be charged to account 439, Adjustments to Retained Earnings to the extent that it exceeds the balance in account 207, from such source.

C. The utility may amortize the balance carried in this account by systematic charges to account 425, Miscellaneous Amortization, or it may write off capital stock expense in whole or in part by charges to account 439, Adjustments to Retained Earnings.

Note. — Expenses in connection with the reacquisition or resale of the utility's capital stock shall not be included herein.

215. Appropriated Retained Earnings.

This account shall include the amount of retained earnings which has been appropriated or set aside for specific purposes. Separate subaccounts shall be maintained under such titles as will designate the purpose for which each appropriation was made.

216. Unappropriated Retained Earnings.

This account shall include the balance, either debit or credit, of unappropriated retained earnings. It shall not include items includible in any subaccount of account 207, Other Paid-In Capital.

217. Reacquired Capital Stock.

A. This account shall include in a separate subdivision for each class and series of capital stock, the cost of capital stock actually issued by the utility and reacquired by it and not retired or canceled, except, however, stock which is held by trustees in sinking or other funds.

B. When reacquired capital stock is retired or canceled, the difference between its cost, including commissions and expenses paid in connection with the reacquisition, and its par or stated value plus any premium and less any discount and expenses applicable to the shares retired, shall be debited or credited, as appropriate, to account 207, Other Paid-In Capital, provided, however, that debits shall be charged to account 439, Adjustments to Retained Earnings, to the extent that they exceed the balance of gains on resale or cancellation of reacquired stock included in account 207.

C. When reacquired capital stock is resold by the utility, the difference between the amount received on the resale of the stock, less expenses incurred in the resale, and the cost of the stock included in this account shall be accounted for as outlined in paragraph B.

Note. — The accounting for reacquired stock shall be as prescribed herein unless otherwise specifically required by statute.

218. Noncorporate Proprietorship.

This account shall include the investment in an unincorporated utility by the proprietor thereof, and shall be charged with all withdrawals from the business by its proprietor. At the end of each calendar year the net income for the year, as developed in the income account, shall be transferred to this account. (See optional accounting procedure provided in note C, hereunder.)

Note A. — Amounts payable to the proprietor as just and reasonable compensation for services performed shall not be charged to this account but to appropriate operating expense or other accounts.

Note B. — When the utility is owned by a partnership, a separate account shall be kept to show the net equity of each member therein and the transactions affecting the interest of each such partner.

Note C. — This account may be restricted to the amount considered by the proprietor to be the permanent investment in the business, subject to change only by additional investment by the proprietor or the withdrawal of portions thereof not representing net income. When this option is taken, the retained earnings accounts shall be maintained and entries thereto shall be made in accordance with the texts thereof.

6. LONG-TERM DEBT

221. Bonds.

A. Separate accounts shall be maintained hereunder for unmatured bonds of each class and series. Each such account shall be subdivided so as to show: (1) the face value of the actually issued and unmatured bonds, which have not been retired or canceled; also, the face value of such bonds issued by others, the payment of which has been assumed by the utility, (2) the face value of bonds actually issued or assumed by the utility and reacquired by it and not paid, retired, or canceled. The account for reacquired debt shall not include securities which are held by trustees in sinking or other funds.

B. When bonds are reacquired, the difference between face value, adjusted for unamortized discount, expense or premium and the amount paid upon reacquisition, shall be debited or credited, as appropriate, to account 421, Miscellaneous Nonoperating Income, or account 426, Miscellaneous Income Deductions.

223. Advances from Associated Companies.

A. This account shall include the face value of notes payable to associated companies and the amount of open book accounts representing advances from associated companies. It does not include notes and open accounts representing indebtedness subject to current settlement.

B. The records supporting the entries to this account shall be so kept that the utility can furnish complete information concerning each note and open account.

224. Other Long-Term Debt.

A. This account shall include, until maturity, all long-term debt not otherwise provided for. This covers such items as receivers' certificates, real estate mortgages executed or assumed, assessments for public improvements, notes and unsecured certificates of indebtedness not owned by associated companies, receipts outstanding for long-term debt, and other obligations maturing more than one year from date of issue or assumption.

B. Separate accounts shall be maintained for each class of obligation, and records shall be maintained to show separately for each class all details as to date of obligation, date of maturity, interest dates and rates, security for the obligation, etc.

Note. — Miscellaneous long-term debt reacquired shall be accounted for in accordance with the procedures set forth in account 221, Bonds.

7. CURRENT AND ACCRUED LIABILITIES

231. Notes Payable.

This account shall include the face value of all notes, drafts, acceptances, or other similar evidences of indebtedness, payable on demand or within a time not exceeding one year from date of issue.

232. Accounts Payable.

This account shall include all amounts payable by the utility within one year, which are not provided for in other accounts.

235. Customer Deposits.

This account shall include all amounts deposited with the utility by customers as security for the payment of bills.

236. Taxes Accrued.

A. This account shall be credited with the amount of taxes accrued during the accounting period, corresponding debits being made to the appropriate accounts for tax charges. Such credits may be based upon estimates, but from time to time during the year as the facts become known, the amount of the periodic credits shall be adjusted so as to include as nearly as can be determined in each year the taxes applicable thereto. Any amount representing a prepayment of taxes applicable to the period subsequent to the date of the balance sheet shall be shown under account 166, Prepayments.

B. If accruals for taxes are found to be insufficient or excessive, correction therefor shall be made through current tax accruals. However, if such corrections are so large as to seriously distort current expenses, see general instruction 5.

C. Accruals for taxes shall be based upon the net amount payable after credit for any discounts and shall not include any amounts for interest on tax deficiencies or refunds. Interest received on refunds shall be credited to account 419, Interest and Dividend Income, and interest paid on deficiencies shall be charged to account 431, Other Interest Expense.

D. The records supporting the entries to this account shall be kept so as to show for each class of taxes, the amount accrued, the basis for accrual, the accounts to which charged, and the amount of tax paid.

237. Interest Accrued.

This account shall include the amount of interest accrued but not matured on all liabilities of the utility, not including, however, interest which is added to the principal of the debt on which incurred. Supporting records shall be maintained so as to show the amount of interest accrued on each obligation.

238. Other Current and Accrued Liabilities.

This account shall include the amount of all other current and accrued liabilities not provided for elsewhere appropriately designated and supported so as to show the nature of each liability.

ITEMS

1. Dividends declared but not paid.
2. Matured long-term debt.
3. Matured interest.
4. Taxes collected through payroll deductions or otherwise pending transmittal to the proper taxing authority.

8. DEFERRED CREDITS

251. Unamortized Premium on Debt.

A. This account shall include the total of the unamortized balance of premium and expense for all classes of long-term debt, including receivers' certificates.

B. The premium and expense shall be amortized over the life of the respective issues under a plan which will distribute the amounts equitably over the life of the securities. The amortization shall be credited to account 429, Amortization of Premium on Debt — Cr.

252. Advances for Construction.

This account shall include advances by or on behalf of customers for construction which are to be refunded either wholly or in part. When a person is refunded the entire amount to which he is entitled, according to the agreement or rule under which the advance was made, the balance, if any, remaining in this account shall be credited to account 271, Contributions in Aid of Construction.

253. Other Deferred Credits.

This account shall include advance billings and receipts, gains on disposition of property, net of income taxes, deferred by authorization of the Commission, and other deferred credit items, not provided for elsewhere including amounts which cannot be entirely cleared or disposed of until additional information has been received.

255. Accumulated Deferred Investment Tax Credits.

A. Prior to any use of this account the utility must file with the Commission, for the purpose of obtaining authorization, a copy of its proposed plan of accounting for deferred investment tax credits. The utility shall not use these accounts unless such use has been authorized by the Commission. This account shall be credited and account 412, Investment Tax Credits, debited with all investment tax credits deferred by companies authorized to use deferral accounting rather than recognizing in the income statement the total benefits of the investment tax credit as realized. There can be neither changes in accounting method for utility operations nor transfers from this account, except as authorized herein or as may otherwise be authorized by the Commission. (See Account 412.)

B. This account shall be debited and account 412 credited with a proportionate amount determined in relation to the average useful life of utility property to which the tax credits relate, or such lesser period of time as may be adopted and consistently followed by the company.

C. Subdivisions of this account by department shall be maintained for deferred investment tax credits that are related to nonutility or other operations. Contra entries affecting such account subdivisions shall be appropriately recorded. Use of deferral or nondeferral accounting procedures adopted for nonutility or other operations are to be followed on a consistent basis.

D. Separate records for each utility department and nonutility operation shall be maintained identifying the properties giving rise to the investment tax credits for each year with the weighted average service life of such properties and any unused balances of such credits. Such records are not necessary unless the tax credits are deferred.

9. OPERATING RESERVES

261. Property Insurance Reserve.

A. This account shall include amounts reserved by the utility for self-insurance against losses through accident, fire, flood, or other hazards to its own property or property leased from others. A schedule of risks covered by this reserve shall be maintained, giving a description of the property involved, the character of the risks covered and the rates used.

B. Charges shall be made to this account for losses covered by self-insurance. Details of these charges shall be maintained according to the year the casualty occurred which gave rise to the loss.

265. Miscellaneous Operating Reserves.

A. This account shall include all operating reserves maintained by the utility which are not provided for elsewhere.

B. This account shall be maintained in such manner as to show the amount of each separate reserve and the nature and amounts of the debits and credits thereto.

Note. — This account includes only such reserves as may be created for operating purposes and does not include any reservations of income the credits for which should be carried in account 215, Appropriated Retained Earnings.

10. CONTRIBUTIONS IN AID OF CONSTRUCTION

271. Contributions in Aid of Construction.

A. This account shall include donations or contributions in cash, services, or property from states, municipalities or other governmental agencies, individuals, and others for construction purposes.

B. The credits to this account shall not be transferred to any other acount without the approval of the Commission.

C. The records supporting the entries to this account shall be so kept that the utility can furnish information as to the purpose of each donation, the conditions, if any, upon which it was made, the amount of donations from (a) states, (b) municipalities, (c) customers, and (d) others, and the amount applicable to each utility department.

Note. — There shall not be included in this account advances for construction which are ultimately to be repaid wholly or in part. (See account 252, Advances for Construction.)

