

Uniform System Of Accounts

For
Class C and D
Sewer Utilities

Prescribed by the

UTILITY REGULATORY COMMISSION
OF THE
COMMONWEALTH OF KENTUCKY

EFFECTIVE OCTOBER 1, 1979

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DEFINITIONS

When used in this system of accounts:

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

2. "Actually issued," as applied to securities issued or assumed by the utility, means those which have been sold to bona fide purchasers for a valuable consideration, those issued as dividends on stock, and those which have been issued in accordance with contractual requirements direct to trustees of sinking funds.

3. "Actually outstanding," as applied to securities issued or assumed by the utility, means those which have been actually issued and are neither retired nor held by or for the utility; provided, however, that securities held by trustees shall be considered as actually outstanding.

4. "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 applied, or over the period during which it is anticipated the benefit will be realized.

5. A. "Associated companies" means companies or persons that, directly or indirectly, through one or more intermediaries, control, or are controlled by, or are under common control with, the accounting company.

B. "Control" (including the terms "controlling," "controlled by," and "under common control with") means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a company, whether such power is exercised through one or more intermediary companies, or alone, or in conjunction with, or pursuant to an agreement, and whether such power is established through a majority or minority ownership or voting of securities, common directors, officers, or stockholders, voting trusts, holding trusts, associated companies, contract or any other direct or indirect means.

6. "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.

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

DEFINITIONS

8. "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.

9. "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.

10. "Debt expense" means all expenses in connection with the issuance and initial sale of evidence of debt, such as fees for drafting mortgages and trust deeds; fees and taxes for issuing or recording evidences of debt; cost of engraving and printing bonds and certificates of indebtedness; fees paid trustees; specific costs of obtaining governmental authority; fees for legal services; fees and commissions paid underwriters, brokers, and salesmen for marketing such evidences of debt; fees and expenses of listing on exchanges; and other like costs.

11. "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.

12. "Discount," as applied to the securities issued or assumed by the utility, means the excess of the par (stated value of no-par stocks) or face value of the securities plus interest or dividends accrued at the date of the sale over the cash value of the consideration received from their sale.

13. "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.

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

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

DEFINITIONS

16. "Nominally issued," as applied to securities issued or assumed by the utility means those which have been signed, certified, or otherwise executed, and placed with the proper officer for sale and delivery, or pledged, or otherwise placed in some special fund of the utility, but which have not been sold, or issued direct to trustees of sinking funds in accordance with contractual requirements.

17. "Nominally outstanding," as applied to securities issued or assumed by the utility, means those which, after being actually issued, have been reacquired by or for the utility under circumstances which require them to be considered as held alive and not retired; provided, however, that securities held by trustees shall be considered as actually outstanding.

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

19. "Person" means an individual, a corporation, a partnership, an association, a joint stock company, a business trust, or any organized group of persons whether incorporated or not, or any receiver or trustee.

20. "Premium," as applied to the securities issued or assumed by the utility, means the excess of the cash value of the consideration received from their sale over the sum of their par (stated value of no-par stocks) or face value and interest or dividends accrued at the date of sale.

21. "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.

22. "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.

23. "Research and development" means expenditures incurred by public utilities which represent research and development costs in the experimental or laboratory sense. The term includes generally all such costs incident to the development of an experimental or pilot model, a plant process, a product, a formula, an invention, or similar property, and the improvement of already existing property of the type mentioned.

DEFINITIONS

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

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

26. "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.

27. "Service life" means the time between the date utility plant is includable 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.

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

29. "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, sewer utilities are divided into four classes as follows:

Class A: Utilities having annual sewer operating revenues of \$500,000 or more.

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

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

Class D: Utilities having annual sewer operating revenues of less than \$50,000.

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

C. The class to which any utility belongs shall originally be determined by the average of its annual sewer operating revenues for the last three consecutive years. Subsequent changes in classification shall be made when the annual sewer 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 sewer 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. The books and records referred to herein include not only accounting records in a limited technical sense, but all other records, such as minute books, stock books, reports, correspondence, memoranda, etc., which may be useful in developing the history of, or facts regarding, any transaction.

GENERAL INSTRUCTIONS

C. No utility shall destroy any such books or records unless the destruction thereof is permitted by rules and regulations of the Commission.

D. 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.

E. All amounts included in the accounts prescribed herein for utility plant and operating expenses shall be just and reasonable and any payments or accruals by the utility in excess of just and reasonable charges shall be included in account 426, Miscellaneous Income Deductions.

F. The arrangement or sequence of the accounts prescribed herein shall not be controlling as to the arrangement or sequence in report forms which may be prescribed by the Commission.

3. Numbering System.

A. The account numbering scheme used herein consists of a system of three-digit whole numbers as follows:

100-199	Assets and Other Debits
200-299	Liabilities and Other Credits
300-399	Plant Accounts
400-434	Income Accounts
435-439	Retained Earnings Accounts
500-549	Revenue Accounts
700-799	Operation and Maintenance Expense Accounts
900-949	Customer Accounts, Customer Service, Sales Promotion, and Administrative and General Expenses

B. In certain instances, numbers have been skipped in order to allow for possible later expansion or to permit better coordination with the numbering system for other utility departments.

C. The numbers prefixed to account titles are solely for convenience of reference and are not a part of the titles. Each utility may adopt such scheme of account numbers as it deems appropriate; provided, however, that it shall keep readily available a list of the account numbers and subdivisions of accounts which it uses and a reconciliation of such numbers and subdivisions with the account numbers and titles provided herein. Further, the records must be so kept as to permit classification or summarization each accounting period according to the prescribed accounts.

GENERAL INSTRUCTIONS

4. Accounting Period.

Each utility in Class C and D shall keep its books on a monthly basis so that for each accounting period all transactions applicable thereto, as nearly as may be ascertained, shall be entered in the books of the utility. Each utility shall close its books at the end of each calendar year unless otherwise authorized by the Commission.

5. Submittal of Questions.

To maintain uniformity of accounting, utilities shall submit questions of doubtful interpretation to the Commission for consideration and decision.

6. 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.

7. Accounting to be on Accrual Basis.

A. The utility is required to keep its accounts on the accrual basis. This requires the inclusion in its accounts of all known transactions of appreciable amount which effect the accounts. If bills covering such transactions have not been received or rendered, the amounts shall be estimated and appropriate adjustments made when the bills are received.

B. When payments are made in advance for items such as insurance, rents, taxes, or interest, the amount applicable to future periods shall be charged to account 166, Prepayments, and spread over the periods to which applicable by credits to account 166, and charges to the accounts appropriate for the expenditures.

8. 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 9. Those items related to the effects of events and transactions which have occurred during the current period and which are not typical or

GENERAL INSTRUCTIONS

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.)

9. 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 its inclusion for a single month would distort the accounts for that month, the amount may be distributed in equal amounts to the accounts for the current and remaining months of the calendar year. However, if the amount of any prior period item is 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.

10. Distribution of Pay and Expenses of Employees.

The charges to utility plant, operating expense 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.

11. Payroll Distribution.

Underlying accounting data shall be maintained so that the distribution of the cost of labor charged direct to the various accounts will be readily available. Such underlying data shall permit a reasonably accurate distribution to be made of the cost of labor charged initially to clearing accounts so that the total labor cost may be classified between construction, cost of removal, utility operating functions (operation and maintenance, etc.) and nonutility operations.

GENERAL INSTRUCTIONS

12. Operating Reserves.

Accretions to operating reserve accounts made by charges to operating expenses shall not exceed a reasonable provision for the expense. Material balances in such reserve accounts shall not be diverted from the purpose for which provided, unless the permission of the Commission is first obtained.

13. Accounting for Other Departments.

If the utility also operates other utility departments, such as water, gas, etc., it shall keep such accounts for the other departments as may be prescribed by proper authority and in the absence of prescribed accounts, it shall keep such accounts as are proper and necessary to reflect the results of operating each such department.

14.

Publicly owned utilities (municipals and district operations) subject to this Commission's jurisdiction are permitted to modify Equity Capital Accounts as well as income or property tax accounts to the extent necessary to make this system of accounts useable in a governmental accounting system. Any other material change to this system of accounts will require prior Commission approval.

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.

UTILITY PLANT INSTRUCTIONS

3. Overhead Construction Costs.

A. All overhead construction costs, such as engineering, supervision, general office salaries and expenses, construction engineering and supervision by others than the accounting utility, law expenses, insurance, injuries and damages, relief and pensions, taxes and allowance for funds used during construction, shall be charged to particular jobs or units on the basis of the amounts of such overheads reasonably applicable thereto, to the end that each job or unit shall bear its equitable proportion of such costs and that the entire cost of the unit, both direct and overhead, shall be deducted from the plant accounts at the time the property is retired.

B. As far as practicable, the determination of payroll charges includible in construction overheads shall be based on time card distributions thereof. Where this procedure is impractical, special studies shall be made periodically of the time of supervisory employees devoted to construction activities to the end that only such overhead costs as have a definite relation to construction shall be capitalized. The addition to direct construction costs of arbitrary percentages or amounts to cover assumed overhead costs is not permitted.

4. Utility Plant Purchased or Sold.

A. When utility plant constituting an operating unit or system is acquired by purchase, merger, consolidation, liquidation, or otherwise, after the effective date of this system of accounts, the costs of acquisition, including expenses incidental thereto properly includible in utility plant, shall be charged to account 106, Utility Plant Purchased or Sold.

B. The accounting for the acquisition shall then be completed as follows:

(1) The original cost of plant, estimated if not known, shall be credited to account 106, Utility Plant Purchased or Sold, and concurrently charged to the appropriate utility plant in service accounts and to account 104, Utility Plant Leased to Others, account 105, Property Held for Future Use, and Account 107, Construction Work in Progress, as appropriate.

UTILITY PLANT INSTRUCTIONS

(2) The requirements for accumulated provision for depreciation and amortization applicable to the original cost of the properties purchased, if required by the Commission to be recorded by the accounting utility, determined with due regard to operating practices of the purchaser and his plans regarding such property, and giving consideration also to the effect on such requirements of any rehabilitation expenditures (see Paragraph C), shall be charged to account 106, Utility Plant Purchased or Sold, and concurrently credited to the appropriate account for accumulated provision for depreciation or amortization.

(3) The cost to the utility of any nonutility plant shall be transferred to account 121, Nonutility Property.

(4) The amount of contributions in aid of construction applicable to the property acquired, and which the purchaser may be required to record, shall be charged to account 106, Utility Plant Purchased or Sold, and concurrently credited to account 271, Contributions in Aid of Construction.

(5) The amount remaining in account 106, Utility Plant Purchased or Sold, shall then be closed to account 108, Utility Plant Acquisition Adjustments.

C. If properly acquired in the purchase of an operating unit or system is in such physical condition when acquired that it is necessary substantially to rehabilitate it in order to bring the property up to the standards of the utility, the cost of such work, except replacements, shall be accounted for as a part of the purchase price of the property.

D. When any property acquired as an operating unit or system includes duplicate or other plant which will be retired by the accounting utility in the reconstruction of the acquired property or its consolidation with previously owned property, the accounting for such property shall be presented to the Commission.

E. In connection with the acquisition of utility plant constituting an operating unit or system, the utility shall procure, if possible, all existing records relating to the property acquired, or certified copies thereof, and shall preserve such records in conformity with regulations or practices governing the preservation of records of its own construction.

UTILITY PLANT INSTRUCTIONS

F. When utility plant constituting an operating unit or system is sold, conveyed, or transferred to another by sale, merger, consolidation, or otherwise, the book cost of the property sold or transferred to another shall be credited to the appropriate utility plant accounts, including amounts carried in account 108, Utility Plant Acquisition Adjustments, and the amounts (estimated if not known) carried with respect thereto in the accounts for accumulated provision for depreciation and amortization and in account 252, Advances for Construction, and account 271, Contributions in Aid of Construction, shall be charged to such accounts and the contra entries made to account 106, Utility Plant Purchased or Sold. Unless otherwise ordered by the Commission, the difference, if any, between (a) the net amount of debits and credits, and (b) the consideration received for the property (less commissions and other expenses of making the sale) shall be included in account 422, Gains (Losses) From Disposition of Property. (See account 106, Utility Plant Purchased or Sold.)

