

NATIONAL ASSOCIATION  
OF  
REGULATORY UTILITY COMMISSIONERS

UNIFORM SYSTEM OF ACCOUNTS

FOR

CLASS C

WATER COMPANIES

Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, Kentucky 40602

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the Kentucky Public Service Commission in 2002.



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## DEFINITIONS

When used in this system of accounts:

1. "Amortization" means the gradual extinguishment of an amount in an account by distributing such amount over a fixed period, over the life of the asset or liability to which it applies, or over the period during which it is anticipated the benefit will be realized.
2. "Commission", unless otherwise indicated by the context, means the Kentucky Public Service Commission.
3. "Composite depreciation rate" is a percentage based on the weighted average service life of a number of units of plant, each of which may have a different individual life expectancy. Composite depreciation rates may be determined for (a) a single depreciable plant account, (b) a single rate for several depreciable accounts or (c) a single composite rate may be determined for all depreciable plant of the utility.
4. "Cost" means the amount of money actually paid for property or service. When the consideration given is other than cash, the value of such consideration shall be determined on a cash basis.
5. "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.
6. "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.
7. "Net salvage value" means the salvage value of property retired less the cost of removal.
8. "Original cost", as applied to utility plant, means the cost of such property to the person first devoting it to public service.
9. "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.
10. "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.

## DEFINITIONS

11. "Service life" means the period between the time of installation of utility plant and the time of its retirement.
12. "Service value" means the difference between the original cost and net salvage value of utility plant.
13. "Straight-line remaining life method", as applied to depreciation accounting, means the plan under which the service value of property is charged to operating expenses (and to clearing accounts if used), and credited to the accumulated depreciation account through equal annual charges during its service life. "Remaining life" implies that estimates of future life and salvage will be reexamined periodically and that depreciation rates will be corrected to reflect any changes in these estimates.
14. "Straight-line method" as applied to depreciation accounting, means the plan under which the service value of property is charged to operating expenses (and to clearing accounts if used), and credited to the accumulated depreciation account through equal annual charges during its service life. Estimates of the service life and salvage will be reexamined periodically and depreciation rates will be corrected to reflect any changes in these estimates.
15. "Utility", as used herein and when not otherwise indicated in the context, means any public utility to which this system of accounts is applicable.
16. "Supply main" means any main, pipe, aqueduct or canal the primary purpose of which is to convey water from one unit to another unit in the source of supply, water treatment or pumping plant and generally providing no service connections with customers.
17. "Transmission and distribution main" means any main the primary purpose of which is to convey water, requiring no further processing except incidental chlorination or pressure boosting, from a unit in the source of supply, water treatment or pumping plant and generally providing no service connection with customers.

## ACCOUNTING INSTRUCTIONS

### 1. General - Classification of Utilities

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

Class A - Utilities having annual water operating revenues of \$750,000 or more.

Class B - Utilities having annual water operating revenues of \$250,000 or more but less than \$750,000.

Class C - Utilities having annual water operating revenues of less than \$250,000 or less than 400 customers.

B. This system of accounts applies to Class C utilities. The system of accounts applicable to Class A and B utilities is issued separately.

C. The class to which any utility belongs shall originally be determined by the average of its annual water operating revenues for the last three consecutive years. Subsequent changes in classification shall be made when the average annual water operating revenues for the three immediately preceding years exceed the upper limit or are less than the lower limit, of the annual water operating revenues of the classification previously applicable to the utility. For a utility with water and wastewater operations, the classification shall be based on the operation with the highest annual revenues.

### 2. General - Records

A. The books of accounts of all water utilities shall be kept by the double entry method, on an accrual basis. Each utility shall keep its accounts monthly and shall close its books at the end of each calendar year.

B. All books of accounts, together with records and memoranda supporting the entries therein, shall be kept in such a manner as to support fully the facts pertaining to such entries. The books and records referred to herein include not only the accounting records in a limited technical sense, but also all other records, reports, correspondence, invoices, memoranda and information useful in determining the facts regarding a transaction.

C. No utility shall destroy any such books or records unless the destruction thereof is permitted under the guidelines governing the preservation of records of electric, gas and water utilities, published by the National Association of Regulatory Utility Commissioners.

D. Utilities may further subdivide any of the accounts provided that such subdivisions do not impair the integrity of the accounts, or they may maintain such additional accounts as are included in the Uniform System of Accounts for Class A and B Utilities.

### 3. General - "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

## ACCOUNTING INSTRUCTIONS

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.

### 4. **General - Estimated Items**

Whenever a financial statement is required by the Commission, if it is known that a transaction has occurred which affects the accounts but the amount involved in the transaction and its effect upon the accounts cannot be determined with absolute accuracy, then the amount shall be estimated and such estimated amount included in the proper accounts. A complete description of the transactions shall accompany the financial statement. Utilities are not required to anticipate minor items that would not appreciably affect the accounts.