11. ACCUMULATED DEFERRED INCOME TAXES

Public utilities shall use the accounts provided below for prior accumulations of deferred taxes on income and for additional provisions. Prior to any use of these accounts, the utility must file with the Commission, for the purpose of obtaining authorization, its proposed plan of accounting for deferred taxes on income. The utility shall not use these accounts unless such use has been authorized by the Commission. If deferred tax accounting is initiated with respect to any property such accounting shall not be discontinued on that property without prior approval of the Commission.

The utility is restricted in its use of these accounts to the purposes set forth therein. It shall not make any transfers from these accounts or make any use thereof except as provided in the text of the accounts without prior approval of the Commission.

Upon the disposition by sale, exchange, transfer, abandonment, or premature retirement of plant on which there is a related balance in these accounts, the deferred tax account shall be charged with an amount equal to the related income tax expense, if any, arising from such disposition and account 411, Income Taxes Deferred in Prior Years — Credit, shall be credited. When the remaining balance, after consideration of any related income tax expenses, is not significant, the deferred tax account shall be charged and account 411 credited with such balance. If after consideration of any related income tax expense, the remaining amount is significant, then the Commission shall authorize or direct how such amount shall be accounted for at the time approval for the disposition of accounting is granted. When plant is disposed of by transfer to a wholly owned subsidiary the related balance in the deferred tax account shall also be transferred. When the disposition relates to retirement of an item or items under a group method of depreciation where there is no tax effect in the year of retirement, no entries are required in the deferred tax account if it can be determined that the related balances would be necessary to be retained to offset future group item tax deficiencies.

Note. — Public utilities having more than one utility department and nonutility property and which have deferred taxes on income with respect thereto shall classify such deferrals in the accounts provided below so as to allow ready identification of items relating to each utility department and to other income and deductions.

281. Accumulated Deferred Income Taxes — Accelerated Amortization.

A. This account shall be credited and account 410, Provision for Deferred Income Taxes, shall be debited with an amount equal to that by which taxes on income payable for the year are lower because of accelerated (5-year) amortization of (1) certified defense facilities in computing such taxes, as permitted by Section 168 of the Internal Revenue Code of 1954 and (2) certified pollution control facilities in computing such taxes, as permitted by Section 169 of the Internal Revenue Code of 1954, as compared to the depreciation deduction otherwise appropriate and allowable for tax purposes according to the straight line or other nonaccelerated depreciation method and appropriate estimated useful life for such property.

B. This account shall be debited and account 411, Income Taxes Deferred in Prior Years — Credit, shall be credited with an amount equal to that by which taxes on income payable for the year are greater because of the use in prior years of accelerated instead of nonaccelerated or nonliberalized depreciation resulting in the deferral of taxes in such prior years as described in paragraph A above. Such debit to this account and credit to account 411 shall, in general, represent the effect on taxes payable for the current year of the unavailability or reduced amount of a depreciation deduction for tax purposes with respect to any depreciable property for which accelerated amortization was used in prior years, as compared to the depreciation deduction otherwise available and appropriate for such property, considering its estimated useful life, according to the depreciation method ordinarily used by the utility for similar property in computing depreciation for tax purposes by a nonaccelerated or nonliberalized depreciation method.

C. Records with respect to entries to this account, as described above, and the account balance, shall be so maintained as to show the factors of calculation and the separate amounts applicable to the facilities of each certification or amortization for tax purposes.

282. Accumulated Deferred Income Taxes — Liberalized Depreciation.

A. This account shall be credited and account 410, Provision for Deferred Income Taxes, shall be debited with an amount equal to that by which taxes on income payable for the year are lower because of the use of liberalized depreciation in computing such taxes, as permitted by Section 167 of the Internal Revenue Code of 1954, as compared to the depreciation deduction otherwise appropriate and allowable for tax purposes for similar property for the same estimated useful life according to the straight line or other nonliberalized method of depreciation.

B. This account shall be debited and account 411, Income Taxes Deferred in Prior Years — Credit, shall be credited with an amount equal to that by which taxes on income payable for the year are greater because of the use in prior years of liberalized depreciation for income tax purposes, and deferral of taxes in such prior years as described in paragraph A above. Such debit to this account and credit to account 411, shall, in general, represent the effect on taxes payable for the current year of the smaller amount of depreciation permitted for tax purposes for the current year with respect to any depreciable property for which liberalized depreciation was used in prior years, as compared to the depreciation deduction otherwise appropriate and available for similar property of the same estimated useful life according to the straight line or other nonliberalized depreciation method ordinarily used by the utility in computing depreciation for tax purposes.

C. Records with respect to entries to this account, as described above, and the account balance, shall be so maintained as to show the factors of calculation and the separate amounts applicable to the plant additions of each vintage year for each class, group, or unit as to which different liberalized depreciation methods and estimated useful lives have been used. The underlying calculations to segregate and associate deferred tax amounts with the respective vintage years may be based on reasonable methods of approximation, if necessary, consistently applied.

283. Accumulated Deferred Income Taxes — Other.

A. This account, when its use has been authorized by the Commission for specific types of tax deferrals, shall be credited and account 410, Provision for Deferred Income Taxes, shall be debited with an amount equal to that by which taxes on income payable for the year are lower because of the current use of deductions other than accelerated amortization or liberalized depreciation in the computation of income taxes, which deductions for general accounting purposes will not be fully reflected in the utility's determination of annual net income until subsequent years.

B. This account, when its use has been authorized by the Commission, shall be debited and account 411, Income Taxes Deferred in Prior Years — Credit, shall be credited with an amount equal to that by which taxes on income payable for the year are greater because of deferral of taxes on income in previous years, as provided by paragraph A above. Such debit to this account and credit to account 411, shall, in general, represent the effect on taxes payable in the current year of the smaller deduction permitted for tax purposes as compared to the amount recognized in the utility's general accounts with respect to the item or class of items for which deferred tax accounting by the utility was authorized by the Commission.

C. Records with respect to entries to this account, as described above, and the account balance, shall be so maintained as to show the factors of calculation with respect to each annual amount of the item or class of items, other than accelerated amortization or liberalized depreciation, for which tax deferral accounting by the utility is authorized by the Commission.

UTILITY PLANT ACCOUNTS

1. Intangible Plant

301. Organization
302. Franchises and Consents
303. Miscellaneous Intangible Plant

2. Source of Supply Plant

310. Land and Land Rights
311. Structures and Improvements
312. Collecting and Impounding Reservoirs
313. Lake, River and Other Intakes
314. Wells and Springs
315. Infiltration Galleries and Tunnels
316. Supply Mains
317. Other Water Source Plant

3. Pumping Plant

320. Land and Land Rights
321. Structures and Improvements
322. Boiler Plant Equipment
323. Other Power Production Equipment
324. Steam Pumping Equipment
325. Electric Pumping Equipment
326. Diesel Pumping Equipment
327. Hydraulic Pumping Equipment
328. Other Pumping Equipment

4. Water Treatment Plant

330. Land and Land Rights
331. Structures and Improvements
332. Water Treatment Equipment

5. Transmission and Distribution Plant

340. Land and Land Rights
341. Structures and Improvements
342. Distribution Reservoirs and Standpipes
343. Transmission and Distribution Mains

344. Fire Mains
345. Services
346. Meters
347. Meter Installations
348. Hydrants
349. Other Transmission and Distribution Plant

6. General Plant

370. Land and Land Rights
371. Structures and Improvements
372. Office Furniture and Equipment
373. Transportation Equipment
379. Other General Equipment

7. Other Utility Plant

390. Other Tangible Property
391. Utility Plant Purchased or Sold
392. Utility Plant in Process of Reclassification
393. Utility Plant Leased to Others
394. Property Held for Future Use
395. Construction Work in Progress
396. Utility Plant Acquisition Adjustments
397. Other Utility Plant Adjustments

UTILITY PLANT ACCOUNTS

1. INTANGIBLE PLANT

301. Organization.

This account shall include the cost of organizing and incorporating the utility and putting it into readiness to do business. This includes the cost of legal services, amounts paid for privileges of incorporation, office expenses, incident to organizing the company and stock and minute books and corporate seal.

Note. — This account shall not include any discounts upon securities issued or assumed, nor shall it include any costs incident to negotiating loans, selling bonds, or other evidences of debt, or expenses in connection with the authorization, issuance or sale of capital stock.

302. Franchises and Consents.

A. This account shall include amounts paid to the federal government, to a state or to a political subdivision thereof in consideration for franchises, consents, or certificates, running in perpetuity or for a specified term of more than one year, together with necessary and reasonable expenses incident to procuring such franchises, consents, or certificates of permission and approval, including expenses of organizing and merging separate corporations where statutes require, solely for the purpose of acquiring franchises.

B. If a franchise, consent, or certificate is acquired by assignment, the charge to this account in respect thereof shall not exceed the amount paid therefor by the utility to the assignor, nor shall it exceed the amount paid by the original grantee, plus the expense of acquisition to such grantee. Any excess of the amount actually paid by the utility over the amount above specified shall be charged to account 426, Miscellaneous Income Deductions.

C. When any franchise has expired, the book cost thereof shall be credited hereto and charged to account 426, Miscellaneous Income Deductions, or to account 110, Accumulated Provision for Depreciation and Amortization of Utility Plant, as appropriate.

D. Records supporting this account shall be maintained so as to show separately the book cost of each franchise or consent.

Note. — Annual or other periodic payments under franchises shall not be included herein but in the appropriate operating expense account.

303. Miscellaneous Intangible Plant.

A. This account shall include the cost of patent rights, licenses, privileges, and other intangible property necessary or valuable in the conduct of utility operations and not specifically chargeable to any other account.

B. When any item included in this account is retired or expires, the book cost thereof shall be credited hereto and charged to account 426, Miscellaneous Income Deductions, or account 110, Accumulated Provision for Depreciation and Amortization of Utility Plant, as appropriate.

C. This account shall be maintained in such a manner that the utility can furnish full information with respect to the amounts included herein.

2. SOURCE OF SUPPLY PLANT

310. Land and Land Rights.

This account shall include the cost of land and land rights used in connection with source of supply operations. (See Utility Plant Instruction 3.)

311. Structures and Improvements.

This account shall include the cost in place of structures and improvements used in connection with source of water supply not includible in other accounts provided for source of supply plant. (See Utility Plant Instruction 4.)

312. Collecting and Impounding Reservoirs.

This account shall include the cost in place of structures and improvements used for impounding, collecting and storing water in the source of supply system.