Note. - In cases where existing utilities merge or consolidate because of financial or operating reasons or statutory requirements rather than as a means of transferring title of purchased properties to a new owner, the accounts of the constituent utilities, with the approval of the Commission, may be combined. In the event the original cost has not been determined, the resulting utility shall proceed to determine such cost as outlined herein.

5. Expenditures on Leased Property.

A. The cost of substantial initial improvements (including repairs, rearrangements, additions, and betterments) made in the course of preparing for utility service property leased for a period of more than one year, and the cost of subsequent substantial additions, replacements, or betterments to such property, shall be charged to the utility plant account appropriate for the class of property leased. If the service life of the improvements is terminable by action of the lease, then the cost, less net salvage, of the improvements shall be spread over the life of the lease by charges to account 404, Amortization of Limited-Term Utility Plant. However, if the service life is not terminated by action of the lease, but by depreciation proper, then the cost of the improvements, less net salvage, shall be accounted for as depreciable plant.

B. If improvements made to property leased for a period of more than one year are of relatively minor cost, or if the lease is for a period of not more than one year, the cost of the improvements shall be charged to the account in which the rent is included.

UTILITY PLANT INSTRUCTIONS

6. 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 interests 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 net profit from the sale of timber, cord wood, sand, gravel, other resources, or other property acquired with the rights of way or other lands shall be credited to the appropriate plant account to which related. Where land is held for a considerable period of time and timber and other natural resources on the land at the time of purchase increases in value, the net profit (after giving effect to the cost of the natural resources) from the sales of timber or its products or other natural resources shall be credited to the appropriate utility operating income account or account 421, Miscellaneous Nonoperating Income, as appropriate.

D. Separate entries shall be made for the acquisition, transfer, or retirement of each parcel of land, and each land right (except rights of way for distribution lines), or water right, having a life of more than one year. A record shall be maintained showing the nature of ownership, full legal description, area, map reference, purpose for which used, city, county, and tax district in which situated, from whom purchased or to whom sold, payment given or received, other costs, contract date and number, date of recording or deed, and book and page of record. Entries transferring or retiring land or land rights shall refer to the original entry recording its acquisition.

UTILITY PLANT INSTRUCTIONS

E. Any difference between the amount received from the sale of land or land rights, less agents' commissions and other costs incident to the sale, and the book cost of such land or rights, shall be included in account 422, Gains (Losses) from Disposition of Property, unless a reserve therefor has been authorized and provided or, unless otherwise authorized or required by the Commission. Appropriate adjustments of the accounts shall be made with respect to any structures or improvements located on land sold.

F. 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.

G. 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 105, Property Held for Future Use, or account 121, Nonutility Property, as appropriate.

H. Provision shall be made for amortizing amounts carried in the accounts for limited-term interests in land so as to apportion equitably the cost of each interest over the life thereof. (See account 404, Amortization of Limited-Term Utility Plant.)

I. The items of cost to be included in the accounts for land and land rights are as follows:

1. Bulkheads, buried, not requiring maintenance or replacement.
2. Cost, first, of acquisition including mortgages and other liens assumed (but not subsequent interest thereon).

UTILITY PLANT INSTRUCTIONS

3. Condemnation proceedings, including court and counsel costs.
4. Consents and abutting damages, payment for.
5. Conveyancers' and notaries' fees.
6. Fees, commissions, and salaries to brokers, agents, and others in connection with the acquisition of the land or land rights.
7. Leases, cost of voiding upon purchase to secure possession of land.
8. Removing, relocating, or reconstructing property of others, such as buildings, highways, railroads, bridges, cemeteries, churches, telephone and power lines, etc., in order to acquire quiet possession.
9. Retaining walls unless identified with structures.
10. Special assessments levied by public authorities for public improvements on the basis of benefits for new roads, new bridges, new sewers, new curbing, new pavements, and other public improvements, but not taxes levied to provide for the maintenance of such improvements.
11. Surveys in connection with the acquisition, but not amounts paid for topographical surveys and maps where such costs are attributable to structures or plant equipment erected or to be erected or installed on such land.
12. Taxes assumed, accrued to date of transfer of title.
13. Title, examining, clearing, insuring and registering in connection with the acquisition and defending against claims relating to the period prior to the acquisition.
14. Appraisals prior to closing title.
15. Cost of dealing with distributees or legatees residing outside of the state or county, such as recording power of attorney, recording will or exemplification of will, recording satisfaction of state tax.
16. Filing satisfaction of mortgage.
17. Documentary stamps.
18. Photographs of property at acquisition.
19. Fees and expenses incurred in the acquisition of water rights and grants.
20. Cost of fill to extend bulkhead line over land under water, where riparian rights are held, which is not occasioned by the erection of a structure.
21. Sidewalks and curbs constructed by the utility on public property.
22. Labor and expenses in connection with securing rights of way, where performed by company employees and company agents.

UTILITY PLANT INSTRUCTIONS

7. 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 out-last 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. Minor buildings and structures, such as valve towers, patrolmen's towers, telephone stations, etc., which are used directly in connection with or from a part of a collection plant, treatment plant, etc., shall be considered a part of the facility in connection with which constructed or operated and the cost thereof accounted for accordingly.

D. The cost of disposing of materials excavated in connection with construction of structures shall be considered as a part of the cost of such work, except as follows: (a) When such material is used for filling, the cost of loading, hauling, and dumping shall be equitably apportioned between the work in connection with which the removal occurs and the work in connection with which the material is used; (b) When such material is sold, the net amount realized from such sales shall be credited to the work in connection with which the removal occurs. If the amount realized from the sale of excavated materials exceeds the removal costs and the costs in connection with the sale, the excess shall be credited to the land account in which the site is carried.

E. Lighting or other fixtures temporarily attached to buildings for purposes of display or demonstration shall not be included in the cost of the building, but in the appropriate equipment account.

UTILITY PLANT INSTRUCTIONS

F. The items of cost to be included in the accounts for structure are as follows:

1. Architects' plans and specifications including supervision.
2. Athletic field structures and improvements.
3. Boilers, furnaces, piping, wiring, fixtures, and machinery for heating, lighting, signaling, ventilating, and air conditioning systems, plumbing, vacuum cleaning systems, incinerator and smoke pipe, flues, etc.
4. Bulkheads, including dredging, riprap fill, piling, decking, concrete, fenders, etc., when exposed and subject to maintenance and replacement.
5. Fuel bins and bunkers and tanks.
6. Commissions and fees to brokers, agents, architects, and others.
7. Conduit (not to be removed) with its contents.
8. Damages to abutting property during construction.
9. Drainage and sewerage systems.
10. Elevators, cranes, hoists, etc., and the machinery for operating them.
11. Excavation, including shoring, bracing, bridging, refill, and disposal of excess excavated material, cofferdams around foundation, pumping water from cofferdam during construction, test borings.
12. Fences and fence curbs (not including protective fences isolating items of equipment, which shall be charged to the appropriate equipment account).
13. Fire protection systems when forming a part of a structure.
14. Foundations and piers for machinery, constructed as a permanent part of a building or other item listed herein.
15. Grading and clearing when directly occasioned by the building of a structure.
16. Intrasite communication system, poles, pole fixtures, wires and cables.
17. Landscaping, lawns, shrubbery, etc.
18. Leases, voiding upon purchase to secure possession of structures.
19. Leased property, expenditures on.
20. Lighting fixtures and outside lighting system.
21. Painting, first cost.
22. Permanent paving, concrete, brick, flagstone, asphalt, etc., within the property lines.

UTILITY PLANT INSTRUCTIONS

23. Permits and privileges.
24. Platforms, railings, and gratings when constructed as a part of a structure.
25. Retaining walls except when identified with land.
26. Roadways, railroads, bridges, and trestles intra-site except railroads provided for in equipment accounts.
27. Sidewalks, culverts, curbs, and streets constructed by the utility on its property.
28. Stacks - brick, steel, or concrete, when set on foundation forming part of general foundation and steel work of a building.
29. Storage facilities constituting a part of a building.
30. Subways, areaways, and tunnels, directly connected to and forming part of a structure.
31. Tanks constructed as part of a building or as a distinct structural unit.
32. Temporary shanties and other facilities used during construction (net cost).
33. Tunnels, intake and discharge, when constructed as part of a structure, including sluice gates, and those constructed to house mains.
34. Vaults constructed as part of a building.
35. Water basins or reservoirs.
36. Wharves.

Note. - Structures and Improvements accounts shall be credited with the cost of coal bunkers, stacks, foundations, subways, tunnels, etc., the use of which has terminated with the removal of the equipment with which they are associated even though they have not been physically removed.

8. Equipment.

A. The cost of equipment chargeable to the utility plant accounts, unless otherwise indicated in the test 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.

UTILITY PLANT INSTRUCTIONS

B. Exclude from equipment accounts hand and other portable tools which are likely to be lost or stolen or which have relatively small value (for example \$50 or less) 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, collection and treatment, 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 buildings 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.

D. The equipment accounts shall include the necessary costs of testing or running a plant or part thereof during an experimental or test period prior to becoming available for service. The utility shall furnish the Commission with full particulars of and justification for any test or experimental run extending beyond a period of thirty days.

E. The cost of efficiency or other tests made subsequent to the date equipment becomes available for service shall be charged to the appropriate expense accounts, except that tests to determine whether equipment meets the specifications and requirements as to efficiency, performance, etc., guaranteed by manufacturers, made after operations have commenced and within the period specified in the agreement or contract of purchase, may be charged to the appropriate utility plant account.

9. Additions and Retirements of Utility Plant.

A. For the purpose of avoiding undue refinement in accounting for additions to and retirements and replacements of utility plant, all property shall be considered as consisting of (1) retirement units, and (2) minor items of property. Each utility shall use such list of retirement units as is in use by it at the effective date hereof, or as may be prescribed by the Commission, with the option, however, of using smaller units, provided the utility's practice in this respect is consistent.

UTILITY PLANT INSTRUCTIONS

B. The addition and retirement of retirement units shall be accounted for as follows:

1. When a retirement unit is added to utility plant, the cost thereof shall be added to the appropriate utility plant account, except that when units are acquired in the acquisition of any utility plant constituting an operating system, they shall be accounted for as provided in utility plant instruction 4.
2. When a retirement unit is retired from utility plant, with or without replacement, the book cost thereof shall be credited to the utility plant account in which it is included, determined in the manner set forth in paragraph D, below. If the retirement unit is of a depreciable class, the book cost of the unit retired and credited to utility plant shall be charged to the accumulated provision for depreciation applicable to such property. The cost of removal and the salvage shall be charged or credited, as appropriate, to such depreciation account.

C. The addition and retirement of minor items of property shall be accounted as follows:

1. When a minor item of property which did not previously exist is added to plant, the cost thereof shall be accounted for in the same manner as for the addition of a retirement unit, as set fourth in paragraph B(1) above, if a substantial addition results, otherwise the charge shall be to the appropriate maintenance expense account.
2. When a minor item of property is retired and not replaced, the book cost thereof shall be credited to the utility plant account in which it is included; and, in the event the minor item is a part of depreciable plant, the account for accumulated provision for depreciation shall be charged with the book cost and cost of removal and credited with the salvage. If, however, the book cost of the minor item retired and not replaced has been or will be accounted for by its inclusion in the retirement unit of which it is a part when such unit is retired, no separate credit to the property account is required when such minor item is retired.

UTILITY PLANT INSTRUCTIONS

3. When a minor item of depreciable property is replaced independently of the retirement unit of which it is a part, the cost of replacement shall be charged to the maintenance account appropriate for the item, except that if the replacement effects a substantial betterment (the primary aim of which is to make the property affected more useful, more efficient, of greater durability, or of greater capacity), the excess cost of the replacement over the estimated cost at current prices of replacing without betterment shall be charged to the appropriate utility plant account.

D. 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.

E. 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 therefor 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 original cost shall be charged to account 105, Property Held for Future Use, or account 121, Nonutility Property, as appropriate.

F. The book cost less net salvage of utility plant retired shall be charged in its entirety to account 110, Accumulated Provision for Depreciation and Amortization of Utility Plant. Any amounts which, by approval or order of the Commission, are charged to account 182, Extraordinary Property Losses, shall be credited to account 110, Accumulated Provision for Depreciation and Amortization of Utility Plant.