### 5. **General - Allocation of Salaries and Expenses of Employees**

Charges to utility plant or to a salaries expense account shall be based upon the actual time engaged in either plant construction or providing operation services. In the event actual time spent in the various activities is not available or practicable, salaries should be allocated upon the basis of a study of the time engaged during a representative period. Charges should not be made to the accounts based upon estimates or in an arbitrary fashion.

### 6. **Utility Plant**

All utility plant acquired as an operating unit or system shall be recorded at original cost (See definition 8). All other utility plant shall be included in the accounts at the cost incurred by the utility.

### 7. **Utility Plant - Capitalization Level**

The cost of individual items of equipment of less than \$150 or of short life, including small portable tools and implements, shall not be charged to utility plant accounts. The cost shall be charged to the appropriate operating expense or clearing accounts, according to the use of such items, or, if such items are consumed directly in construction work, the cost shall be included as part of the cost of the construction unit.

### 8. **Utility Plant - Depreciation**

A. Depreciation charges shall be computed using either the straight-line remaining life method (See definition 13) or the straight-line method (See definition 14), according to which method has been approved by the Commission. Composite depreciation rates (See definition 3) may be used with prior Commission approval.

B. When the straight-line remaining life method is used, the rates shall be reviewed periodically and adjusted as required, so that the depreciation expense will bear a reasonable relationship to the remaining life, the estimated net future salvage, cost of plant in service and to the balance of accumulated depreciation accrued in prior periods.

C. When the straight-line method is used, the rates shall be reviewed periodically and adjusted as required, so that the

## **ACCOUNTING INSTRUCTIONS**

depreciation expense will bear a reasonable relationship to the service life, the estimated net salvage, and the cost of plant in service.

D. When an item of plant is retired, account 108 - Accumulated Depreciation and Amortization of Utility Plant in Service, shall be charged and the appropriate plant accounts shall be credited with the entire recorded original cost of plant retired regardless of the amount of depreciation which has been accumulated for this particular item of plant, except as provided in paragraph E. Account 108 - Accumulated Depreciation and Amortization of Utility Plant in Service, also shall be charged with the costs of removal of retired plant, and shall be credited with the salvage value, sales price or other amounts recovered from plant retired.

E. In rare instances the unexpired early retirement of a major unit of property, which would eliminate or seriously deplete the existing depreciation reserve, may require accounting treatment which differs from that described in paragraph D above. In such instances the Commission may authorize or order the loss on retirement (less any tax savings) to be charged to income in the current year or transferred to account 186 - Miscellaneous Deferred Debits, and amortized in future periods. Such accounting treatment shall be used only when specifically authorized or directed by the Commission.

F. It is suggested that all utilities maintain a separate accumulated depreciation subaccount for each depreciable plant account.

### **9. Utility Plant - Contributions in Aid of Construction**

A. Nonrefundable contributions of cash or plant facilities donated to the water utility to assist it in constructing, extending or relocating its water facilities shall be credited to account 271 - Contributions in Aid of Construction (See account 271 for description of items includible in this account).

B. Balances in this account representing contributions of depreciable plant shall be amortized using the contra account 272 - Accumulated Amortization of Contributions in Aid of Construction. The corresponding credit shall be to account 403 - Depreciation Expense (if amortization is recognized by the Commission).

C. The balance in this account representing contributions of nondepreciable plant shall remain unchanged until such time as the property is sold or otherwise retired. At the time of retirement of nondepreciable contributed plant, its cost shall be credited to the appropriate plant account and charged to account 271.

### **10. Operating Income - Income Taxes**

A. Current income tax provision

1. The utility shall initially debit account 409 - Income Taxes, and credit account 236 - Accrued Taxes, to record its estimated current income tax liability. As the exact amounts of taxes become known, the current tax accruals shall be adjusted by debits or credits to these accounts unless such adjustments are properly includible in account 215 - Retained Earnings, so that this account as nearly as can be ascertained

## ACCOUNTING INSTRUCTIONS

shall include the actual taxes payable by the utility.

2. The accruals for income taxes shall be apportioned among utility departments and to Other Income and Deductions so that, as nearly as practicable, each tax shall be included in the expenses of the utility department or Other Income and Deductions, and shall be related to the income which gave rise to the tax. Adjustments to account 215 - Retained Earnings, shall be recorded net of tax.

### B. Interperiod Tax Allocation - Depreciation

The Federal Economic Recovery Tax Act of 1981 (ERTA).

ERTA provides that a utility claiming accelerated depreciation (Accelerated Cost Recovery System (ACRS)) must use a normalized method of accounting for federal income taxes on its regulated books of account and for ratemaking purposes. A utility must use the same depreciation method and lives in computing federal income tax expense when establishing cost of service for ratemaking purposes as is used in its regulated books of account, or if it uses a different method, it must make adjustments to a reserve to reflect the deferral of taxes resulting from such differences. Similarly, in order to claim investment tax credits, a utility must defer the entire balance of investment tax credits on its books of account and amortize the balance over the life of the related property.