ITEMS

1. Aerators (when installed as an integral part of collecting and impounding reservoirs).
2. Bridges and culverts.
3. Clearing land.
4. Dams.
5. Drainage conduits.
6. Embankments.
7. Fish ladders and elevators.
8. Fences.
9. Gate houses and equipment.
10. Landscaping.
11. Lighting systems.
12. Retaining walls.
13. Roads and paths.
14. Sewers.
15. Spillways and channels.
16. Any other permanent improvement to collecting and impounding reservoirs.

313. Lake, River and Other Intakes.

This account shall include the cost installed of lake, river and other intakes used as a source of water supply.

ITEMS

1. Clearing land.
2. Conduits.
3. Cribs.
4. Fences.
5. Gate houses and equipment.
6. Intake pipes (up to suction header).
7. Intake wells.
8. Lighting systems.
9. Screens and racks.

314. Wells and Springs.

This account shall include the cost installed of wells and springs used as a source of water supply.

ITEMS

1. Clearing land.
2. Collecting basins.
3. Collecting pipes.
4. Fences.
5. Landscaping.
6. Lighting systems.
7. Overflow spillways and channels.
8. Sewers.
9. Springs and appurtenances.
10. Wells, casings and appurtenances, including cost of test wells and non-productive wells drilled as part of a project resulting in a source of water within the same supply area.

315. Infiltration Galleries and Tunnels.

This account shall include the cost installed of infiltration galleries and tunnels used as a source of water supply.

ITEMS

1. Conduits.
2. Gate houses and equipment.
3. Piping.

316. Supply Mains.

This account shall include the cost installed of supply mains, pipes, aqueducts and canals and their appurtenances.

ITEMS

1. Air chambers.
2. Blow-offs and overflows.
3. Bridges and culverts.
4. Canals.
5. Electrolysis control equipment.
6. Gauges and recorders.
7. Jointing and jointing material.
8. Manholes.
9. Municipal inspection or permits.
10. Pavement disturbed, including cutting and replacing pavement, pavement base and sidewalks.
11. Pipes, aqueducts or conduits.
12. Placing mains and accessories.
13. Pressure regulators.
14. Protection of street openings.
15. Shut-offs.
16. Special castings.
17. Sterilizing new mains.
18. Surge tanks.
19. Trenching, including shoring, bracing, bridging, pumping, backfill and disposal of excess excavated material.
20. Tunnels.
21. Valves and appurtenances.
22. Valve vaults.

317. Other Water Source Plant.

This account shall include the cost installed of other water source plant which is not properly includible in other source of supply plant accounts.

3. PUMPING PLANT

320. Land and Land Rights.

This account shall include cost of land and land rights used in connection with pumping operations. (See Utility Plant Instruction 3.)

321. Structures and Improvements.

This account shall include cost in place of structures and improvements used in pumping operations. (See Utility Plant Instruction 4.)

322. Boiler Plant Equipment.

This account shall include the cost installed of furnaces, boilers, coal and ash handling and coal preparing equipment, steam and feed water piping, boiler apparatus and accessories used in the production of steam to be used primarily for pumping operations.

ITEMS

1. Ash handling equipment, including hoppers, gates, cars, conveyors, hoists, sluicing equipment, including pumps and motors, sluicing water pipe and fittings, sluicing trenches and accessories, etc., except sluices which are a part of a building.
2. Boiler feed system, including feed water heaters, evaporator condensers, heater drain pumps, heater drainers, deaerators and vent condensers, boiler feed pumps, surge tanks, feed water regulators, feed water measuring equipment and all associated drives.
3. Boiler plant cranes and hoists and associated drives.
4. Boilers and equipment, including boilers and baffles, economizers, superheaters, soot blowers, foundations and settings, water walls, arches, grates, insulation, blowdown system, drying out of new boilers, also associated motors or other power equipment.
5. Breeching and accessories, including breeching, dampers, soot spouts, hoppers and gates, cinder eliminators, breeching insulation, soot blowers and associated motors.
6. Coal handling and storage equipment, including coal towers, coal lorries, coal cars, locomotives and tracks when devoted principally to the transportation of coal, hoppers, downtakes, unloading and hoisting equipment, skip hoists and conveyors, weighing equipment, magnetic separators, cable ways, housings and supports for coal handling equipment.
7. Draft equipment, including air preheaters and accessories, induced and forced draft fans, air ducts, combustion control mechanisms and associated motors or other power equipment.
8. Gas burning equipment, including holders, burner equipment and piping control equipment, etc.
9. Instruments and devices, including all measuring, indicating and recording equipment for boiler plant service together with mountings and supports.
10. Lighting systems.
11. Oil burning equipment, including tanks, heaters, pumps with drive, burner equipment and piping, control equipment, etc.
12. Pulverized fuel equipment, including pulverizers, accessory motors, primary air fans, cyclones and ducts, dryers, pulverized fuel bins, pulverized fuel conveyors and equipment, burners, burner piping, priming equipment, air compressors, motors, etc.

13. Stacks, including foundations and supports, stack steel and ladders, stack brick work, stack concrete, stack lining, stack painting (first), when set on separate foundations, independent of substructure or superstructure of building.
14. Station piping, including pipe, valves, fittings, separators, traps, desuperheaters, hangers excavation, covering, etc., for station piping system, including all steam, condensate, boiler feed and water supply piping, etc.
15. Stoker or equivalent feeding equipment, including stokers and accessory motors, clinker grinders, fans and motors, etc.
16. Ventilating equipment.
17. Water purification equipment, including softeners and accessories, evaporators and accessories, heat exchangers, filters, tanks for filtered or softened water, pumps, motors, etc.
18. Water supply systems, including pumps, motors, strainers, raw water storage tanks, boiler wash pumps, intake and discharge pipes and tunnels not a part of a building.
19. Wood fuel equipment, including hoppers, fuel hogs and accessories, elevators and conveyors, bins and gates, spouts, measuring equipment and associated drives.

323. Other Power Production Equipment.

A. This account shall include the cost installed of any equipment used for the production of power, other than boiler plant equipment, principally for use in pumping operations.

B. Subdivisions shall be maintained hereunder for the cost of equipment used for each type of power produced, such as hydraulic works, generators, etc.

324. Steam Pumping Equipment.

This account shall include the cost installed of pumping equipment driven by steam.

ITEMS

1. Engines for driving pumps.
2. Pumps, including setting, gearing, shafting and belting.
3. Water piping within station, including valves.
4. Auxiliary equipment for engines and pumps such as oiling systems, cooling systems, condensers, etc.
5. Steam lines and valves.
6. Regulating, recording and measuring devices.
7. Foundations, frames and bed plates.
8. Ladders, stairs and platforms if a part of pumping unit.

325. Electric Pumping Equipment.

This account shall include the cost installed of pumping equipment driven by electric power.

ITEMS

1. Motors for driving pumps.
2. Pumps, including setting, gearing, shafting and belting.
3. Water piping within station, including valves.
4. Auxiliary equipment for motors and pumps such as oiling systems, cooling systems, condensers, etc.
5. Electric power lines and switching.
6. Regulating, recording and measuring devices.
7. Foundations, frames and bed plates.
8. Ladders, stairs and platforms if a part of pumping unit.

326. Diesel Pumping Equipment.

This account shall include the cost installed of pumping equipment driven by diesel engines.

ITEMS

1. Engines for driving pumps.
2. Pumps, including setting, gearing, shafting and belting.
3. Water piping within station, including valves.
4. Auxiliary equipment for engines and pumps such as oiling systems, cooling systems, condensers, etc.
5. Oil supply lines and accessories.
6. Regulating, recording and measuring devices.
7. Foundations, frames and bed plates.
8. Ladders, stairs and platforms if a part of pumping unit.

327. Hydraulic Pumping Equipment.

This account shall include the cost installed of pumping equipment driven by hydraulic power.

ITEMS

1. Water wheels and turnbines for driving pumps.
2. Pumps, including setting, gearing, shafting and belting.
3. Water piping within station, including valves.
4. Auxiliary equipment for water wheels and turbines and pumps such as oiling systems, cooling systems, condensers, etc., (within walls of pumping station structure).

5. Regulating, recording and measuring devices.
6. Foundations, frames and bed plates.
7. Ladders, stairs and platforms if a part of pumping unit.

328. Other Pumping Equipment.

This account shall include cost of equipment used in pumping operations not properly includible in accounts 324, 325, 326, and 327, such as gas engine and gasoline engine pumping equipment. Subdivisions shall be maintained hereunder for each type of pumping equipment.

4. WATER TREATMENT PLANT

330. Land and Land Rights.

This account shall include the cost of land and land rights used in connection with water treatment plant operations. (See Utility Plant Instruction 3.)

331. Structures and Improvements.

This account shall include the cost in place of structures and improvements used in connection with the operation of the water treatment plant. (See Utility Plant Instruction 4.)

332. Water Treatment Equipment.

This account shall include the cost installed of apparatus, equipment and other facilities used for the treatment of water.

ITEMS

Aerators (when installed as an integral part of the Water Treatment Plant):

1. Air compressor.
2. Piping system, including valves.
3. Spray nozzles.
4. Substructures.

Chemical Treating Plant:

1. Agitating equipment.
2. Ammonia machines.
3. Carbonating equipment.
4. Chemical manufacturing plants.
5. Chemical pumps.
6. Chlorine machines.
7. Coke.
8. Dry feed machines.
9. Dry storage bins.
10. Electrolytic cell.
11. Elevator (when not part of building).

12. Fluoridation equipment.
13. Gauges.
14. Gravity feed or pump feed apparatus.
15. Motors.
16. Piping system, including valves.
17. Rate controllers.
18. Sludge pumps.
19. Softening equipment.
20. Solution feed equipment.
21. Solution tanks.
22. Switchboards.
23. Weighing equipment.

Clear Water Basin:

1. Basin.
2. Gauges.
3. Piping system, including valves.
4. Substructures.

Filter Plant:

1. Air blower and compressor.
2. Filters.
3. Gauges.
4. Piping system.
5. Rate controllers.
6. Sand, gravel or other filtering media.
7. Substructures.
8. Surface work equipment.
9. Valve control tables.
10. Valve operating mechanism.
11. Valves.
12. Wash troughs.
13. Wash water pumps.
14. Wash water tanks.

Mixing Chambers:

1. Piping system, including valves.
2. Chambers.
3. Mechanical or flash mixers.

Sedimentation or Coagulation Basin:

1. Basins.
2. Coagulant storage tanks.
3. Feeder equipment.
4. Industrial railroad.
5. Mechanical mixers.
6. Orifice devices.