10. Transfers of Property.

A. When property is transferred from one utility plant account to another, from one utility department to another, such as from water to gas, from one operating division or area to another, to or from Utility Plant in Service, Utility Plant Leased to Others, and Property

UTILITY PLANT INSTRUCTIONS

Held for Future Use, the transfer shall be recorded by transferring the original cost thereof from one account, department, or location to the other. Any related amounts carried in the accounts for accumulated provision for depreciation or amortization shall be transferred in accordance with the segregation of such accounts.

B. When depreciable property is transferred from the utility plant accounts to account 121, Nonutility Property, the transfer shall be accomplished by crediting the utility plant accounts and charging the accumulated provision for depreciation with the book cost of the item transferred; the accumulated provision for depreciation shall then be credited and account 121, Nonutility Property, concurrently charged with the market value of the property transferred. If the property is sold within a relatively short time, a debit or credit shall be made to the accumulated provision for depreciation to adjust the estimated salvage to the amount actually realized.

11. Common Utility Plant.

A. If the utility is engaged in more than one utility service such as sewer, water, electric, and gas, and any of its utility plant is used in common for several utility services or for other purposes to such an extent and in such manner that it is impracticable to segregate it by utility services currently in the accounts, such property with the approval of the Commission may be designated and classified as "common utility plant."

B. Utility plant designated as common utility plant shall be classified according to the detailed utility plant accounts appropriate for the property.

C. The utility shall be prepared to show at any time and to report to the Commission annually, or more frequently, if required, and by utility plant accounts (301 to 399) the following: (1) the book cost of common utility plant, (2) the allocation of such cost to the respective departments using the common utility plant, and (3) the basis of the allocation.

D. The accumulated provision for depreciation and amortization of the utility shall be segregated so as to show the amount applicable to the property classified as common utility plant.

E. The expenses of operation, maintenance, rents, depreciation, and amortization of common utility plant shall be recorded in the accounts prescribed herein, but designated as common expenses, and

UTILITY PLANT INSTRUCTIONS

the allocation of such expenses to the departments using the common utility plant shall be supported in such manner as to reflect readily the basis of allocation used.

12. Sewer Lines.

All pipes, conduits, or other facilities for carrying or delivering sewage or treatment plant effluent shall be classified according to their primary functional use as follows:

1. Service Sewers to Customers
2. Collecting Sewers
3. Plant and Discharge Sewers

1. Service Sewers to Customers.

This account shall include the installed cost of service sewers, from collection sewer to the customer's property or curb line.

2. Collecting Sewers

352.1. Collecting Sewers - Force.

This account shall include all sewers which are used to lift sewage from a low elevation to a higher elevation. The force sewer will include that pipe between the discharge outlet of the lift station and the receiving manhole.

352.2. Collection Sewers - Gravity.

This account shall include the installed cost of all gravity collecting sewers and appurtenances including manholes and lampholes. Manholes shall be included as a unit of property.

3. "Plant and Discharge Sewers" means any sewer, pipe, aqueduct, canal, or other conduit the primary purpose of which is to convey treatment plant fluids from one unit to another within the treatment plant or plant effluent to its point of discharge into a natural flowing concourse.

13. Multiple Use Plant.

Land, rights of way, and structures used jointly for several functions shall be classified according to the major use thereof.

OPERATING EXPENSE INSTRUCTIONS

1. Maintenance.

A. The cost of maintenance chargeable to the various operating expense and clearing accounts includes labor, materials, overheads, and other expenses incurred in maintenance work. A list of work operations applicable generally to utility plant is included hereunder.

B. Materials recovered in connection with the maintenance of property shall be credited to the same account to which the maintenance cost was charged.

C. If the book cost of any property is carried in account 106, Utility Plant Purchased or Sold, the cost of maintaining such property shall be charged to the accounts for maintenance of property of the same class and use, the book cost of which is carried in other utility plant in service accounts. Maintenance of property leased from others shall be treated as provided in operating expense instruction 2.

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1. Direct field supervision of maintenance.
2. Inspecting, testing, and reporting on condition of plant specifically to determine the need for repairs, replacements, rearrangements and changes and inspecting and testing the adequacy of repairs which have been made.
3. Work performed specifically for the purpose of preventing failure, restoring serviceability or maintaining life of plant.
4. Rearranging and changing the location of plant not retired.
5. Repairing for reuse materials recovered from plant.
6. Testing for, locating, and clearing trouble.
7. Net cost of installing, maintaining, and removing temporary facilities to prevent interruptions in service.

OPERATING EXPENSE INSTRUCTIONS

8. Replacing or adding minor items of plant which do not constitute a retirement unit. (See utility plant instruction 9.)

2. Rents.

A. The several functional groups of expense accounts shall include all rents, including taxes paid by the lessee on leased property, for property used in utility operations, except rents which are chargeable to clearing accounts, and distributed therefrom to the appropriate account. If rents cover property used for more than one function, such as pumping and distributing, or by more than one department, the rents shall be apportioned to the appropriate expense or clearing accounts of each department on an actual, or, if necessary, as estimated basis.

B. When a portion of property or equipment rented from others for use in connection with utility operations is subleased, the revenue derived from such subleasing shall be credited to the rent revenue account in operating revenues; provided, however, that in case the rent was charged to a clearing account, amounts received from subleasing the property shall be credited to such clearing account.

C. The cost, when incurred by the lessee, of operating and maintaining leased property, shall be charged to the accounts appropriate for the expense if the property were owned.

D. The cost incurred by the lessee of additions and replacements to utility plant leased from others shall be accounted for as provided in utility plant instruction 5.

BALANCE SHEET ACCOUNTS

ASSETS AND OTHER DEBITS

1. Utility Plant

- 101. Utility Plant in Service Classified
- 102. Completed Construction Not Classified
- 103. Utility Plant in Process of Reclassification
- 104. Utility Plant Leased to Others
- 105. Property Held for Future Use
- 106. Utility Plant Purchased or Sold
- 107. Construction Work in Progress
- 108. Utility Plant Acquisition Adjustments
- 109. Other Utility Plant Adjustments
- 110. Accumulated Provision for Depreciation and Amortization of Utility Plant

2. Other Property and Investments

- 121. Nonutility Property
- 122. Accumulated Provision for Depreciation and Amortization of Nonutility Property
- 124. Other Investments
- 125. Special Funds

3. Current and Accrued Assets

- 131. Cash and Working Funds
- 132. Temporary Cash Investments
- 141. Notes Receivable
- 142. Customer Accounts Receivable
- 143. Other Accounts Receivable
- 144. Accumulated Provision for Uncollectible Accounts - Cr.
- 145. Notes Receivable from Associated Companies
- 146. Accounts Receivable from Associated Companies
- 150. Materials and Supplies
- 166. Prepayments
- 170. Other Current and Accrued Assets

4. Deferred Debits

- 181. Unamortized Debt Discount and Expense
- 182. Extraordinary Property Losses
- 183. Other Deferred Debits

BALANCE SHEET ACCOUNTS

LIABILITIES AND OTHER CREDITS

5. Equity Capital

- 201. Common Capital Stock
- 204. Preferred Capital Stock
- 207. Other Paid-in Capital
- 212. Installments Received on Capital Stock
- 213. Discount on Capital Stock
- 214. Capital Stock Expense
- 215. Appropriated Retained Earnings
- 216. Unappropriated Retained Earnings
- 217. Reacquired Capital Stock
- 218. Non-Corporate Proprietorship

6. Long-Term Debt

- 221. Bonds
- 223. Advances from Associated Companies
- 224. Other Long-Term Debt

7. Current and Accrued Liabilities

- 231. Notes Payable
- 232. Accounts Payable
- 233. Notes Payable to Associated Companies
- 234. Accounts Payable to Associated Companies
- 235. Customer Deposits
- 236. Taxes Accrued
- 237. Interest Accrued
- 238. Other Current and Accrued Liabilities

8. Deferred Credits

- 251. Unamortized Premium on Debt
- 252. Advances for Construction
- 253. Other Deferred Credits
- 255. Accumulated Deferred Investment Tax Credits

BALANCE SHEET ACCOUNTS

9. Operating Reserves

- 261. Property Insurance Reserve
- 262. Injuries and Damages Reserve
- 263. Pensions and Benefits Reserve
- 265. Miscellaneous Operating Reserves

10. Contributions in Aid of Construction

- 271. Contributions in Aid of Construction

11. Accumulated Deferred Income Taxes

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

1. Utility Plant

101. Utility Plant in Service Classified.

A. This account shall include the original cost of utility plant, included in the plant accounts prescribed herein and in similar accounts for other utility departments, owned and used by the utility in its utility operations, 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 account, shall be maintained in subdivisions separate and distinct from those relating to owned property. (See utility plant instruction 5.)

102. Completed Construction Not Classified.

At the end of the year or such other date as a balance sheet may be required by the Commission, this account shall include the total of the balances of work orders for utility plant which has been completed and placed in service but which

BALANCE SHEET ACCOUNTS

work orders have not been classified for transfer to the detailed utility plant accounts.

103. 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 (301-399), 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.

104. 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.

105. 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, but retired from such service and held pending its reuse in the future, under a definite plan, in utility service.

B. In the event that property recorded in this account shall no longer be needed or appropriate for future utility operations, the company shall notify the Commission of such condition and request approval of journal entries to remove such property from this account.

BALANCE SHEET ACCOUNTS

C. Gains or losses from the sale of land and land rights or other disposition of such property previously recorded in this account and not placed in utility service shall, unless otherwise authorized or required by the Commission, be recorded directly in account 422, Gains (Losses) from Disposition of Property. However, when determined to be significant by the Commission, the gain or loss shall be transferred to account 253, Other Deferred Credits, or account 183, Other Deferred Debits. Such deferred amounts shall then be amortized to account 422, Gains (Losses) from Disposition of Property, unless otherwise authorized or required by the Commission.

D. 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, meters held in reserve, or normal spare capacity of plant in service shall not be included in this account.

106. Utility Plant Purchased or Sold

A. 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 accounts in accordance with utility plant instruction 4.

B. Within six months from the date of acquisition or transfer of property recorded herein, there shall be filed with the Commission the proposed journal entries to clear from this account the amounts recorded herein.

107. Construction Work in Progress

A. 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.

BALANCE SHEET ACCOUNTS

B. Expenditures on research and development projects for construction of utility facilities are to be included in a separate subdivision in this account. Records must be maintained to show separately each project along with complete detail of the nature and purpose of the research and development project together with the related costs.

108. 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 of 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. With respect to acquisitions after the effective date of this system of accounts, this account shall be subdivided so as to show the amounts included herein for each property acquisition and the amounts applicable to each utility department and to utility plant in service and utility plant leased to others. (See utility plant instruction 4.)

C. 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.

109. 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 108, 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.)

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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 of Limited-Term Utility Plant, to account 405, Amortization of Other Utility Plant, 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 and amortization.
- (2) Amounts of depreciation applicable to utility properties acquired as operating units or systems. (See utility plant instruction 4.)
- (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 9 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. When retirements, cost of removal and salvage are entered originally in retirement work orders, the net total of such work orders may be included in a separate subaccount hereunder. Upon completion of the work order, the proper distribution to subdivisions of this account shall be made as provided in the following paragraph.

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 utility department to which applicable. The amount applicable to the water utility department shall be subdivided to show the amount applicable to Utility Plant in Service, Utility Plant Leased to Others, and Property Held for Future Use. These subsidiary records shall show the current credits and debits to this account in sufficient detail to show separately for each

BALANCE SHEET ACCOUNTS

such subdivision, (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. When transfers of plant are made from one utility plant account to another, or from one to another utility department, or from one to another nonutility property, the accounting for the related accumulated provision for depreciation shall be as provided in utility plant instruction 10.

E. 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

A. 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 105, Property Held for Future Use.

B. This account shall be subdivided so as to show the amount of property used in operations which are nonutility in character but nevertheless constitute a distinct operating activity of the company (such as operation of a sewer department where such activity is not classed as a utility) and the amount of miscellaneous property not used in operations. The records in support of each subaccount shall be maintained so as to show an appropriate classification of the property. Note -- For transfers from utility plant accounts, see utility plant instructions 10B.