7. Piping system, including valves.
8. Screens and hoists.
9. Sludge removal apparatus.

Softening Plant:

1. Clear water basins.
2. Gauges.
3. Gravel.
4. Meters.
5. Mixing tanks and chambers.
6. Permanent chemical softening agents.
7. Piping system, including valves.
8. Salt solution or brine tanks and appurtenances.
9. Salt solution pumps.
10. Salt storage bins.
11. Sedimentation or coagulation basins.
12. Substructures.
13. Underdrain systems.
14. Wash water controllers.

Note. — Protecting superstructures shall be included in account 331, Structures and Improvements.

5. TRANSMISSION AND DISTRIBUTION PLANT

340. Land and Land Rights.

This account shall include the cost of land and land rights used in connection with transmission and distribution operations. (See Utility Plant Instruction 3.)

341. Structures and Improvements.

This account shall include the cost in place of structures and improvements, other than reservoirs and standpipes, used in connection with transmission and distribution operations. (See Utility Plant Instruction 4.)

342. Distribution Reservoirs and Standpipes.

This account shall include the cost in place of reservoirs, tanks, standpipes, and appurtenances used in storing water for distribution. (See Utility Plant Instruction 4.)

ITEMS

1. Aerators (when installed as an integral part of distribution reservoirs).
2. Bridges and culverts.
3. Clearing land.
4. Dams.
5. Embankments.

6. Fences.
7. Foundations.
8. Gates and gate houses.
9. Landscaping.
10. Lighting systems.
11. Piping system within reservoirs.
12. Retaining walls.
13. Roads and paths.
14. Rust-proofing apparatus.
15. Sewers.
16. Spillways and channels.
17. Standpipes.
18. Superstructures.
19. Tanks.
20. Towers.
21. Valves and appurtenances.
22. Valve vaults and houses.
23. Water level control apparatus.

343. Transmission and Distribution Mains.

This account shall include the cost installed of transmission and distribution mains and appurtenances.

ITEMS

1. Air chambers.
2. Blow-offs and overflows.
3. Bridges and culverts.
4. Electrolysis control equipment.
5. Gauges and recorders.
6. Jointing and jointing material.
7. Manholes.
8. Meters and appurtenances.
9. Municipal inspection or permits.
10. Pavement disturbed, including cutting and replacing pavement, pavement base and sidewalks.
11. Pipes.
12. Placing mains and accessories.
13. Pressure regulators.
14. Protection of street openings.
15. Shut-offs.
16. Special castings.
17. Sterilizing new mains.

18. Surge tanks.
19. Trenching, including shoring, bracing, bridging, pumping, backfill and disposal of excess excavated material.
20. Tunnels.
21. Valves and appurtenances.
22. Valve vaults.

344. Fire Mains.

This account shall include the cost installed of mains and appurtenances used exclusively for fire protection purposes. For items includible in this account, see account 343.

345. Services.

A. This account shall include the cost installed of service pipes and accessories leading to the customers' premises.

B. A complete service begins with the connection on the main and extends to but does not include the connection with the customer's meter. A stub service extends from the main to the property line, or the curb stop.

C. Services which have been used but have become inactive shall be retired from utility plant in service immediately if there is no prospect for reuse, and, in any event, shall be retired by the end of the second year following that during which the service became inactive unless reused in the interim.

ITEMS

1. Corporation stops or trees.
2. Gate valves and boxes.
3. Goose necks.
4. Jointing and jointing material.
5. Municipal inspection or permits.
6. Pavement disturbed, including cutting and replacing pavement, pavement base and sidewalks.
7. Pipes.
8. Placing pipes and accessories.
9. Protection of street openings.
10. Service or curb boxes.
11. Service or curb stops.
12. Tapping main.

Note A. — When a customer pays all or a part of the cost of the service and such cost is properly includible in this account, the amount born or contributed by the customer shall be credited to account 271, Contributions in Aid of Construction.

Note B. — The cost of rearranging, reconnecting and changing the location of services not retired shall be charged to account 600, Salaries and Wages, and/or account 650, Repairs of Water Plant, as appropriate.

346. Meters.

A. This account shall include the cost of meters, devices and appurtenances attached thereto, used for measuring the quantity of water delivered to users, whether actually in service or held in reserve.

B. When a meter is permanently retired from service, the amount at which it is included herein shall be credited to this account.

C. The records covering meters shall be so kept that the utility can furnish information as to the number of meters of each type and size in service and in reserve as well as the location of each meter included in this account.

ITEMS

1. Meters, including badging and initial testing.
2. Remote meter registers.

Note A. — This account shall not include meters for recording the output of a supply or treatment plant, or those located on mains. It includes only those meters to record water delivered to customers, including company use and for those used elsewhere in the system if a type available for general use.

Note B. — The utility shall maintain meter records in a form and manner to readily allow all meters to be classified as to type and size. Such records shall also indicate, for utility owned meters, whether the meter is in service or is held in reserve, and the number of meters in service owned by customers.

347. Meter Installations.

A. This account shall include the cost of labor employed, materials used and expenses incurred in connection with the original installation of customers' meters and devices and appurtenances attached thereto.

B. When a meter installation is permanently retired from service, the cost thereof shall be credited to this account.

ITEMS

1. Installation labor (first installation only).
2. Meter coupling.
3. Meter bars.
4. Meter yokes.
5. Meter fittings, connections and shelves.
6. Meter vaults or boxes.
7. Stops.

Note A. — The cost of labor in removing and resetting meters shall be charged to account 600, Salaries and Wages.

Note B. — The utility may include the cost of meter installations in account 346, Meters.

348. Hydrants.

A. This account shall include the cost installed of hydrants in service owned by the utility.

B. Records shall be kept so as to show number, size (nominal diameter of bottom connection), number and size of hose connections, diameter of main to which attached and type of hydrants classified as to public use and private use.

ITEMS

1. Connections to main.
2. Excavation, backfill, and disposal of excess excavated material.
3. Hydrants and fittings, including barrel and shoe.
4. Manholes.
5. Pavement disturbed, including cutting and replacing pavement, pavement base and sidewalks.
6. Pipe, including leads and drains.
7. Tee at main.
8. Valves and valve boxes.

349. Other Transmission and Distribution Plant.

This account shall include the cost installed of all other transmission and distribution system plant not provided for in the foregoing accounts.

ITEMS

1. Cisterns or basins.
2. Connections to main.
3. Excavation, backfill, and disposal of excess excavated material.
4. Fountains, basins, troughs, pools, etc.
5. Pavement disturbed, cutting and replacing pavement, pavement base and sidewalks.
6. Piping.
7. Valves and valve boxes.

6. GENERAL PLANT

370. Land and Land Rights.

This account shall include the cost of land and land rights used for utility purposes, the cost of which is not properly includible in other land and land rights accounts. (See Utility Plant Instruction 3.)

371. Structures and Improvements.

This account shall include the cost in place of structures and improvements used for utility purposes, the cost of which is not properly includible in other structures and improvements accounts. (See Utility Plant Instruction 4.)

372. Office Furniture and Equipment.

A. This account shall include the cost of office furniture and equipment owned by the utility and devoted to utility service, and not permanently attached to buildings, except the cost of such furniture and equipment which the utility elects to assign to other plant accounts on a functional basis.

ITEMS

1. Bookcases and shelves.
2. Desks, chairs, and desk equipment.
3. Drafting-room equipment.
4. Filing, storage, and other cabinets.
5. Floor covering.
6. Library and library equipment.
7. Mechanical office equipment, such as accounting machines, typewriters, etc.
8. Safes.
9. Tables.

373. Transportation Equipment.

This account shall include the cost of transportation vehicles used for utility purposes.

ITEMS

1. Airplanes.
2. Automobiles.
3. Bicycles.
4. Electrical vehicles.
5. Motor trucks.
6. Motorcycles.
7. Repair cars or trucks.
8. Tractors and trailers.
9. Other transportation vehicles.

379. Other General Equipment.

This account shall include the cost installed of the following equipment:

(1) Equipment used for the receiving, shipping, handling and storage of materials and supplies when not an integral part of the housing structure.

(2) Equipment specially provided for general shops when such equipment is not an integral part of the housing structure.

(3) Laboratory equipment used for general laboratory purposes and not specially provided for or includible in other departmental or functional plant accounts.

(4) Tools, implements, and equipment used in construction or repair work exclusive of equipment includible in other equipment accounts.

(5) Other general equipment, apparatus, etc., used in the utility's water operations, and which is not includible in any other account.

Note. — General equipment of the nature indicated above whenever practicable shall be assigned to the water plant accounts on a functional basis.

7. OTHER UTILITY PLANT

390. Other Tangilbe Property.

This account shall include the cost of tangible utility plant not provided elsewhere.

391. Utility Plant Purchased or Sold.

This account shall be charged with the cost of utility plant acquired as an operating unit or system by purchase, merger, consolidation, liquidation, or otherwise, and shall be credited with the selling price of like property transferred to others pending the distribution to appropriate accounts as the Commission shall approve or direct.

392. Utility Plant in Process of Reclassification.

A. This account shall include temporarily the balance of utility plant as of the effective date of the prior system of accounts, which has not yet been reclassified as of the effective date of this system of accounts. The detail or primary accounts in support of this account employed prior to such date shall be continued pending reclassification into the utility plant accounts herein prescribed but shall not be used for additions, betterments, or new construction.

B. No charges other than as provided in paragraph A, above, shall be made to this account, but retirements of such unclassified utility plant shall be credited hereto and to the supporting (old) fixed capital accounts until the reclassification shall have been accomplished.

393. Utility Plant Leased to Others.

A. This account shall include the original cost of utility plant owned by the utility, but leased to others as operating units or systems, where the lessee has exclusive possession.

B. The property included in this account shall be classified according to the detailed accounts prescribed for utility plant in service, and this account shall be maintained in such detail as though the property were used by the owner in its utility operations.

394. Property Held for Future Use.

A. This account shall include the original cost of property owned and held for future use in utility service under a definite plan for such use. There shall be included herein property acquired but never used by the utility in utility service, but held for such service in the future under a definite plan, and property previously used by the utility in utility service pending its reuse in the future, under a definite plan, in utility service.

B. The property included in this account shall be classified according to the detailed accounts prescribed for utility plant in service and the account shall be maintained in such detail as though the property were in service. Separate subaccounts shall be maintained hereunder for each utility department for which plant is held for future use.