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.

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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 cost of capital stock of the utility reacquired by it under a definite plan for resale pursuant to authorization by the Board of Directors may, if permitted by statutes, be included in a separate subdivision of this account. (See also account 207, Other Paid-In Capital, and account 217, Reacquired Capital Stock.)

C. The records shall be maintained in such manner as to show the amount of each investment and the investment advances to each person. Note -- Securities owned and pledged shall be included in this account, but securities held in special deposits or in special funds shall be included in appropriate deposit or fund accounts. A complete record of securities pledged shall be maintained. Note B -- Securities held as temporary cash investments shall not be included in this account. Note C -- The utility may write down the cost of any security in recognition of a decline in the value thereof. Securities shall be written off or written down to a nominal value if there be no reasonable prospect of substantial value. Fluctuations in market value shall not be recorded but a permanent impairment in the value of securities shall be recognized in the accounts. When securities are written off or written down, the amount of the adjustment shall be charged to account 426. Miscellaneous Income Deductions, or to an appropriate account for provisions for loss in value established as a separate subdivision of this account.

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.

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3. Current and Accrued Assets

Current and accrued assets are cash, those assets which are readily convertible into cash or are held for current use in operations or construction, current claims against others, payment of which is reasonably assured, and amounts accruing to the utility which are subject to current settlement, except such items for which accounts other than those designated as current and accrued assets are provided. There shall not be included in the group of accounts designated as current and accrued assets any item, the amount or collectibility of which is not reasonably assured, unless an adequate provision for possible loss has been provided. Items of current character but of doubtful value may be written down and for record purposes carried in these accounts at nominal value.

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, 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 includable 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, excepting, however, notes receivable from associated companies, (see account 132, Temporary Cash Investments, and account 145, Notes Receivable from Associated Companies).

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(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 the amounts due from customers for utility service, and for merchandising, jobbing, and contract work. This account shall not include amounts due from associated companies.

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. (See account 131, Cash and 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 hereto. Concurrent charges shall be made to account 904, 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.

BALANCE SHEET ACCOUNTS

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 or for uncollectible receivables from associated companies are necessary, separate subaccounts therefor shall be established under the account in which the receivable is carried.)

145. Notes Receivable from Associated Companies

146. Accounts Receivable from Associated Companies

These accounts shall include notes and drafts upon which associated companies are liable, and which mature and are expected to be paid in full not later than one year from date of issue, together with any interest thereon, and debit balances subject to current settlement in open accounts with associated companies. Items which do not bear a specified due date but which have been carried for more than twelve months and items which are not paid within twelve months from due date shall be transferred to account 124, Other Investments.

(Note A -- On the balance sheet, accounts receivable from an associated company may be set off against accounts payable to the same company.)

(Note B -- The face amount of notes receivables 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.)

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:

BALANCE SHEET ACCOUNTS

(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 realized 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 other such 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.

I T E M S

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.

BALANCE SHEET ACCOUNTS

(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 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 issued 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.

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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, plant, 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 accounts, (See account 930, Miscellaneous General Expenses.)

(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.

BALANCE SHEET ACCOUNTS

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

(5) Large and significant research and development expenditures (see definition 23), deferred by authorization of the Commission, except those properly includible in account 107, Construction Work in Progress. The amortization of deferred research and development expenditures and those research and development expenditures which are minor or recurring shall be charged to account 930, Miscellaneous General Expenses.

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

BALANCE SHEET ACCOUNTS

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 assessment, 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 includable in the capital stock accounts, and shall be kept so as to show the source of the credits includable herein.

I T E M S

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 donations.
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.

BALANCE SHEET ACCOUNTS

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, and provided, further, that in no event shall debits in excess of accumulated credits from the retirement of stock be charged to 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, and provided, further that in no event shall debits in excess of accumulated credits from the retirement of stock be charged to account 207.

BALANCE SHEET ACCOUNTS

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, and provided, further, that in no event shall debits in excess of accumulated credits from the retirement of stock be charged to account 207.

BALANCE SHEET ACCOUNTS

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 A: See account 124, Other Investments, for permissive accounting treatment of stock reacquired under a definite plan for resale.

Note B: 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 earned surplus accounts shall be maintained and entries thereto shall be made in accordance with the texts thereof.)

BALANCE SHEET ACCOUNTS

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 cancelled; 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 the 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, which are includable in account 233, Notes Payable to Associated Companies or account 234, Accounts Payable to Associated Companies.

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.

BALANCE SHEET ACCOUNTS

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.

233. Notes Payable to Associated Companies

234. Accounts Payable to Associated Companies

These accounts shall include amounts owing to associated companies on notes, drafts, acceptances, or other similar evidences of indebtedness, and open accounts payable on demand or not more than one year from date of issue or creation.

Note: Exclude from these accounts notes and accounts which are includable in account 223, Advances from Associated Companies.)

235. Customer Deposits

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

BALANCE SHEET ACCOUNTS

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 9.

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 the 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.

BALANCE SHEET ACCOUNTSI T E M S

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 -- Credit.

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 gains of disposition of property, net of income taxes, deferred by authorization of the Commission, advance billings, and receipts 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.

BALANCE SHEET ACCOUNTS

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 operation 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 subdivision 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.

BALANCE SHEET ACCOUNTS

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.

262. Injuries and Damages Reserve

A. This account shall be credited with amounts charged to account 924, Insurance Expense, or other appropriate accounts, to meet the probable liability, not covered by insurance, for deaths or injuries to employees and others, and for damages to property neither owned nor held under lease by the utility.

B. When liability for any injury or damage is admitted by the utility, either voluntarily or because of the decision of a court or other lawful authority, such as workmen's compensation board, the admitted liability shall be charged to this account and credited to the appropriate liability account. Details of these charges shall be maintained according to the year the casualty occurred which gave rise to the loss.

(Note: Recoveries or reimbursements for losses charged to this account shall be credited hereto; the cost of repairs to property of others if provided for herein, shall be charged to this account.)

263. Pensions and Benefits Reserve

A. This account shall include provisions made by the utility and amounts contributed by employees for pensions, accident and death benefits, savings, relief, hospital and other provident purposes, where the funds represented by the reserve are included in the assets of the utility either in general or in segregated fund accounts.

B. Amounts paid by the utility for the purposes for which this reserve is established shall be charged hereto.

C. A separate account shall be kept for each kind of reserve included herein.

(Note: If employee pension or benefit plan funds are not included among the assets of the utility but are held by outside trustees, payments into such funds, or accruals therefor, shall not be included in this account.)

BALANCE SHEET ACCOUNTS

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 Earned Surplus.)

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, individual, and others for construction purposes.

B. The credits to this account shall not be transferred to any other account 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

BALANCE SHEET ACCOUNTS

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 test 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 related to retirement of an item or items under a group method of depreciation where there is not 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

BALANCE SHEET ACCOUNTS

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.

BALANCE SHEET ACCOUNTS

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

BALANCE SHEET ACCOUNTS

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. Franchise and Consents
- 303. Miscellaneous Intangible Plant

2. Land and Structures

- 310. Land and Land Rights
- 311. Structures and Improvements

3. Collection Plant

- 352. Collection Sewers
 - 352.1 Collection Sewers - Force
 - 352.2 Collection Sewers - Gravity
- 353. Other Collection Plant Facilities
- 354. Services to Customers
- 355. Flow Measuring Devices (include installation)

4. Pumping Plant

- 362. Receiving Wells and Pump Pits
- 363. Pumping Equipment (Elec., Diesel, Other)

5. Treatment & Disposal Plant

- 372. Oxidation Lagoon
- 373. Treatment and Disposal Equipment
- 374. Plant Sewers
- 375. Outfall Sewer Lines
- 376. Other Treatment and Disposal Plant Equipment

6. General Plant

- 391. Office Furniture and Equipment
- 392. Transportation Equipment
- 393. Other General Equipment - includes stores equipment; tools, shop & garage equipment; lab equipment; power operated equipment; communication equipment; and other tangible property.

UTILITY PLANT ACCOUNTS

1. Intangible Plant

301. Organization

This account shall include all fees paid to federal or state governments for the privilege of incorporation and expenditures incident to organizing the corporation, partnership, or other enterprise and putting it into readiness to do business.

I T E M S

1. Cost of obtaining certificates authorizing an enterprise to engage in the public utility business.
2. Fees and expenses for incorporation.
3. Fees and expenses for mergers or consolidations.
4. Office expenses incident to organizing the utility.
5. Stock and minute books and corporate seal.

Note A: 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 and sale of capital stock.

Note B: Exclude from this account and include in the appropriate expense account the cost of preparing and filing papers in connection with the extension of the term of incorporation unless the first organization costs have been written off. Where charges are made to this account for expenses incurred in mergers, consolidations, or reorganizations, amounts previously included herein or in similar accounts in the books of the companies concerned shall be excluded from this account.

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.

UTILITY PLANT ACCOUNTS

B. If a franchise, consent, water power license, 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.

D. Records supporting this account shall be kept 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.

2. Land and Structures

310. Land and Land Rights

A. This account shall include the cost of all land and land rights used in operations, including treatment plant and/or lagoon, pumping plant, office and shop, rights-of-way for sewers, and any other facility required for collecting and treating sewage, where such rights have lives in excess of one year from the date when such land is placed in service. The cost of land shall include the purchase price, costs of registration of title, cost of examination of title, conveyancer's and notary's fees, purchasing agent's

UTILITY PLANT ACCOUNTS

commission or fees, an amount equal to taxes accrued to date of transfer of title and all other liens upon the title acquired; cost of obtaining consents and payments for abutting damages; also, the first cost of acquiring leaseholds of land for rights-of-way with a life of more than one year, but not including the rents paid periodically in consideration of rights obtained under such leases.

B. This account shall include special assessments levied by public authorities on the basis of benefits received therefrom for streets and other public improvements, such as new streets, paving or curbing. Taxes levied to provide for maintenance of such improvements shall not be included herein.

C. The cost of buildings and other improvements must not be charged to this account. If at the time of acquisition of an interest in land, such interest extends to buildings or other improvements thereon, which are devoted by the utility to its sewage operations, and the contract of acquisition does not determine the price of such improvements, they shall be appraised at their fair cash value for use in such operations and such appraised value should be charged to Account 311, Structures and Improvements, and excluded from this account. If such improvements are not devoted to sewage operations but are devoted to other operations, or held as investments, the cost (or appraised value if the cost is not determined in the contract of acquisition) shall be charged to the appropriate account. If the improvements are removed or wrecked, the cost of removing or wrecking them shall be charged and the salvage credited to the land account.

311. Structures and Improvements

A. This account shall include the cost of all permanent buildings and structures to house, support or safeguard persons or property. This includes office, shop, pumping station control buildings, other control buildings, other structures, and improvements to land.

B. Buildings shall include all fixtures attached to and forming a permanent part thereof, such as plumbing fixtures and piping, heating and ventilating fixtures and piping or ducts, electric wiring and fixtures, etc. This account also includes the cost of excavations, brick or concrete chimneys and such piers and foundations for machinery and apparatus as are designed to be as permanent as the buildings, and independent of their use in connection with any particular units of equipment. Charge, also, the cost of architect's plans and of superintendence of construction.

UTILITY PLANT ACCOUNTS

C. Other improvements to land include roadways, fences, sidewalks, yard lighting systems, grading and landscaping.

3. Collection Plant

352. Collection Sewers

352.1 Collection Sewers - Force

This account shall include all sewers which are used to lift sewage from a low elevation to a higher elevation. The force sewer will include that pipe between the discharge outlet of the lift station and the receiving manhole.

352.2 Collection Sewers - Gravity

This account shall include the installed cost of all gravity collecting sewers, interceptor, branch, trunk, lateral including service wye, including manholes and lampholes. Manholes shall be included as a separate unit of property.

353. Other Collecting Plant Facilities

A. Inverted siphon shall be included in this account but so distinctly noted; also any other special designed structures unusual to sewer system should be included herein but specifically noted as to what they are.

B. This account shall also include the cost installed of all other collection plant facilities not provided for in the foregoing accounts.

354. Services to Customers

This account shall include the installed cost of service sewers, from collection sewer to the customer's property to curb line.

UTILITY PLANT ACCOUNTSI T E M S

1. Jointing and jointing material.
2. Manhole or clean-out.
3. Municipal inspection and permits.
4. Pavement disturbed.
5. Protection of street openings.
6. Tapping saddle.
7. Service connection wye shall be included in Account 354 instead of Account 352.2 when company owns service sewers to customers property or curb line.

355. Flow Measuring Devices

A. This account shall include the cost of flow measuring and recording equipment used for measuring the quantity of sewage or sewage effluent delivered by customers, whether actually in service or held in reserve.

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

C. The records covering flow measuring equipment shall be so kept that the utility can furnish information as to the number of devices of each type and size in service and in reserve, as well as the location of each device included in this account.

I T E M S

Flow measuring and recording equipment and initial testing.

D. This account shall also include the cost of labor employed, materials used and expenses incurred in connection with the original installation of customers' flow measuring equipment.

E. When a flow measuring installation is permanently retired from service, the cost thereof shall be credited to this account.

UTILITY PLANT ACCOUNTS

4. Pumping Plant

362. Receiving Wells and Pump Pits

This account shall include the cost of constructing wells at pumping stations or at other junction points along the collecting system, used for intercepting sewage for clearing and screening, transfer to a pumping well or otherwise further convey it along the collecting system to the treatment plant or point of final discharge. This account shall include any chemical feed apparatus and holding basins associated with the receiving well.

363. Pumping Equipment

A. Electric Pumping Equipment

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

I T E M S

1. Motors for driving pumps.
2. Pumps, including settings, gearing, shafting, and belting.
3. Sewage 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. Foundations, frames, and bed plates.
7. Hoist units.

B. Diesel Pumping Equipment

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

1. Motors for driving pumps.
2. Pumps, including setting, gearing, shafting, and belting.
3. Sewage 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. Foundations, frames, and bed plates.
7. Hoist units.

UTILITY PLANT ACCOUNTS

C. Other Pumping Equipment

This account shall include cost of equipment used in sewage pumping operations not properly includable in A and B above, such as gas engine and gasoline pumping equipment. Subdivisions shall be maintained hereunder for each type of such pumping equipment.

5. Treatment and Disposal Plant

372. Oxidation Lagoon

This account shall include the cost of an oxidation lagoon, the cost of which shall include earth work, shaping, inlet and outlet structures, seeding, fencing, and engineering design and supervision.

373. Treatment and Disposal Equipment

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

I T E M S

Aeration Chambers

1. Air Blower
2. Diffuser
3. Piping system, including valves
4. Substructures
5. Basin

Chemical Equipment

6. Feeder
7. Handling
8. Mixer
9. Pump, motor and electrical, etc., appurtenances
10. Storage facilities
11. Weighting equipment

UTILITY PLANT ACCOUNTS

Trickling Filter

12. Basin
13. Bed material
14. Distributor system
15. Pump, motor, and electrical, etc., appurtenances
16. Underdrain system

Imhoff Tank

Land fill equipment and appurtenances

Oxidation pond or lagoon associated with mechanical plant

17. Inlet facilities
18. Effluent or outlet facilities

Sedimentation equipment

19. Basin or clarifier
20. Detritus tank
21. Drive unit
22. Grit chamber
23. Scraping apparatus
24. Sludge or scum well

Septic tank

25. Drain field
26. Tank

Screen unit

27. Chamber or basin
28. Drive unit
29. Scrapers
30. Screens
31. Shredder, comminator, griductor, or barminator

Sludge system

32. Drying bed or lagoon
33. Heat Exchanger
34. Centrifuge
35. Compressor
36. Digester
37. Dryer
38. Filter - Vacuum
39. Incinerator
40. Press or dewaterer
41. Pumps, motors, etc., appurtenances

UTILITY PLANT ACCOUNTS

Trucks, tractors, or other equipment used primarily for sludge or other waste disposal.

374. Plant Sewers

This account shall include the cost installed of plant yard piping and appurtenances, and facilities required to dispose of treatment plant liquid effluent into the outfall sewer line.

I T E M S

1. Unit to unit sections of yard piping.
2. Valves and vaults.
3. Pipe tunnels or galleries.

375. Outfall Sewer Line

This account shall include the installed cost of sewer line carrying effluent from treatment facility to point of discharge. Includable in this account would be headwall or outlet.

376. Other Treatment and Disposal Plant Equipment

This account shall include the cost installed of all other treatment and disposal plant facilities not provided for in the foregoing accounts.

6. General Plant

391. 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.

392. Transportation Equipment

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

UTILITY PLANT ACCOUNTSI T E M S

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.

393. Other General Equipment

A. Stores Equipment

This account shall include the cost of equipment used for the receiving, shipping, handling, and storage of materials and supplies.

I T E M S

1. Chain falls
2. Counters
3. Cranes (portable)
4. Elevating and stacking equipment (portable)
5. Hoists
6. Lockers
7. Scales

B. Tools, Shop, and Garage Equipment

This account shall include the cost of tools, implements, and equipment used in construction, repair work, general shops, and garages, and not specifically provided for or includable in other accounts.

I T E M S

1. Air compressors
2. Anvils
3. Automobile repair shop equipment
4. Battery charging equipment
5. Belts, shafts, and countershafts

UTILITY PLANT ACCOUNTS

6. Boilers
7. Cable pulling equipment
8. Concrete mixers
9. Drill presses
10. Derricks
11. Electric equipment
12. Engines
13. Forges
14. Furnaces
15. Foundations and settings specially constructed for and not expected to outlast the equipment for which provided.
16. Gas producers
17. Gasoline pumps, oil pumps, and storage tanks
18. Greasing tools and equipment
19. Hoists
20. Ladders
21. Lathes
22. Machine tools
23. Motor driven tools
24. Motors
25. Pipe threading and cutting tools
26. Pneumatic tools
27. Pumps
28. Riveters
29. Smithing equipment
30. Tool racks
31. Vises
32. Welding apparatus
33. Work benches

C. Laboratory Equipment

A. This account shall include the cost installed of laboratory equipment used for general laboratory purposes and not specifically provided for or includable in other departmental or functional plant accounts.

I T E M S

1. Autoclaves
2. P.H. Meter
3. Cameras
4. Centrifuge
5. Distilling apparatus
6. Furnaces
7. Microscopes

UTILITY PLANT ACCOUNTS

8. Ovens
9. Rain gauges
10. Refrigerators
11. Scales
12. Sterilizers
13. Timing equipment
14. Testing machines
15. Thermometers
16. Voltmeters
17. Other bacteriological, electric, chemical, hydraulic, or research equipment

D. Power Operated Equipment

This account shall include the cost of power-operated equipment used in construction or repair work exclusive of equipment includable in other accounts. Include, also, the tools and accessories acquired for use with such equipment and the vehicle on which such equipment is mounted.

I T E M S

1. Air compressors, including driving unit and vehicle
2. Back filling machines
3. Boring machines
4. Bulldozers
5. Cranes and hoists
6. Diggers
7. Engines
8. Pile drives
9. Pipe cleaning machines
10. Pipe coating or wrapping machines
11. Tractors -- crawler type
12. Trenchers
13. Other power-operated equipment

Note: It is intended that this account include only such large units as are generally self propelled or mounted on movable equipment.

E. Communication Equipment

This account shall include the cost installed of telephone, telegraph, and wireless equipment for general use in connection with utility operations.

UTILITY PLANT ACCOUNTSI T E M S

1. Antennae
2. Booths
3. Cables
4. Distribution boards
5. Extension cords
6. Gongs
7. Handsets, manual and dial
8. Insulators
9. Intercommunicating sets
10. Loading coils
11. Operators desks
12. Poles and fixtures used wholly for telephone and telegraph wires
13. Radio transmitting and receiving sets
14. Remote control equipment and lines
15. Sending keys
16. Storage batteries
17. Switchboards
18. Telautograph circuit connections
19. Telegraph receiving sets
20. Telephone and telegraph circuits
21. Testing instruments
22. Towers
23. Underground conduit used wholly for telephone or telegraph wires and cable wires

F. Other Tangible Property

This account shall include the cost of equipment, apparatus, etc., used in utility operations, and which is not includable in any other account.

I T E M S

1. Hospital and infirmary equipment
2. Kitchen equipment
3. Recreation equipment
4. Radios
5. Restaurant equipment
6. Soda fountains

UTILITY PLANT ACCOUNTS

7. Operator's cottage furnishings
8. Electric signs advertising the corporate name or symbol, plant or facility name, or otherwise serving only the general purpose of acquainting the public with the facilities and services of the utility. (The cost of operating such signs shall be charged to Account 930, Miscellaneous General Expenses.)
9. Other miscellaneous equipment

Note: Miscellaneous equipment of the nature indicated above wherever practicable shall be included in the utility plant accounts on a functional basis.

INCOME ACCOUNTS

1. Utility Operating Income

- 400. Operating Revenues
- Operating Expenses:
- 401. Operation Expense
- 402. Maintenance Expense
- 403. Depreciation Expense
- 404. Amortization of Limited-Term Utility Plant
- 405. Amortization of Other Utility Plant
- 406. Amortization of Utility Plant Acquisition Adjustments
- 407. Amortization of Property Losses
- 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 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

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 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
- 417. Income from Nonutility Operations
- 418. Nonoperating Rental Income
- 419. Interest and Dividend Income

INCOME ACCOUNTS

- 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-Credit
- 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 Expense

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

402. Maintenance Expense

There shall be shown under this caption the total amount included in the 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

A. This account shall include the amount of depreciation expense for all classes of depreciable utility plant in service except such depreciation expenses as is chargeable to clearing accounts or to account 416, Costs and Expenses of Merchandising, Jobbing, and Contract Work. The periodic charges for depreciation shall be made in accordance with the straight-line or other systematic method authorized by or acceptable to the State regulatory commission prescribing this Uniform System of Accounts.

B. The utility shall keep such records of property and property retirements as will reflect the service life of property which has been retired and also such records as will reflect the percentage of salvage and cost of removal for property retired.

INCOME ACCOUNTS

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

Note A: Depreciation expense applicable to property included in account 104, Utility Plant Leased to Others, shall be charged to account 413, Income from Utility Plant Leased to Others.

Note B: Depreciation expense applicable to transportation equipment, shop equipment, tools, work equipment, power operated equipment, and other general equipment may be charged to clearing accounts as necessary to obtain a proper distribution of expenses between construction and operation.

404. Amortization of Limited-Term Utility Plant

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. (See account 110, Accumulated Provision for Depreciation and Amortization of Utility Plant.)

405. Amortization of Other Utility Plant

A. When authorized by the Commission, this account shall include charges for amortization of intangible or other utility plant in service which does not have a definite or terminable life and which is not subject to charges for depreciation expense.

B. This account shall be supported in such detail as to show the amortization applicable to each investment being amortized, together with the book cost of the investment and the period over which it is being written off.

406. Amortization of Utility Plant Acquisition Adjustments

This account shall be debited or credited, as the case may be, with amounts includable in operating expenses, pursuant to approval or order of the Commission, for the purpose of providing for the extinguishment of the amount in 108, Utility Plant Acquisition Adjustments.

INCOME ACCOUNTS

407. Amortization of Property Losses

This account shall be charged with amounts credited to account 182, Extraordinary Property Losses, when the Commission has authorized the amount in the latter account to be amortized by charges to operating expenses.

408. Taxes Other Than Income Taxes

A. This account shall include the amount of ad valorem, gross revenue, or gross receipts taxes, 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, which are properly chargeable to utility operations, 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 includable in this account shall be assigned directly to the utility department the operation of which gave rise to the tax, in so far 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 sub-accounts 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.

INCOME ACCOUNTS

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 413, 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 related 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 becomes 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 9 for prior period adjustment.)

INCOME ACCOUNTS

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 the amounts recorded in account 439, Adjustments to Retained Earnings, shall be recorded in the 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.

INCOME ACCOUNTS

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 includable 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 includable 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).

INCOME ACCOUNTS411.2 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.

INCOME ACCOUNTS

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.

INCOME ACCOUNTS

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 investments 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 includable in account 104, 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 expenses shall be kept or supported so as to show separately the following:

Operation
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 plant instruction 4F, 6E, and 9E 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

INCOME ACCOUNTS

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

A. 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.

B. Records in support of these account shall be so kept as to permit ready summarization of revenues, costs and expenses by such major items as are feasible.