Note. — Materials and supplies, and meters held in reserve, and normal spare capacity of plant in service shall not be included in this account.

395. Construction Work in Progress.

This account shall include the total of the balances of work orders for utility plant in process of construction but not ready for service at the date of the balance sheet.

396. Utility Plant Acquisition Adjustments.

A. This account shall include the difference between (a) the cost to the accounting utility of utility plant acquired as an operating unit or system by purchase, merger, consolidation, liquidation, or otherwise, and (b) the original cost, estimated, if not known, of such property, less the amount or amounts credited by the accounting utility at the time of acquisition to depreciation and amortization reserves and contributions in aid of construction with respect to such property.

B. The amounts recorded in this account with respect to each property acquisition shall be amortized, or otherwise disposed of, as the Commission may approve or direct.

397. Other Utility Plant Adjustments.

A. This account shall include the difference between the original cost, estimated if not known, and the book cost of utility plant to the extent that such difference is not properly includible in account 396, Utility Plant Acquisition Adjustments.

B. Amounts included in this account shall be classified in such manner as to show the origin of each amount and shall be disposed of as the Commission may approve or direct.

Note. — The provisions of this account shall not be construed as approving or authorizing the recording of appreciation of utility plant.

INCOME ACCOUNTS

1. Utility Operating Income

400. Operating Revenues
Operating Expenses:
401. Operation and Maintenance Expense
403. Depreciation Expense
404. Amortization Expense
408.1 Taxes Other than Income Taxes Utility Operating Income
409.1 Income Taxes Utility Operating Income
410.1 Provision for Deferred Income Taxes Utility Operating Income
411.1 Income Taxes Deferred in Prior Years — Credit, Utility Operating Income
412.1 Investment Tax Credits, Credits, Utility Operations Deferred to Future Periods
412.2 Investment Tax Credits, Utility Operations, Restored to Operating Income
Total Operating Expenses
Operating Income
Other Operating Income:
413. Income from Utility Plant Leased to Others
414. Gains (Losses) from Disposition of Utility Property
Total Utility Operating Income

2. Other Income and Deductions

A. Other Income

415. Revenues from Merchandising, Jobbing and Contract Work
416. Costs and Expenses of Merchandising, Jobbing and Contract Work
418. Nonoperating Rental Income
419. Interest and Dividend Income
420. Allowance for Funds Used During Construction
421. Miscellaneous Nonoperating Income
422. Gains (Losses) from Disposition of Property
Total Other Income

B. Other Income Deductions

425. Miscellaneous Amortization

426. Miscellaneous Income Deductions
Total Other Income Deductions
Total Other Income and Deductions

C. Taxes Applicable to Other Income and Deductions

408.2 Taxes Other Than Income Taxes, Other Income and Deductions
409.2 Income Taxes, Other Income and Deductions
410.2 Provision for Deferred Income Taxes, Other Income and Deductions
411.2 Income Taxes Deferred in Prior Years — Credit, Other Income and Deductions
412.3 Investment Tax Credits, Utility Operations, Restored to Nonoperating Income
412.4 Investment Tax Credits, Nonutility Operations, Net
Total Taxes on Other Income and Deductions
Net Other Income and Deductions

3. Interest Charges

427. Interest on Long-Term Debt
428. Amortization of Debt Discount and Expense
429. Amortization of Premium on Debt — Cr.
430. Interest on Debt to Associated Companies
431. Other Interest Expense
Total Interest Charges
Income Before Extraordinary Items

4. Extraordinary Items

433. Extraordinary Income
434. Extraordinary Deductions
409.3 Income Taxes, Extraordinary Items
Net Income

INCOME ACCOUNTS

1. UTILITY OPERATING INCOME

400. Operating Revenues.

There shall be shown under this caption the total amount included in the operating revenue accounts provided herein and in similar accounts for other utility departments. Separate subaccounts shall be maintained for each utility department.

401. Operation and Maintenance Expense.

There shall be shown under this caption the total amount included in the operation and maintenance expense accounts provided herein and in similar accounts for other utility departments. Separate subaccounts shall be maintained for each utility department.

403. Depreciation Expense.

This account shall include the amount of depreciation expense for the period covered by the income statement for all classes of depreciable utility plant in service except such depreciation expense as is chargeable to clearing accounts or to merchandising, jobbing and contract work activities.

If the utility is engaged in more than one utility service, a separate account shall be kept hereunder for each utility service.

404. Amortization Expense.

This account shall include amortization charges applicable to amounts included in the utility plant accounts for limited-term franchises, licenses, patent rights, limited-term interests in land, and expenditures on leased property where the service life of the improvements is terminable by action of the lease. The charges to this account shall be such as to distribute the book cost of each investment as evenly as may be over the period of its benefit to the utility. Include also, when authorized by the Commission, amortization of extraordinary property losses. (See account 182, Extraordinary Property Losses.)

408. Taxes Other Than Income Taxes.

A. This account shall include the amount of ad valorem, gross revenue or gross receipts taxes, regulatory agency general assessments for purposes of public utility regulation, state unemployment insurance, franchise taxes, federal excise taxes, social security taxes, and all other taxes assessed by federal, state, county, municipal, or other local governmental authorities, except income taxes.

B. This account shall be charged in each accounting period with the amount of taxes which is applicable thereto, with concurrent credits to account 236, Taxes Accrued, or account 166, Prepayments, as appropriate. When it is not possible to determine the exact amount of taxes, the amount shall be estimated and adjustments made in current accruals as the actual tax levies become known.

C. The charges to this account shall be made or supported so as to show the amount of each tax and the basis upon which each charge is made. In the case of a utility rendering a number of utility services, taxes includible in this account shall be assigned directly to the utility department the operation of which gave rise to the tax insofar as practicable. Where the tax is not attributable to a specific utility department, it shall be distributed among the utility departments or nonutility operations on an equitable basis.

D. This account shall be maintained according to the subaccounts 408.1 and 408.2 inclusive as shown below.

Note A. — Special assessments for street and similar improvements shall be included in the appropriate utility plant or nonutility property account.

Note B. — Taxes specifically applicable to construction shall be included in the cost of construction.

Note C. — Gasoline and other sales taxes shall be charged as far as practicable to the same account as the materials on which the tax is levied.

Note D. — Social security and other forms of so-called payroll taxes shall be distributed to utility departments and to nonutility functions on a basis related to payroll. Amounts applicable to construction shall be charged to the appropriate plant account.

Note E. — Interest on tax refunds or deficiencies shall not be included in this account but in account 419, Interest and Dividend Income, or 431, Other Interest Expense, as appropriate.

408.1 Taxes Other Than Income Taxes, Utility Operating Income.

This account shall include those taxes recorded in account 408, Taxes Other Than Income Taxes, which relate to utility operating income. This account shall be maintained so as to allow ready identification of taxes relating to Utility Operating Income (by department), Utility Plant Leased to Others and Other Utility Operating Income.

408.2 Taxes Other Than Income Taxes, Other Income and Deductions.

This account shall include those taxes recorded in account 408, Taxes Other Than Income Taxes, which relate to Other Income and Deductions.

409. Income Taxes.

A. This account shall include the amount of state and federal income taxes properly accruable during the period covered by the income statement to meet the actual liability for such taxes. Concurrent credits for the tax accruals shall be made to account 236, Taxes Accrued, and as the exact amount of taxes become known, the current tax accruals shall be adjusted by a charge or credit to this account, unless such adjustment is properly includible in account 439, Adjustments to Retained Earnings, so that this account as nearly as can be ascertained shall include the actual taxes payable by the utility. (See general instruction 5 for prior period adjustment.)

B. The accruals for state and federal income taxes shall be apportioned to Utility Operating Income (by department), Other Income and Deductions and Extraordinary Items so that, as nearly as practicable, each tax shall be included in the expenses of the utility department, Other Income and Deductions or Extraordinary Items, the income from which gave rise to the tax. The income tax effect of amounts recorded in account 439, Adjustments to Retained Earnings, shall be recorded in that account. The tax effects relating to interest charges, other than interest specifically applicable to indebtedness on property in accounts 121 and 124, shall be included in account 409.1, Income Taxes, Utility Operating Income.

C. This account shall be maintained according to the subaccounts 409.1, 409.2 and 409.3 inclusive, as shown below.

Note A. — Taxes assumed by the utility on interest shall be charged to account 431, Other Interest Expense.

Note B. — Interest on tax refunds or deficiencies shall not be included in this account but in account 419, Interest and Dividend Income, or account 431, Other Interest Expense, as appropriate.

409.1 Income Taxes, Utility Operating Income.

This account shall include the amount of those state and federal income taxes reflected in account 409, Income Taxes, which relate to utility operating income after interest charges and other tax adjustments. This account shall be maintained so as to allow ready identification of tax effects (both positive and negative) relating to Utility Operating Income (by department), Utility Plant Leased to Others and Other Utility Operating Income.

409.2 Income Taxes, Other Income and Deductions.

This account shall include the amount of those state and federal income taxes reflected in account 409, Income Taxes (both positive and negative), which relate to Other Income and Deductions.

409.3 Income Taxes, Extraordinary Items.

This account shall include the reflected amount of those state and federal income taxes in account 409, Income Taxes (both positive and negative), which relate to Extraordinary Items.

410. Provision for Deferred Income Taxes.

A. This account shall be debited, and Accumulated Deferred Income Taxes shall be credited with an amount equal to any deferral of taxes on income as provided by the texts of accounts 281, 282 and 283. There shall not be netted against entries required to be made to this account any credit amounts appropriately includible in account 411, Income Taxes Deferred in Prior Years — Credit.

B. This account shall be maintained according to the subaccounts 410.1 and 410.2 inclusive, as shown below.

410.1 Provisions for Deferred Income Taxes, Utility Operating Income.

This account shall include the amount of those deferred income taxes reflected in account 410, Provision for Deferred Income Taxes, which relate to Utility Operating Income (by department).

410.2 Provisions for Deferred Income Taxes, Other Income and Deductions.

This account shall include the amount of those deferred income taxes reflected in account 410, Provision for Deferred Income Taxes, which relate to Other Income and Deductions.

411. Income Taxes Deferred in Prior Years — Credit.

A. This account shall be credited and Accumulated Deferred Income Taxes debited with an amount equal to the portion of taxes on income payable for the year that is attributable to a deferral of taxes on income in a prior year, in accordance with the plan of deferred tax accounting provided by the texts of accounts 281, 282 and 283. There shall not be netted against entries required to be made to this account any debit amounts appropriately includible in account 410, Provision for Deferred Income Taxes.