Note A: Revenues and expenses of merchandising, jobbing, and contract work shall be reported in these accounts, if a state regulatory body having jurisdiction over the utility requires the net income to be reported as other income; but the amount shall be reported in accounts 914, Revenues from Merchandising, Jobbing, and Contract Work, and 915, Costs and Expenses of Merchandising, Jobbing, and Contract Work, if such regulatory body requires the net income to be reported as an operating income or expense item. In the absence of a requirement by a state regulatory body, the utility may use these accounts or accounts 914 and 915 at its option, in which case the practice of the utility must be consistent.

Note B: 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.

INCOME ACCOUNTSI T E M S

Account 415:

1. Charges for installing meters owned by customers.
2. Charges for tapping mains and installing services when not includable in account 354, Services to Customers.
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 jobbing or contract work.
3. Clerical labor and expenses 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.

417. Income from Nonutility Operations

A. This account shall include revenues and expenses applicable to operations which are nonutility in character but nevertheless constitute a distinct operating activity of the enterprise as a whole, such as providing sewage disposal service where applicable statutes do not define such operation as a utility, or the operation of a servicing organization for furnishing supervision, management, engineering, and similar services to others. A series of subaccounts shall be maintained for each activity to show separately revenues and expenses.

INCOME ACCOUNTS

B. The expenses shall include all elements of costs incurred in such operations, and the accounts shall be maintained so as to permit ready summarization as follows:

Operation
Maintenance
Rents
Depreciation
Amortization

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.

418. Nonoperating Rental Income

A. This account shall include all rent revenues and related expenses of land, buildings, or other property included in account 121, Nonutility Property, which is not used in operations covered by account 417.

B. The expenses shall include all elements of costs incurred in the ownership and rental of the property and the accounts shall be maintained so as to permit ready summarization as follows:

Operation
Maintenance
Rents
Depreciation
Amortization

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.

419. Interest and Dividend Income

A. This account shall include interest revenues on securities, loans, notes, 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.

INCOME ACCOUNTS

B. This account may include for each accounting period the pro rata amount necessary to extinguish (during the interval between the date of acquisition and the date of maturity) the difference between the cost to the utility and the face value of interest-bearing securities. Amounts thus credited or charged shall be concurrently included in the accounts in which the securities are carried.

C. All expenses, excluding operating taxes and income taxes, applicable to security investments and to interest and dividend revenues thereon, shall be charged hereto.

Note A: 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.

Note B: Interest accrued, the payment of which is not reasonably assured, dividends receivable which have not been declared or guaranteed, and interest or dividends upon reacquired securities issued or assumed by the utility shall not be recorded.

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 3(A).)

421. Miscellaneous Nonoperating Income

This account shall include all revenue and expense items, except taxes, properly includable 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.

I T E M S

1. Profit on sale of timber (See utility plant instruction 6,C)
2. Profits from operations of others realized by the utility under contracts.
3. Gain on disposition of investments and reacquisition and resale or retirement of utility's debt securities and investment.

INCOME ACCOUNTS

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 instructions 4F, 6E, and 9E 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 charged not includable in other accounts which are properly deductible in determining the income of the utility before interest charges. Charges includable herein, if significant in amount, must be in accordance with an orderly and systematic amortization program.

I T E M S

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.

INCOME ACCOUNTS

I T E M S

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.

INCOME ACCOUNTS

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.

INCOME ACCOUNTS

431. Other Interest Expense

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

I T E M S

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 judgements, 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 8.)

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 8.)

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.

I T E M S

1. Appropriations required 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.

RETAINED EARNINGS ACCOUNTS

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.)

I T E M S

1. Significant nonrecurring adjustments or settlement of income taxes.
2. Significant amounts resulting from litigation or similar claims.
3. Significant amounts relating to adjustments of 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. Sewage Revenues

- 521. Flat Rate Revenues - General Customers
- 522. Measured Revenues - General Customers
- 523. Revenues from Public Authorities
- 524. Revenues from Other Systems
- 525. Interdepartmental Revenues
- 526. Miscellaneous Sewerage Revenues

2. Other Operating Revenues

- 531. Sale of Sludge
- 532. Customers' Forfeited Discounts
- 533. Servicing of Customers' Laterals
- 534. Rents from Sewer Properties
- 535. Interdepartmental Rents
- 536. Miscellaneous Operating Revenues

OPERATING REVENUE ACCOUNTS

1. Sewage Revenues

521. Flat Rate Revenues - General Customers

A. This account shall be credited with all revenue for sewage service rendered to residential, commercial, and industrial property where the charge is not dependent upon metered water consumption or metered effluent output, but is based on diameter of service, structure size, area, front footage or other similar unit.

B. All revenues credited hereto shall be classified to one of the following Subaccounts:

- 521.1 Residential Revenues
- 521.2 Commercial Revenues
- 521.3 Industrial Revenues
- 521.4 Revenues from Public Authorities

Note: When service is supplied through a single lateral to property used for both residential and commercial purposes, the total revenue shall be included in Subaccount 521.1 or 521.2 according to the principal use of the property.

522. Measured Revenue - General Customers

A. This account shall be credited with all revenue for sewage service rendered to residential, commercial, and industrial property where the charge is, or may be, in any way dependent on the quantity of water consumed or the quantity of effluent output by the customers.

B. All revenues credited hereto shall be classified to one of the following Subaccounts:

- 522.1 Residential Revenues
- 522.2 Commercial Revenues
- 522.3 Industrial Revenues
- 522.4 Revenues from Public Authorities

Note: See note following account 521 above.

OPERATING REVENUE ACCOUNTS

523. Revenues from Public Authorities

This account shall be credited with revenues derived from sewage service to properties of municipalities or other divisions or agencies of Federal or State governments where such service is rendered and billed under special contracts or agreements or service classification applicable only to public authorities, except such revenues which are includable in Account 524, Revenue from Other Systems. Service to public authority customers billed under general service (flat rate or measured service) rate schedules shall be credited to account 521 or 522 as appropriate.

524. Revenues from Other Systems

This account shall be credited with all revenues derived from sewage services rendered to other sewage system properties, whether operated by a public authority or a private enterprise.

525. Interdepartmental Revenues

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

B. Records shall be maintained so that the sewage service supplied each other department and the charges therefor shall be readily available.

526. Miscellaneous Sewerage Revenues

This account shall be credited with all revenues derived from residential or commercial service furnished to any customer served without a permanent service connection and for all other sewerage service not elsewhere provided for.

2. Other Operating Revenues

531. Sale of Sludge

This account shall include revenues received from the sale of byproduct sludge sold as fertilizer.

OPERATING REVENUE ACCOUNTS

532. Customers' Forfeited Discounts

This account shall include the amounts which the utility allows its customers on condition that they pay their sewage bills on or before a specified date and which are forfeited by customers because of failure to pay within the specified time. There shall likewise be credited hereto the amounts of penalties imposed by the utility on its customers because of failure to pay bills within a specified time.

534. Rents from Sewer Property

A. This account shall include rents received for the use by others of land, buildings, and other property devoted to sewer operations by the utility.

B. When property owned by the utility is operated jointly with others under a definite arrangement for apportioning the actual expenses among the parties to the arrangement, any amounts received by the utility for interest or return or in reimbursement of taxes or depreciation on the property shall be credited to this account.

Note: Do not include in this account rents from property constituting an operating unit or system. (See Account 413, Income from Utility Plant Leased to Others.)

535. Interdepartmental Rents

This account shall include rents credited to the sewer department on account of rental charges made against other departments (water, etc., of the utility.) In the case of property operated under a definite arrangement to allocate the cost among the departments using the property, any reimbursement to the sewer department for interest or return and depreciation and taxes shall be credited to this account.

536. Miscellaneous Operating Revenues

This account shall include revenues for all miscellaneous services and charges billed to customers which are not specifically provided for in other accounts.

OPERATING REVENUE ACCOUNTSI T E M S

1. Fees for changing, connecting or disconnecting service.
2. Profit on maintenance of piping or other installations on customers' premises.
3. Recovery of expenses in connection with unauthorized taking of sewage service (billing for service shall be included in the appropriate sewage revenue account.)
4. Profit on the sale of materials and supplies not ordinarily purchased for resale.
5. Physical inspection of service sewer connections other than those connections made by the company.

OPERATIONS & MAINTENANCE EXPENSE ACCOUNTS

1. Operation Expenses

- 700. Supervision and Engineering
- 701. Labor and Expenses
- 702. Rents
- 703. Fuel and Power Purchased for Pumping and Treatment
(This includes aeration)
- 704. Chemicals
- 705. Miscellaneous Supplies and Expenses

2. Maintenance Expenses

- 710. Supervision and Engineering
- 711. Maintenance of Structures and Improvements
- 712. Maintenance of Collecting Sewer System
- 713. Maintenance of Pumping System
- 714. Maintenance of Treatment and Disposal Plant
- 715. Maintenance of Other Plant Facilities

3. Customer Account Expenses

Operation:

- 901. Supervision
- 902. Meter Reading Expenses and Flat Rate Inspections
- 903. Customer Records and Collection Expenses
- 904. Uncollectible Accounts
- 905. Miscellaneous Customer Accounting Expenses

4. Customer Service Expenses

- 907. Customer Service and Information Expenses

5. Sales Promotion Expenses

- 910. Sales Promotion Expenses
- 914. Revenue from Merchandising, Jobbing, and Contract Work
- 915. Costs and Expenses of Merchandising, Jobbing, and Contract Work

OPERATIONS & MAINTENANCE EXPENSE ACCOUNTS

6. Administrative and General Expenses

- 920. Administrative and General Salaries
- 921. Office Supplies and Other Expenses
- 923. Outside Services Employed
- 924. Insurance Expense
- 926. Employee Pensions and Benefits
- 928. Regulatory Commission Expense
- 929. Transportation Expenses
- 930. Miscellaneous General Expense
- 931. Rents

Maintenance:

- 932. Maintenance of General Plant

OPERATIONS & MAINTENANCE EXPENSE ACCOUNTS

1. Operation Expenses

700. Supervision and Engineering

This account shall include the cost of labor and expenses incurred in the general supervision and direction of all operations of sewer facilities. (See Operating Expense Instruction 1.)

701. Labor and Expenses

This account shall include the cost of labor, materials used and expenses incurred in the operation of all sewer facilities.

A. Collection System Items

Labor:

1. Supervision of operating matters
2. Routine inspection of facilities
3. Keeping records and preparing reports
4. Routine cleaning, and flushing of mains, sewers, manholes, lampholes, etc.

Materials and Expenses:

5. Tool and equipment expense
6. Utility service
7. Cost of flushing water
8. Transportation
9. Operating supplies, such as lubricants, waste, etc.
10. Records and report forms
11. Meals and incidental expenses

B. Pumping System - Items

Labor:

1. Direct supervision of pumping operations.
2. Operating pumps, turbines, and engines.
3. Operating condensers, circulating water systems, and other auxiliary apparatus.
4. Operating lubrication and oil control systems, including oil purification.
5. Operating control and protective equipment.
6. Operating valves to point where sewage enters the sewage treatment or collection system.
7. Keeping plant log and records and preparing reports of operation.

OPERATIONS & MAINTENANCE EXPENSE ACCOUNTS

8. Testing, checking and adjusting meters, gauges and other instruments, controls, etc., in the pumping plant.
9. Cleaning pumping equipment when not incidental to maintenance work.

Materials and Expenses (other than power purchased):

10. Lubricants, waste, gaskets, etc.
11. Transportation
12. Meals and incidental expenses

C. Treatment System - Items

Labor:

1. Supervising treatment and disposal operations.
2. Applying chemicals.
3. Cleaning basins, flumes, screens, and appurtenances.
4. Operating filters.
5. Removing ice.
6. Removing sediment and sludge.
7. Cleaning and washing filters.
8. Operating chlorinator.
9. Testing and analyzing.
10. Filling and operating chemical feeders.
11. Operating incinerator.
12. Operating sludge and sediment disposal equipment.
13. Cleaning sludge drying beds.
14. Operating sludge treating equipment.
15. Changing flow charts.
16. Cleaning of other plant equipment when not incidental to maintenance work.
17. Keeping treatment plant logs and preparing reports on plant operations.

Materials and Expenses:

18. Charts and log sheets.
19. Lubricants, waste, etc.
20. Shop and laboratory expenses.
21. Transportation.
22. Inspection fees.
23. Operating permit fees.
24. Meals, traveling, and incidental expenses.
25. Lease or rental costs of transportation equipment used to transport sludge.

OPERATIONS & MAINTENANCE EXPENSE ACCOUNTS

702. Rents

This account shall include all rents of property of others used, occupied, or operated in connection with the sewage system. (See Operating Expense Instruction 2).

703. Fuel and Power Purchased for Pumping and Treatment

A. Fuel and Power Purchased for Pumping

1. This account shall include the cost of fuel or power purchased, used directly in operation of pumps.
2. This account shall also include the cost of power transferred to sewer pumping operations from other departments under joint facility arrangements.
3. The cost of fuel shall be charged initially to appropriate fuel accounts carried under Account 150, Materials and Supplies, and cleared to this account on the basis of the fuel used.

I T E M S

1. Diesel fuel
2. Electric Power

B. Fuel or Power for Sewage Treatment and Pumping

This account shall include the cost of electric power and the cost of fuel purchased for use in operation of pumping and other equipment used in the sewage treatment process.

I T E M S

1. Electric Power
2. Diesel fuel
3. Gasoline
4. Liquefied propane gas

OPERATIONS & MAINTENANCE EXPENSE ACCOUNTS

C. Fuel or Power for Other Sewer Facilities

This account shall include the cost of electric power and the cost of fuel purchased for use in the sewer system not provided for elsewhere, such as fuel or power purchased for aeration lagoons.

704. Chemicals

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

I T E M S

1. Activated carbon.
2. Caustic soda.
3. Chlorine.
4. Copper sulphate.
5. Deodorant.
6. Enzymes.
7. Ferric chloride.
8. High test hypochlorite.
9. Iron sulphate.
10. Lime.
11. Poly electrolytes.
12. Soda ash.
13. Sulphate of alumina.
14. Sulphoric acid.
15. Chlorine.
16. Ozone.
17. Other chemicals.

705. Miscellaneous Supplies and Expenses

This account shall include the cost of labor, materials used and expenses incurred in the operation of sewer facilities.

A. Collection System - Supplies and Expenses

OPERATIONS & MAINTENANCE EXPENSE ACCOUNTSI T E M S

Labor:

1. General clerical and stenographic work.
2. Preparing maps.

Materials and Expenses:

3. First aid supplies and safety equipment.
4. Map record supplies.
5. Miscellaneous office supplies and expenses, printing and stationery.
6. Utility service

B. Pumping System - Supplies and Expenses

I T E M S

Labor:

1. General clerical and stenographic work.
2. Guarding and patrolling plant and yard.
3. Building service.
4. Care of grounds including snow removal, cutting grass, etc.
5. Miscellaneous labor.

Materials and Expenses:

6. General operating supplies, such as tools, gaskets, packing waste, guage glasses, hose, indicating lamps, record and report forms, etc.
7. First aid supplies and safety equipment.
8. Building service supplies.
9. Utility service.
10. Miscellaneous office supplies and expenses, printing and stationery.
11. Transportation.
12. Meals and incidental expenses
13. Research and developmental expenses.

C. Treatment and Disposal - Supplies and Expenses

OPERATIONS & MAINTENANCE EXPENSE ACCOUNTSI T E M S

Labor:

1. General clerical and stenographic work.
2. Guarding and patrolling.
3. Building service.
4. Care of grounds including snow removal, cutting grass, etc.
5. Miscellaneous labor.

Materials and Expenses:

6. General operating supplies.
7. First aid supplies and safety equipment.
8. Building service supplies.
9. Miscellaneous office supplies and expenses, printing and stationery.
10. Transportation, meals, and incidental expenses.

2. Maintenance Expenses

710. Supervision and Engineering

This account shall include the cost of labor and expenses incurred in the general supervision and direction of the maintenance of the sewer system (See Operating Expense Instruction 1.)

711. Structures and Improvements

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of structures and improvements, the original cost of which is includable in Account 311, Structures and Improvements, and of similar property leased from others. (See Operating Expense Instruction 1.)

712. Maintenance of Collection Sewer System

This account shall include the cost of labor, material used, and expenses incurred in the maintenance of sewers, the original cost of which is includable in Account 352, Collection Sewers, and of similar property leased from others. (See Operating Expense Instruction 1.)

OPERATIONS & MAINTENANCE EXPENSE ACCOUNTS

Note: When a main or sewer is changed in grade or is relocated, the original installed cost of the main or sewer shall be credited to utility plant and charged to the accumulated provision for depreciation. The original material cost of the main or sewer shall then be credited to the accumulated provision for depreciation and charged to utility plant together with the current installation cost of placing the main or sewer at the new level or location. The excess of the actual removal and relocation costs of the job over the amount of installation costs includable in utility plant as aforesaid shall be considered in determining the annual provision for depreciation.

713. Maintenance of Pumping System

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of pumping equipment, the original cost of which is includable in Account 362, Receiving Wells, 363A, Electric Pump Equipment, 363B Diesel Pumping Equipment, and 363C, Other Pumping Equipment, and of similar equipment leased from others, and any general or other plant the maintenance of which is assignable to the pumping function and is not provided for elsewhere.

714. Maintenance of Treatment and Disposal Plant

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of sewage treatment and disposal plant, the original cost of which is includable in Account 373, Treatment and Disposal Equipment, Account 374, Plant Sewers, and Account 375, Outfall Sewer Line.

715. Maintenance of Other Plant Facilities

This account shall include the cost of labor, materials and expenses incurred in the maintenance of other plant facilities not provided for elsewhere, such as maintenance of services to customers, flow measuring devices, etc.

OPERATIONS & MAINTENANCE EXPENSE ACCOUNTS

3. Customer Accounts Expenses

Operation:

901. Supervision

This account shall include the cost of labor and expenses incurred in the general direction and supervision of customer accounting and collecting activities. Direct supervision of a specific activity shall be charged to Account 902, Meter Reading Expenses, no flat rate inspections, or Account 903, Customer Records and Collection Expenses, as appropriate. (See Operating Expense Instruction 1.)

902. Meter Reading Expenses and Flat Rate Inspections

This account shall include the cost of labor, materials used, and expenses incurred in reading customer meters, and determining consumption when performed by employees engaged in reading meters. This account shall also include any cost involved in making flat rate inspections.

I T E M S

Labor:

1. Addressing forms for obtaining meter readings by mail.
2. Changing and collecting meter charts used for billing purposes.
3. Checking seals, etc., when performed by meter readers and the work represents a minor activity incidental to regular meter reading routine.
4. Reading meters for billing purposes. Exclude charges to Account 903, Customer Records and Collection Expenses, as applicable, the cost of obtaining meter readings, first and final, if incidental to the operation of removing or resetting, sealing or locking, and disconnecting or reconnecting meters.
5. Computing consumption from meter reader's book or from reports by mail when done by employees engaged in reading meters.
6. Collecting from prepayment meters when incidental to meter reading.

OPERATIONS & MAINTENANCE EXPENSE ACCOUNTS

7. Maintaining record of customers' keys.
8. Computing estimated or average consumption when performed by employees engaged in reading meters.

Materials and Expenses:

9. Badges, lamps, and uniforms.
10. Meter books and binders and forms for recording readings, but not the cost of preparation.
11. Postage and supplies used in obtaining meter readings by mail.
12. Transportation, meals, and incidental expenses.

903. Customer Records and Collection Expenses

This account shall include the cost of labor, materials used and expenses incurred in work on customer applications, contracts, orders, credit investigations, billing and accounting, collections and complaints.

I T E M S

Labor:

1. Receiving, preparing, recording, and handling routine orders for service, disconnections, transfers, or meter tests initiated by the customers, excluding the cost of carrying out such orders, which is chargeable to the account appropriate for the work called for by such orders.
2. Investigations of customers' credit and keeping of records pertaining thereto, including records of uncollectible accounts written off.
3. Receiving, refunding, or applying customer deposits and maintaining customer deposit, line extension, and other miscellaneous records.
4. Checking consumption shown by meter readers' reports where incidental to preparation of billing data.
5. Preparing address plates and addressing bills and delinquent notices.
6. Preparing billing data.
7. Operating billing and bookkeeping machines.
8. Verifying billing records with contracts or rate schedules.
9. Preparing bills for delivery and mailing or delivering bills.

OPERATIONS & MAINTENANCE EXPENSE ACCOUNTS

10. Collecting revenues, including collection from prepayment meters unless incidental to meter reading operations.
11. Balancing collections, preparing collections for deposit, and preparing cash reports.
12. Posting collections and other credits or charges to customer accounts and extending unpaid balances.
13. Balancing customer accounts and controls.
14. Preparing, mailing, or delivering delinquent notices and preparing reports of delinquent accounts.
15. Final meter reading of delinquent accounts when done by collectors incidental to regular activities.
16. Disconnecting and reconnecting service because of nonpayment of bills.
17. Receiving, recording, and handling of inquiries, complaints, and requests for investigations from customers, including preparation of necessary orders, but excluding the cost of carrying out such orders, which is chargeable to the account appropriate for the work called for by such orders.
18. Statistical and tabulating work on customer accounts and revenues, but not including special analysis for sales department, rate department, or other general purposes, unless incidental, to regular customer accounting routines.
19. Preparing and periodically rewriting meter reading sheets.
20. Determining consumption and computing estimated average consumption when performed by employees other than those engaged in reading meters.

Materials and Expenses:

21. Address plates and supplies.
22. Cash overages and shortages.
23. Commissions or fees to others for collecting.
24. Payments to credit organizations for investigations and reports.
25. Postage.
26. Transportation expenses, including transportation of customer bills and meter books under centralized billing procedure.
27. Transportation, meals, and incidental expenses.
28. Bank charges, exchange, and other fees for cash and depositing customers' checks.
29. Forms for recording orders for services, removals, etc.
30. Rent of mechanical equipment.

OPERATIONS & MAINTENANCE EXPENSE ACCOUNTS

904. Uncollectible Accounts

This account shall be charged with amounts sufficient to provide for losses from uncollectible utility revenues. Concurrent credits shall be made to account 144, Accumulated Provision for Uncollectible Accounts - Cr. Losses from uncollectible accounts shall be charged to Account 144.

905. Miscellaneous Customer Accounts Expenses

This account shall include the cost of labor, materials used, and expenses incurred not provided for in other accounts.

I T E M S

Labor:

1. General clerical and stenographic work.
2. Miscellaneous labor.

Materials and Expenses:

3. Communication service.
4. Miscellaneous office supplies and expenses and stationery and printing other than those specifically provided for in Accounts 902 and 903.

4. Customer Service Expenses

Operation:

907. Customer Service and Information Expenses

This account shall include the cost of supervision, labor, and expenses incurred in customer service and informational activities, the purpose of which is to encourage safe and efficient use of the utility's service, to promote conservation of the utility's service, and to assist present customers in answering specific inquiries as to the proper and economic use of the utility's service and the customer's equipment utilizing the service.

OPERATIONS & MAINTENANCE EXPENSE ACCOUNTS

5. Sales Promotion Expenses

Operation:

910. Sales Promotion Expenses

This account shall include the cost of labor and expenses incurred in sales promotion activities, except merchandising, the object of which is to promote or retain the use of utility services by present or prospective customers.

914. Revenues from Merchandising, Jobbing, and Contract Work

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

A. 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 an agent under contracts whereby it does jobbing work for another for a stipulated profit or commission and all expenses incurred in such activities.

B. Records in support of these accounts shall be so kept as to permit ready summarization of revenues, costs and expenses by such major items as are feasible.

Note A: Revenues and expenses of merchandising, jobbing, and contract work shall be reported in this account, if a state regulatory body having jurisdiction over the utility requires such income to be reported as an operating expense item; but the revenues and expenses shall be reported in Accounts 415 and 416 if such regulatory body requires such income to be reported as nonoperating income. In the absence of a requirement by a state regulatory body, the utility may use these accounts or Accounts 415 and 416 as its option, in which case the practice of the utility must be consistent.