B. This account shall be maintained according to the subaccounts 411.1 and 411.2 inclusive, as shown below.

411.1 Income Taxes Deferred in Prior Years — Credit, Utility Operating Income.

This account shall include the amount of those taxes deferred in prior years — credit, reflected in account 411, Income Taxes Deferred in Prior Years — Credit, which relate to Utility Operating Income (by department).

411.2 Income Taxes Deferred in Prior Years — Credit, Other Income and Deductions.

This account shall include the amount of those taxes deferred in prior years — credit, reflected in account 411, Income Taxes Deferred in Prior Years — Credit, which relate to Other Income and Deductions.

412. Investment Tax Credits.

A. This account shall be debited with the total amount of investment tax credits used in calculating the reported current year's income taxes, except to the extent that such investment tax credits are to be passed on to customers currently, as approved or directed by the Commission.

1. Where the investment tax credits are passed on to customers currently, they are to be treated solely as a reduction in income taxes for the year and no entries would be necessary.
2. When a company is using deferral accounting for the investment tax credits allowed for the current year, account 255, Accumulated Deferred Investment Tax Credits, shall be credited with an equal amount of the investment tax credits

debited to this account. Investment tax credits related to property used in utility operations will be debited to subaccount 412.1. Investment tax credits related to property used in nonutility operations will be debited to subaccount 412.4.

B. A company which has deferred its investment tax credits will amortize these deferred tax amounts by crediting this account and debiting account 255. Such annual amortization shall be allocated proportionately over the average useful life of the property to which the tax credits relate or such lesser period as may be adopted and consistently used by the company.

1. In amortizing the deferred investment tax credits related to property used in utility operations, the annual amount as credited to account 412 may or may not be passed on to customers in accordance with the election made by the company as provided in the Revenue Act of 1971. Where the company has elected the "Special Rule for Ratable Flow-Through" the annual amortization is to be credited to subaccount 412.2. Where the company has elected the "General Rule" the annual amortization is to be credited to subaccount 412.3.

2. In amortizing the deferred investment tax credits related to property used in nonutility operations, the annual amount is credited to account 412.4.

C. This account shall be kept so that the debits and credits relating to each utility department and each nonutility operation may be readily identified.

D. This account shall be maintained according to subaccounts 412.1, 412.2, 412.3, and 412.4 as shown below.

412.1 Investment Tax Credits, Utility Operations, Deferred to Future Periods.

A. This account shall be debited with the amounts of realized investment tax credits relative to utility operations deferred to future periods and credited to account 255, Accumulated Deferred Investment Tax Credits.

B. This account shall be kept so that the debits relating to each utility department may be readily identified.

412.2 Investment Tax Credits, Utility Operations, Restored to Operating Income.

A. This account shall be credited with the amounts debited to account 255, Accumulated Deferred Investment Tax Credits, relative to utility operations for the proportionate amounts of deferred investment tax credits being restored to income in accordance with the "Special Rule for Ratable Flow-Through" as provided in the Revenue Act of 1971.

B. This account shall be kept so that the credits relating to each utility department may be readily identified.

412.3 Investment Tax Credits, Utility Operations, Restored to Non-operating Income.

A. This account shall be credited with the amounts debited to account 255, Accumulated Deferred Investment Tax Credits, relative to utility operations for proportionate amount of deferred investment tax credits being restored to income in accordance with the "General Rule" as provided in the Revenue Act of 1971.

B. This account shall be kept so that the credits relating to each utility department may be readily identified.

412.4 Investment Tax Credits, Nonutility Operations, Net.

A. This account shall be debited with the amount of realized investment tax credits relative to nonutility operations deferred to future periods and credited to account 255.

B. This account shall also be credited with the amounts debited to account 255, Accumulated Deferred Investment Tax Credits, relative to nonutility operations for the proportionate amounts of deferred investment tax credits being restored to income.

C. This account shall be kept so that the debits and credits related to each nonutility operation may be readily identified.

413. Income from Utility Plant Leased to Others.

A. This account shall include revenues from utility property constituting a distinct operating unit or system leased by the utility to others, and which property is properly includible in account 393, Utility Plant Leased to Others, and the expenses attributable to such property. A series of subaccounts shall be maintained for each operating unit or system leased to show separately revenues and expenses.

B. The detail of expense shall be kept or supported so as to show separately the following:

Operation and Maintenance
Depreciation
Amortization

Note. — Related operating taxes shall be recorded in account 408.1, Taxes Other than Income Taxes, Utility Operating Income, and income taxes shall be recorded in account 409.1, Income Taxes Utility Operating Income, identified separately.

414. Gains (Losses) from Disposition of Utility Property.

A. This account shall include when authorized or required by the Commission, gains and losses from the sale, conveyance, exchange or transfer of utility property to another. (See utility instruction 6B and account 422, Gains (Losses) from Disposition of Property.) The income tax effect attributable to gains and losses recorded in this account shall be recorded in account 409.1, Income Taxes, Utility Operating Income.

B. This account shall be maintained so that the transactions and details underlying each gain or loss will be readily identifiable.

2. OTHER INCOME AND DEDUCTIONS.

A. Other Income

415. Revenues from Merchandising, Jobbing and Contract Work.

416. Costs and Expenses of Merchandising, Jobbing and Contract Work.

These accounts shall include, respectively, all revenues derived from the sale of merchandise and jobbing or contract work including any profit or commission accruing to the utility on jobbing work performed by it as agent under contracts whereby it does jobbing work for another for a stipulated profit or commission, and all expenses incurred in such activities.

Note.—Related operating taxes shall be recorded in account 408.2, Taxes Other than Income Taxes, Other Income and Deductions, and income taxes shall be recorded in account 409.2, Income Taxes, Other Income and Deductions.

ITEMS

Account 415:

1. Charges for installing meters owned by customers.
2. Charges for tapping mains and installing services when not includible in account 345, Services.
3. Revenues from sales of meters to customers or others for installation on customers' premises.
4. Revenues from sale of water appliances and from piping and other jobbing or contract work.
5. Discounts and allowances made in settlement of bills for merchandise and jobbing work.

Account 416:

1. Cost of merchandise sold and of materials used for jobbing work, including transportation, storage and handling.
2. Payroll and related labor costs and expenses of employees engaged in selling, delivery, and installation of appliances or of jobbing or contract work.
3. Clerical labor and expense in merchandise and jobbing activities.
4. Inventory adjustments applicable to merchandise and jobbing stock.
5. Light, heat and power.
6. Losses from uncollectible accounts.
7. Shop expenses.
8. Tool expenses.
9. Supervision of merchandise and jobbing activities.

418. Nonoperating Rental Income.

This account shall include all rent revenues and related expenses of land, buildings, or other property included in account 121, Nonutility Property.

Note. — Related operating taxes shall be recorded in account 408.2, Taxes Other than Income Taxes, Other Income and Deductions, and income taxes shall be recorded in account 409.2, Income Taxes, Other Income and Deductions.

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419. Interest and Divident Income.

This account shall include interest revenues on securities, loans, advances, special deposits, tax refunds and all other interest-bearing assets, and dividends on stocks of other companies, whether the securities on which the interest and dividends are received are carried as investments or included in sinking- or other special-fund accounts.

Note. — Related operating taxes shall be recorded in account 408.2, Taxes Other than Income Taxes, Other Income and Deductions, and incomes taxes shall be recorded in account 409.2, Income Taxes, Other Income and Deductions.

420. Allowance for Funds Used During Construction.

This account shall include concurrent credits for allowance for funds used during construction based upon the net cost for the period of construction of borrowed funds used for construction purposes and a reasonable rate upon other funds when so used. (See utility plant instruction 2.)

421. Miscellaneous Nonoperating Income.

This account shall include all revenue and expense items, except taxes, properly includible in the income account and not provided for elsewhere. Related operating taxes shall be recorded in account 408.2, Taxes Other than Income Taxes, Other Income and Deductions, and income taxes shall be recorded in account 409.2, Income Taxes, Other Income and Deductions.

422. Gains (Losses) from Disposition of Property.

A. This account shall include gains and losses on the sale, conveyance, exchange or transfer of utility or other property to another unless otherwise authorized or required by the Commission. (See utility plant instruction 6B and account 414, Gains (Losses) from Disposition of Utility Property.) The income tax effect attributable to gains and losses shall be recorded in account 409.2, Income Taxes, Other Income and Deductions.

B. This account shall be maintained so that the transactions and details underlying each gain or loss will be readily identifiable.

B. Other Income Deductions

425. Miscellaneous Amortization.

This account shall include amortization charges not includible in other accounts which are properly deductible in determining the income of the utility before interest charges. Charges includible herein, if significant in amount, must be in accordance with an orderly and systematic amortization program.

ITEMS

1. Amortization of utility plant acquisition adjustments or of intangibles

included in utility plant in service when not authorized to be included in utility operating expenses by the Commission.

2. Amortization of amounts in account 182, Extraordinary Property Losses, when not authorized to be included in utility operating expenses by the Commission.
3. Amortization of capital stock expenses when in accordance with a systematic amortization program.

426. Miscellaneous Income Deductions.

This account shall include miscellaneous expense items which are nonoperating in nature but which are properly deductible before determining total income before interest charges. Separate subaccounts shall be maintained for each category of expense as indicated by the following item list.

ITEMS

1. Donations for charitable, social or community welfare purposes.
2. Life insurance of officers and employees where utility is beneficiary (net premiums less increase in cash surrender value of policies).
3. Penalties or fines for violation of statutes pertaining to regulation.
4. Expenditures for the purpose of:
   a) Influencing public opinion with respect to the election or appointment of public officials, or the adoption, repeal, revocation or modification of referenda, legislation or ordinances.
   b) Influencing public opinion with respect to obtaining approval, modification or revocation of franchises.
   c) Influencing the decisions of public officials not including such expenditures which are directly related to appearances before regulatory or other governmental bodies in connection with the utility's existing or proposed operations.
5. Loss relating to investments in securities written-off or written-down.
6. Loss on sale of investments.
7. Loss on reacquisition, resale or retirement of utility's debt securities.
8. Preliminary survey and investigation expenses related to abandoned projects, when not written-off to the appropriate operating expense account.
9. Golf club dues, social club dues and service club dues (Kiwanis, Rotary, etc.), house charges and items of a similar nature whether such expenditures are made directly by the utility or indirectly by payment or reimbursement to associated companies, officers, or other employees, or by any other direct or indirect means.