Note B: 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.

OPERATIONS & MAINTENANCE EXPENSE ACCOUNTSI T E M S

Account 914.

1. Revenues from sale of piping, other jobbing or contract work.
2. Revenues from installing all customer owned property not included herein.
3. Discounts and allowances made in settlement of bills for jobbing and contract work.

Account 915.

Labor:

1. Installing piping, or other property work, on a jobbing or contract basis.
2. Receiving and handling customers orders for jobbing services.
3. Bookkeeping and other clerical work in connection with jobbing or contract work.
4. Supervising jobbing and contract work.

Materials and Expenses:

5. Cost of merchandise sold and materials used in jobbing and contract work.
6. Stores expense on merchandise and jobbing materials and supplies.
7. Utility service.
8. Depreciation on equipment used primarily for jobbing and contract work.
9. Transportation expense.
10. Rent of equipment used primarily for jobbing and contract work.
11. Stationery and office supplies and expense.
12. Losses from uncollectible jobbing and contract work accounts.
13. Tool expenses.
14. Shop expenses.
15. Power operated equipment expenses.

OPERATIONS & MAINTENANCE EXPENSE ACCOUNTS

6. Administrative and General Expenses

Operation:

920. Administrative and General Salaries

A. This account shall include the compensation (salaries, bonuses, and other consideration for services, but not including director's fees) of officers, executives, and other employees of the utility properly chargeable to utility operations and not chargeable directly to particular operating function.

B. This account may be subdivided in accordance with a classification appropriate to the departmental or other functional organization of the utility.

921. Office Supplies and Other Expenses

A. This account shall include office supplies and other expenses incurred in connection with the general administration of the utility's operations which are assignable to specific administrative or general departments and are not specifically provided for in other accounts. This includes the expenses of the various administrative and general departments, the salaries and wages of which are includable in account 920.

B. This account may be subdivided in accordance with classification appropriate to the departmental or other functional organization of the utility.

Note: Office expenses which are clearly applicable to any group of operating expenses other than the administrative and general group shall be included in the appropriate account in each functional group. Further, general expenses which apply to the utility as a whole rather than to a particular administrative function shall be included in Account 930, Miscellaneous General Expenses.

I T E M S

1. Automobile service, including charges through clearing accounts.
2. Bank messenger and service charges.
3. Books, periodicals, bulletins and subscriptions to newspapers, newsletters, tax services, etc.

OPERATIONS & MAINTENANCE EXPENSE ACCOUNTS

4. Building service expenses for customer accounts sales, and administrative and general purposes.
5. Communication service.
6. Cost of individual items of office equipment used by general departments which are of small value or short life.
7. Membership fees and dues in trade, technical, and professional associations paid by utility for employees. (Company memberships are includable in Account 930.)
8. Office supplies and expenses.
9. Payment of court costs, witness fees, and other expenses of legal department.
10. Postage, printing, and stationery.
11. Meals, traveling, and incidental expenses.

923. 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 operating 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 as 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.

I T E M S

1. Fees, pay, and expenses of accountants and auditors, actuaries, appraisers, attorneys, engineering consultant, 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 includable in the expenses of issuing securities.

OPERATIONS & MAINTENANCE EXPENSE ACCOUNTS

924. Insurance Expense

A. This account shall include the cost of insurance or reserve accruals to protect the utility against injuries and damage claims of employees or others, losses of such character not covered by insurance, and expenses incurred in settlement of injuries and damage claims. It shall also include the cost of labor and related supplies and expenses incurred in injuries and damages activities.

B. 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.

I T E M S

1. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damage, casualty, employee liability, etc., and amounts credited to Account 262, Injuries and Damages Reserve, for similar protection.
2. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.
3. Fees and expenses of claim investigators.
4. Payment of awards to claimants for court costs and attorneys' services.
5. Medical and hospital service and expenses for employees as a result of occupational injuries, or resulting from claims of others.
6. Compensation payments under workmen's compensation laws.
7. Compensation paid while incapacitated as a result of occupational injuries. (See Note A)
8. Cost of safety, accident prevention and similar educational activities.

(Note A: Payments to or in behalf of employees for accident or death benefits, hospital expenses, medical supplies, or for salaries while incapacitated for service on or leave of absence beyond periods normally allowed, when not the result of occupational injuries, shall be charged to Account 926, Employee Pensions and Benefits. (See also Note B of Account 926.))

OPERATIONS & MAINTENANCE EXPENSE ACCOUNTS

(Note B: The cost of injuries and damages or reserve accruals capitalized shall be charged to construction directly or by transfer to construction work orders from this account.)

7. Expenses in connection with educational and recreational activities for the benefit of employees.

Note A: The cost of labor and related supplies and expenses of administrative and general employees who are only incidentally engaged in employee pension and benefit activities may be included in Accounts 920 and 921, as appropriate.

Note B: Salaries paid to employees during periods of non-occupational sickness may be charged to the appropriate labor account rather than to employee benefits.

928. Regulatory Commission Expenses

A. This account shall include all expenses (except pay of regular employees only incidentally engaged in such work) properly includable in utility operating expenses, incurred by the utility in connection with formal cases before regulatory commission, 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 expenses 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 report the cost of each formal case.

I T E M S

1. Salaries, fees retainers, and expenses of counsel, solicitors, attorneys, accountants, engineers, clerks, attendants, witnesses, and others engaged in the prosecution of, or defense against petitions or complaints presented to regulatory bodies or in the valuation of property owned or used by the utility in connection with such cases.
2. Office supplies and expenses, payments to public service or other regulatory commissions, stationery and printing, traveling expenses, and other expenses incurred directly in connection with formal cases before regulatory commissions.

OPERATIONS & MAINTENANCE EXPENSE ACCOUNTS

Note A: Exclude from this account and include in other appropriate operating expense accounts, expenses incurred in the improvement of service, additional inspection, or rendering reports which are made necessary by the rules and regulations, or orders, of regulatory bodies.

Note B: Do not include in this account amounts includable in Account 302, Franchises and Consents, Account 181, Unamortized Debt Discount and Expense, or Account 214, Capital Stock Expense.

(Note C: Exclude herefrom the time and expenses of employees (except those engaged in injuries and damages activities) spent in attendance at safety and accident prevention educational meetings, if occurring during the regular work period.)

(Note D: The cost of labor and related supplies and expenses of administrative and general employees who are only incidentally engaged in injuries and damages activities may be included in Accounts 920 and 921, as appropriate.)

926. Employee 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 pensions funds are irrevocably devoted to pension purposes, and payments 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 and administrative expenses in connection with employee pensions and benefits.

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 pension 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.

OPERATIONS & MAINTENANCE EXPENSE ACCOUNTS

D. Records in support of this account shall be so kept that the total pensions expense, the total benefits expense, the administrative expenses included herein, and the amounts of pensions and benefits expenses transferred to construction or other accounts will be readily available.

I T E M S

1. Payment of pensions under a nonaccrual or nonfunded basis.
2. Accruals for or payments to pension funds or to insurance companies for pension purposes.
3. Group and life insurance premiums (credit dividends received).
4. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.
5. Payments for accident, sickness, hospital, and death benefits or insurance.
6. Payments to employees incapacitated for service or on leave of absence beyond normally allowed, when not the result of occupational injuries, or in excess of statutory awards.

929. Transportation Expenses

A. This account shall include the cost of operating and maintaining automobiles, trucks, or other transportation facilities, and the amount of depreciation expense on transportation equipment applicable to the accounting period. This account shall not include transportation costs incurred in connection with construction work. Such charges shall be included in the costs of construction.

B. If the utility so elects, this account may be used as a clearing account and all transportation costs may be charged hereto and distributed from this account to operating expenses, utility plant or other accounts on a basis which will equitably apportion the transportation expenses according to the use of the equipment.

I T E M S

1. Depreciation of transportation equipment.
2. Insurance on transportation equipment.
3. License fees for vehicles and drivers.
4. Rents for equipment or garages.
5. Repairs of transportation equipment.
6. Supplies, such as gas, oil, tires, tubes, grease, etc.

OPERATIONS & MAINTENANCE EXPENSE ACCOUNTS

930. Miscellaneous General Expenses

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

I T E M S

Labor:

1. Miscellaneous labor not elsewhere provided for.

Expenses:

2. Industry association dues for company membership.
3. Contributions for conventions and meeting of 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. Public notices of financial, operating, and other data required by regulatory statutes, not including, however, notices required in connection with security issue or acquisition of property.
12. Write-off of expenditures for preliminary survey investigation charges, relative to projects which have been abandoned (See Account 183.)
13. Franchise Requirements.

a) This account shall include payments to municipal or other governmental authorities, and the cost of materials, supplies, and services furnished such authorities without reimbursement in compliance with franchise, ordinance, or similar requirements; provided, however, that the utility may charge to this account at regular tariff rates, instead of cost, utility service furnished without charge under provisions of franchise.

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b) The account shall be maintained so as to readily reflect the amounts of cash outlays, utility service supplied without charge, and other items furnished without charge.

Note 1: Franchise taxes shall not be charged to this account, but to Account 408, Taxes Other Than Income Taxes.

Note 2: Any amount paid as initial consideration for a franchise running for more than one year shall be charged to Account 302, Franchises and Consents.

B. This account shall also include the cost and expenses related to institutional or goodwill advertising.

1. This account shall include the cost of labor, materials used and expenses incurred in advertising and related activities which by their content or presentation clearly indicate that they serve only to improve the image of the utility itself or the area or community it serves.

2. Entries relating to institutional or goodwill advertising included in this account shall contain or refer to supporting documents which identify the specific advertising message. If references are used, copies or scripts of the advertising message shall be readily available.

I T E M S

Labor:

1. Supervision of institutional or goodwill advertising activities.
2. Preparing advertising material for newspapers, periodicals, billboards, etc., and preparing or conducting motion pictures, radio and television programs.
3. Preparing booklets, bulletins, etc., used in direct mail advertising.
4. Preparing window and other displays.
5. Clerical and stenographic work.
6. Investigating advertising agencies and media and conducting negotiations in connection with the placement and subject matter of advertising.

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Materials and Expenses:

7. Advertising in newspapers, periodicals, billboards, radio, etc.
8. Advertising matter such as posters, bulletins, booklets, and related items.
9. Fees and expenses of advertising agencies and commercial artists.
10. Postage on direct mail advertising.
11. Printing of booklets, dodgers, bulletins, etc.
12. Supplies and expenses in preparing advertising materials.
13. Office supplies and expenses.

Below are examples of the advertising includable in this account:

14. Pronouncements primarily lauding the utility or the area or community it serves.
15. Advertising activities to inform the public of the utility's consciousness of, or involvement in, health, safety, conservation, or environmental programs.
16. Advertising activities to inform the public of the utility's participation in programs to improve the economic condition of the area or community it serves.
17. Advertising activities to inform the public of the utility's role of good citizenship in the area or community it serves.
18. Information and routine data supplied by the utility to local governments, planning agencies, civic groups, businesses, and the general public which is not includable in Account 970, Customer Service and Information Expenses.

931. Rents

This account shall include rents properly includable in utility operating expenses for the property of others used, occupied, or operated in connection with the customer accounts, sales and general and administrative functions of the utility. (See Operating Expense Instruction 2.)

932. Maintenance of General Plant

A. This account shall include the cost assignable to customer accounts, sales and administrative and general functions of labor, materials used, and expenses incurred in the maintenance of property,

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the original cost of which is includable in Account 311, Structures and Improvements, Account 391, Office Furniture and Equipment, Account 393(E) Communication Equipment, and (F) Miscellaneous Equipment, and of similar property leased from others. Include also, the cost of repairing for reuse materials which previously were included in those accounts. (See Operating Expense Instruction 1.)

B. Maintenance expenses on office furniture and equipment used elsewhere than in general, commercial, and sales offices shall be charged to the following accounts:

Collection - Account 712

Pumping - Account 713

Treatment and Disposal - Account 714

Merchandise and Jobbing - Account 416

Garages, Shops, etc. - Appropriate clearing account, if used.

Note: Maintenance of plant included in other general equipment accounts shall be included herein unless charged to clearing accounts or to the particular functional maintenance expense account indicated by the use of the equipment.