3. INTEREST CHARGES

427. Interest on Long-Term Debt.

A. This account shall include in each accounting period the amount of interest applicable thereto on outstanding long-term debt issued or assumed by the utility, the liability for which is included in account 221, Bonds, or account 224, Other Long-Term Debt.

B. This account shall be so kept or supported as to show the interest accruals on each class and series of long-term debt.

Note. — This account shall not include interest on nominally issued or nominally outstanding long-term debt, including securities assumed.

428. Amortization of Debt Discount and Expense.

A. This account shall include in each accounting period the portion of unamortized debt discount and expense on outstanding long-term debt which is applicable to such period. Amounts charged to this account shall be credited concurrently to account 181, Unamortized Debt Discount and Expense.

B. This account shall be so kept or supported as to show the debt discount and expense on each class and series of long-term debt.

429. Amortization of Premium on Debt — Cr.

A. This account shall include in each accounting period the portion of unamortized net premium on outstanding long-term debt which is applicable to such period. Amounts credited to this account shall be charged concurrently to account 251, Unamortized Premium on Debt.

B. This account shall be so kept or supported as to show the premium on each class and series of long-term debt.

430. Interest on Debt to Associated Companies.

A. This account shall include in each accounting period, the interest accrued on amounts included in account 223, Advances from Associated Companies, and on all other obligations to associated companies.

B. The records supporting the entries to this account shall be so kept as to show to whom the interest is to be paid, the period covered by the accrual, the rate of interest and the principal amount of the advances or other obligations on which the interest is accrued.

431. Other Interest Expense.

This account shall include in each accounting period all interest charges not provided for elsewhere.

ITEMS

1. Interest on notes payable on demand, or maturing one year or less from

date and on open accounts, except notes and accounts with associated companies.

2. Interest on customers' deposits.
3. Interest on claims and judgments, tax assessments, and assessments for public improvements past due.
4. Income and other taxes levied upon bondholders of utility and assumed by it.

4. EXTRAORDINARY ITEMS

433. Extraordinary Income.

Upon approval of the Commission this account shall be credited with nontypical, noncustomary, infrequently recurring gains, which would significantly distort the current year's income computed before extraordinary items, if reported other than as extraordinary items. The applicable income tax effects of this account shall be recorded in account 409.3, Income Taxes, Extraordinary Items, identified separately. (See general instruction 4.)

434. Extraordinary Deductions.

Upon approval of the Commission this account shall be debited with nontypical, noncustomary, infrequently recurring losses, which would significantly distort the current year's income computed before extraordinary items, if reported other than as extraordinary items. The applicable income tax effects of this account shall be recorded in account 409.3, Income Taxes, Extraordinary Items, identified separately. (See general instruction 4.)

RETAINED EARNINGS ACCOUNTS

216. Unappropriated Retained Earnings (at beginning of period).
435. Balance Transferred from Income.
436. Appropriations of Retained Earnings.
437. Dividends Declared — Preferred Stock.
438. Dividends Declared — Common Stock.
439. Adjustments to Retained Earnings.
216. Unappropriated Retained Earnings (at end of period).

RETAINED EARNINGS ACCOUNTS

435. Balance Transferred from Income.

This account shall include the net credit or debit transferred from income for the year.

436. Appropriations of Retained Earnings.

This account shall include appropriations of retained earnings.

ITEMS

1. Appropriations requried under terms of mortgages, orders of courts, contracts or other agreements.
2. Appropriations required by action of regulatory authorities.
3. Other appropriations made at option of utility for specific purposes.

437. Dividends Declared — Preferred Stock.

A. This account shall include amounts declared payable out of retained earnings as dividends on actually outstanding preferred or prior lien capital stock issued by the utility.

B. Dividends shall be segregated for each class and series of preferred stock as to those payable in cash, stock and other forms. If not payable in cash, the medium of payment shall be described with sufficient detail to identify it.

438. Dividends Declared — Common Stock.

A. This account shall include amounts declared payable out of retained earnings as dividends on actually outstanding common capital stock issued by the utility.

B. Dividends shall be segregated for each class of common stock as to those payable in cash, stock and other forms. If not payable in cash, the medium of payment shall be described with sufficient detail to identify it.

439. Adjustments to Retained Earnings.

A. This account shall include significant nonrecurring transactions relating to prior periods. Other than transactions of capital stock as specified in paragraph B below, all entries to this account must receive prior Commission approval. These transactions are limited to those adjustments which (a) can be specifically identified with and related to the business activities of particular prior periods, and (b) are not attributable to economic events occurring subsequent to the date of the financial statements for the prior period, and (c) depend primarily on determinations by persons other than the management and (d) were not susceptible of reasonable estimation prior to such determination. This account shall also include the related income tax effects (State and Federal) on items included herein. All items included in this account shall be sufficiently described in the entries relating thereto as to permit ready analysis.

B. Adjustments, charges or credits due to losses on reacquisition, resale or retirement of the company's own capital stock shall be included in this account. (See account 217, Reacquired Capital Stock, for the treatment of gains.)

ITEMS

1. Significant nonrecurring adjustments or settlement of income taxes.
2. Significant amounts resulting from litigation or similar claims.
3. Significant amounts relating to adjustments or settlements of utility revenue under rate processes.
4. Significant adjustments to plant in service depreciation and amortization as a result of Commission direction.
5. Write-off of unamortized capital stock expenses.

OPERATING REVENUE ACCOUNTS

1. Sales of Water

460. Unmetered Sales to General Customers
461. Metered Sales to General Customers
462. Private Fire Protection Service
463. Public Fire Protection Service
464. Other Sales to Public Authorities
465. Sales to Irrigation Customers
466. Sales for Resale
467. Interdepartmental Sales

2. Other Operating Revenues

470. Forfeited Discounts
474. Other Water Revenues

OPERATING REVENUE ACCOUNTS

1. SALES OF WATER

460. Unmetered Sales to General Customers.

A. This account shall include the net billing for water supplied for residential, commercial and industrial (except irrigation) purposes where the charge is not dependent in any way on the quantity of water delivered but is based on diameter of service pipe, room, foot of frontage or other similar unit.

B. Records shall be maintained so that the estimated quantity of water sold and the amount of revenue under each rate schedule shall be readily available.

C. This account shall be subdivided at least as follows:

460.1 Unmetered Sales to Residential Customers,

460.2 Unmetered Sales to Commercial Customers,

460.3 Unmetered Sales to Industrial Customers,

460.4 Unmetered Sales to Public Authorities.

461. Metered Sales to General Customers.

A. This account shall include the net billing for measured water supplied for residential, commercial or industrial (except irrigation) purposes where the total charge is, or may be, in any way dependent on the quantity of water delivered.

B. Records shall be maintained so that the quantity of water sold and the amount of revenue under each rate schedule shall be readily available.

C. This account shall be subdivided at least as follows:

461.1 Metered Sales to Residential Customers,

461.2 Metered Sales to Commercial Customers,

461.3 Metered Sales to Industrial Customers,

461.4 Metered Sales to Public Authorities.

Note. — This account includes all revenues under service classifications which consist of a rate for a specified diameter of service pipe, or per meter, fixture, room, foot of frontage, or other similar unit, plus an additional charge or an adjustment dependent upon the quantity of water delivered.

462. Private Fire Protection Service.

A. This account shall include the net billing for the use of fire protection apparatus and for water delivered in connection therewith, for the protection from fire of specific facilities either privately or publicly owned, which are billed under distinct fire protection rate schedules.

B. Records shall be readily available to show the amount of revenue under each rate schedule.

463. Public Fire Protection Service.

A. This account shall include the net billing to municipalities and other public authorities for the use of mains, hydrants or other fire protection facilities and for water delivered in connection therewith for the purpose of fire protection to the general public.

B. Records shall be maintained to show the basis of the billing to each municipality.

464. Other Sales to Public Authorities.

A. This account shall include the net billing for water supplied to municipalities, or other subdivisions or agencies of state or federal governments, billed under special contracts or agreements or service classifications applicable only to public authorities.

B. Records shall be maintained so that the quantity (estimated if not metered) of water sold and the amount of revenue under each contract, agreement or rate schedule shall be readily available.

Note. — Do not include herein revenues from water supplied for resale or for fire protection, or from sales billed under general service classifications. (See accounts 460, 461, 463, and 466.)

465. Sales to Irrigation Customers.

A. This account shall include the net billing for water supplied for irrigation purposes, under distinct irrigation rates, billed under either metered or flat rate tariff schedules.

B. Records shall be maintained so that the quantity (estimated if not metered) of water sold and the amount of revenue under each rate schedule shall be readily available.

C. This account shall be subdivided as follows:

465.1 Metered Sales to Irrigation Customers,

465.2 Flat Rate Sales to Irrigation Customers.

466. Sales for Resale.

A. This account shall include the net billing for water supplied (including standby service) to other water utilities or to public authorities for resale purposes.

B. Records shall be maintained so that the quantity (estimated if not metered) of water sold and the amount of revenue received under each rate schedule shall be readily available.

Note. — Where the contract is reciprocal, i.e., where either party thereto may take water from the other, the total amount receivable for water supplied to the other party shall be included herein and the total amount payable for water received from the other party shall be charged to account 610, Purchased Water.

467. Interdepartmental Sales.

A. This account shall include amounts charged by the water department at tariff or other specified rates for water supplied by it to other departments of the utility.

B. Records shall be maintained so that the quantity of water supplied each other department and the charges therefor shall be readily available.

2. OTHER OPERATING REVENUES

470. Forfeited Discounts.

This account shall include the amount of discounts forfeited or additional charges imposed because of failure of customers to pay their water bills on or before a specified date.

474. Other Water Revenues.

This account shall include revenues derived from water operations not includible in any of the foregoing accounts.

ITEMS

1. Charges for maintenance of appliances, wiring, piping or other installations on customers' premises.
2. Fees for changing, connecting or disconnecting service.
3. Compensation for minor or incidental services provided for others such as customer billings, engineering, etc.
4. Profit or loss on sale of material and supplies not ordinarily purchased for resale and not handled through merchandising and jobbing accounts.
5. Rent from utility plant used in water operations.
6. Interdepartmental rents.
7. Sales of steam, but not including sales made by a steam-heating department or transfers of steam under joint facility operations.

OPERATION AND MAINTENANCE ACCOUNTS

1. Plant Operation and Maintenance

600. Salaries and Wages
610. Purchased Water
620. Fuel or Power Purchased for Pumping
630. Chemicals
640. Supplies and Expenses
650. Repairs of Water Plant
660. Transportation Expenses

2. General Expenses

680. Administrative and General Salaries
681. Office Supplies and Other Expenses
682. Outside Services Employed
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OPERATION AND MAINTENANCE ACCOUNTS

1. PLANT OPERATION AND MAINTENANCE

600. Salaries and Wages.

This account shall include the cost of labor in operating and maintaining all water utility plant including source of supply, water treatment, pumping, transmission and distribution facilities.

ITEMS

1. Operating source of supply facilities.
2. Operating power production facilities.
3. Operating pumping equipment.
4. Operating water treatment equipment and apparatus.
5. Operation of mains, services and hydrants.
6. Routine patrolling.
7. Electrolysis and soil corrosion investigations and tests.
8. Operating and lubricating gates and valves.
9. Observing and recording pressure.
10. Flushing mains and hydrants.
11. Reading and changing charts in master meters.
12. Removing and resetting, disconnecting and reconnecting, changing and relocating meters and associated equipment, except the cost of the first testing and setting of a meter which shall be charged to utility plant account 346, Meters, and 347, Meter Installations.
13. Turning on and shutting off service even though a meter is not installed or removed.
14. Inspecting and testing meters on premises or in shops.
15. Inspecting and adjusting meter testing equipment.
16. Customer installations work, such as, testing, inspecting, adjusting and repairing customers' installations, testing and inspecting services installed by customers, investigating and adjusting customers' service complaints, and changing customers' piping for convenience of utility.
17. Maintenance of water plant done by utility's own work force but not including bills for contract work done by others (see account 650, Repairs of Water Plant).

610. Purchased Water.

A. This account shall include the cost at the point of delivery of water purchased for resale. This includes charges for readiness to serve and the portion applicable to each accounting period of annual or more frequent payments for the right to divert water at the source of supply.

B. The records supporting this account shall be so kept as to show for each supplier from which water is purchased, point of delivery, quantity purchased, basis of charges, and the cost of water purchased. (See note to account 466, Sales for Resale.)

620. Fuel or Power Purchased for Pumping.

A. This account shall include the cost of fuel or power purchased used directly in operation of pumps.

B. This account shall also include the cost of power transferred to water pumping operations from other departments under joint facility arrangements.

ITEMS

1. Diesel fuel purchased.
2. Electric power purchased.
3. Gasoline purchased.
4. Gas purchased.
5. Other fuel or power purchased.
6. Steam power purchased.

630. Chemicals.

This account shall include the cost of all chemicals used in the treatment of water. Include also the entire cost of any chemicals manufactured by the utility.

ITEMS

1. Activated carbon.
2. Ammonia.
3. Caustic soda.
4. Chlorine.
5. Copper sulphate.
6. Fluorine compound.
7. High test hypochlorite.
8. Iron sulphate.
9. Lime.
10. Soda ash.
11. Soldium chlorite.
12. Sulphate of alumina.
13. Sulphuric acid.
14. Other chemicals.

640. Supplies and Expenses.

This account shall include the cost of supplies used and expenses incurred in the operation of water plant.

ITEMS

1. General operating supplies such as tools, gaskets, packing waste, gauge glasses, hose, indicating lamps, record and report forms, etc.
2. First-aid supplies and safety equipment.
3. Building service expenses.
4. Rents.
5. Utility service.
6. Transportation, meals and incidental expenses.

650. Repairs of Water Plant.

This account shall include the amount of bills from others for repairs made to water plant and the cost of repair parts for such plant. It does not include the cost of labor of the utility's own plant operating force.

Note. — The cost of rearranging and changing the location of mains and the cost of rearranging, reconnecting and changing the location of services, when such facilities are not retired, shall be charged to this account, except for the cost of any utility labor which shall be charged to account 600, Salaries and Wages.

ITEMS

1. Contract work in repairing plant and in rearranging or relocating plant not retired.
2. Repair parts and materials used in maintenance of water plant.

660. Transportation Expenses.

A. This account shall include the cost of labor, materials used and expenses incurred in the operation and maintenance of general transportation equipment of the utility.

B. This account may be used as a clearing account in which event the charges hereto shall be cleared by apportionment to the appropriate operating expense, utility plant, or other accounts on a basis which will distribute the expenses equitably. Credits to this account shall be made in such detail as to permit ready analysis.

ITEMS

1. Depreciation of transportation equipment.
2. Insurance on transportation equipment.
3. License fees for vehicles and drivers.
4. Rents for equipment and garages.
5. Repairs of transportation equipment.

6. Supplies, such as gas, oil, tires, tubes, grease, etc.

Note. — Transportation expenses applicable to construction shall not be included in operating expenses.

2. GENERAL EXPENSES

680. Administrative and General Salaries.

This account shall include the cost of supervision and labor incurred in administrative, customer accounts, and sales activities.

ITEMS

1. Accounting and clerical work on customers accounts and on general records.
2. Meter reading.
3. Solicitation of business.
4. Stenographic work.
5. Supervision and administration.

681. Office Supplies and Other Expenses.

This account shall include office supplies and other expenses incurred in connection with customer accounts, sales and general administration of the utility's operations.

ITEMS

1. Address plates and supplies.
2. Automobile service, including charges through clearing account.
3. Bank messenger and service charges.
4. Books, periodicals, bulletins and subscriptions to newspapers, newsletters, tax service, etc.
5. Building service expenses for customer accounts, sales, and administrative and general purposes.
6. Commissions or fees to others for collecting revenues.
7. Communication service expenses.
8. Cost of individual items of office equipment used by general departments which are of small value or short life.
9. Meals, traveling and incidental expenses.
10. Membership fees and dues in trade, technical, and professional associations paid by utility for employees. (Company memberships are includible in account 689.)
11. Meter books and binders.
12. Office supplies and expenses.
13. Payment of court costs, witness fees, and other expenses of legal department.

14. Postage, printing and stationery.
15. Rent of office equipment and other general plant.
16. Repairs of office equipment.

682. Outside Services Employed.

A. This account shall include the fees and expenses of professional consultants and others for general services which are not applicable to a particular operation function nor to other accounts. It shall include also the pay and expenses of persons engaged for a special or temporary administrative or general purpose in circumstances where the person so engaged is not considered an employee of the utility.

B. This account shall be so maintained as to permit ready summarization according to the nature of service and the person furnishing the same.

ITEMS

1. Fees, pay and expenses of accountants and auditors, actuaries, appraisers, attorneys, engineering consultants, management consultants, negotiators, public relations counsel, tax consultants, etc.
2. Supervision fees and expenses paid under contracts for general management services.

Note. — Do not include inspection and brokerage fees and commissions chargeable to other accounts or fees and expenses in connection with security issues which are includible in the expenses of issuing securities.

684. Insurance Expense.

A. This account shall include the cost of insurance or of reserve accruals (1) to protect the utility against losses and damages to owned or leased property used in its utility operations and (2) to protect the utility against injuries and damages claims of employees or others, losses of such character not covered by insurance, and expenses incurred in settlement of injuries and damages claims.

B. Recoveries from insurance companies or others for property damages shall be credited to the account charged with the cost of the damage. If the damaged property has been retired, the credit shall be to the appropriate account for accumulated provision for depreciation.

C. Reimbursements from insurance companies or others for expenses charged hereto on account of injuries and damages and insurance dividends or refunds shall be credited to this account.

686. Employees Pensions and Benefits.

A. This account shall include pensions paid to or on behalf of retired employees, or accruals to provide for pensions, or payments for the purchase of annuities for the purpose, when the utility has definitely, by contract, committed itself to a pension plan under which the pension funds are irrevocably devoted to pension purposes, and payment for employee accident, sickness, hospital, and death benefits, or insurance therefor. Include, also, expenses incurred in medical, educational or recreational activities for the benefit of employees.

B. The utility shall maintain a complete record of accruals or payments for pensions and be prepared to furnish full information to the Commission of the plan under which it has created or proposes to create a pension fund and a copy of the declaration of trust or resolution under which the pension plan is established.

C. There shall be credited to this account the portion of pensions and benefits expenses which is applicable to nonutility operations or which is charged to construction unless such amounts are distributed directly to the accounts involved and are not included herein in the first instance.

688. Regulatory Commission Expenses.

A. This account shall include all expenses (except pay of regular employees only incidentally engaged in such work) properly includible in utility operating expenses, incurred by the utility in connection with formal cases before regulatory commissions, or other regulatory bodies, or cases in which such a body is a party, including payments made to a regulatory commission for fees assessed against the utility for pay and expenses of such commission, its officers, agents, and employees.

B. Amounts of regulatory commission expense which by approval or direction of the Commission are to be spread over future periods shall be charged to account 183, Other Deferred Debits, and amortized by charges to this account.

C. The utility shall be prepared to show the cost of each formal case.

689. Miscellaneous General Expenses.

This account shall include the cost of expenses incurred in connection with the general management of the utility not provided for elsewhere.

ITEMS

1. Industry association dues for company memberships.
2. Contributions for conventions and meetings of the industry.
3. Experimental and general research work for the industry.
4. Communication service not chargeable to other accounts.
5. Trustee, registrar, and transfer agent fees and expenses.
6. Stockholders meeting expenses.
7. Dividend and other financial notices.
8. Printing and mailing dividend checks.
9. Directors' fees and expenses.
10. Publishing and distributing annual reports to stockholders.
11. Advertising. (See note below.)
12. Public notices of financial, operating, and other data required by regulatory statutes, not including, however, notices required in connection with security issues or acquisitions of property.

13. Rents for property used in customer accounts, sales or administrative and general functions.

Note. — The cost of any advertising for the purpose of influencing public opinion as to the election of public officers, referenda, proposed legislation, proposed ordinances, repeal of existing laws or ordinances, approval or revocation of franchises, or for the purpose of influencing the public or its elected officials, in respect to political matters shall not be included herein but charged to account 426, Other Income Deductions.

690. Uncollectible Accounts.

This account shall be charged with losses from uncollectible accounts or with accruals to provide for anticipated losses from uncollectible utility revenues. Such accruals shall be credited to account 144, Accumulated Provision for Uncollectible Accounts. If the accrual method is used, losses from uncollectible accounts shall be charged to account 144.