### C. Comprehensive Interperiod Income Tax Allocation - Other Than Depreciation.

1. Certain regulatory bodies have required comprehensive interperiod income tax allocation of all material book-tax timing differences other than depreciation differences. They have reasoned that where there are timing differences between the period in which transactions affect taxable income and the periods in which they enter into the determination of pretax accounting income, the income tax effects of such transactions are to be recognized in the periods in which the differences between book accounting income and taxable income arise and in the periods in which the differences reverse using the deferred tax method. In general, comprehensive interperiod tax allocation should be followed whenever transactions enter into the determination of pretax accounting income for the period even though some transactions may affect the determination of taxes payable in a different period, as further qualified below.

2. Utilities are not required to utilize comprehensive interperiod income tax allocation until the deferred income taxes are included as an expense in the rate level by the regulatory authority having rate jurisdiction over the utility. Where comprehensive interperiod tax allocation accounting is not practiced, the utility shall include as a note to each financial statement, prepared for public use, a footnote explanation setting forth the utility's accounting policies with respect to interperiod tax allocation and describing the treatment for ratemaking purposes of the tax timing difference by regulatory authorities having jurisdiction.

3. Should the utility be subject to more than one agency

## ACCOUNTING INSTRUCTIONS

having rate jurisdiction, its accounts shall appropriately reflect the ratemaking treatment (deferral or flow through) of each jurisdiction.

4. Once comprehensive interperiod tax allocation has been initiated either in whole or in part it shall be practiced on a consistent basis and shall not be changed or discontinued without prior Commission approval.

**EXAMPLE**

The following example shows how the various transactions are recorded:

- a. A utility purchases depreciable plant at a cost of \$10,000. The plant has a 10 year life with no salvage.
- b. The utility's federal taxable income from utility operations, before the effect of depreciation is \$30,000 (46% tax rate).
- c. ACRS depreciation for each year is \$800, \$1400, \$1200, \$1000, \$1000, \$1000, \$900, \$900, \$900, \$900.
- d. Book depreciation for each year using half year convention in year placed in service is: \$500, \$1000, \$1000, \$1000, \$1000, \$1000, \$1000, \$1000, \$1000, \$500.
- e. Investment tax credit is \$800 ( $\$10,000 \times 8\%$ ) in order to use 100% of the \$10,000 cost for ACRS depreciation.
- f. Deferred taxes are calculated by subtracting tax depreciation from book depreciation and multiplying by the tax rate. If tax depreciation is greater than book, debit Account 410 and credit Account 282. If book depreciation is greater than tax, debit 282 and credit 410.

Account Number	Account Title	Debit	Credit
<hr/>			
Year 1			
1-a 409.10	Income Taxes, Utility Operating Income	\$12,632	
236	Accrued Taxes		\$12,632
	To record taxes estimated to be payable for period (.46(\$30,000-\$800))- \$800		
1-b 410.10	Deferred Income Taxes	138	
282	Accumulated Deferred Income Taxes Liberalized Depreciation		138
	To record deferral of a portion of taxes based on the difference between straight-line depreciation and ACRS depreciation (.46(\$500-\$800). NOTE:--The deferred tax balance of \$138 would either be deducted from rate		

**ACCOUNTING INSTRUCTIONS**

Account Number	Account Title	Debit	Credit
	base or be included in capital structure at zero cost.		
1-c 412.10	Investment Tax Credits Deferred to Future Periods, Utility Operations	800	
255	Accumulated Deferred Investment Tax Credits		800
	To record the investment tax credits realized and deferred to future years in accordance with provisions of either the "General Rule"/Option 1 Treatment or the "Special Rule for Ratable Flow - through"/Option 2 Treatment (\$10,000 x 8%).		
1-d 255	Accumulated Deferred Investment Tax Credits	40	
412.21	Investment Tax Credits Restored to Nonoperating Income, Utility Operations		40
	To record ratable amortization over the book depreciable life of the investment tax credits deferred to future periods (.50(\$800(1/10))). NOTE:--The net balance of deferred investment tax credits (\$800-\$40) would be either deducted from rate base or included in capital structure at zero cost. This treatment is followed by utilities subject to the "General Rule"/Option 1 Treatment.		
1-e 255	Accumulated Deferred Investment Tax Credits	40	
412.11	Investment Tax Credits Restored to Operating Income, Utility Operations		40
	To record ratable flow-through over the asset's book depreciable life of investment tax credits deferred to future periods (.50(\$800(1/10))). NOTE:--The net balance of deferred ITC (\$800-		

**ACCOUNTING INSTRUCTIONS**

Account Number	Account Title	Debit	Credit
<p>\$40) would earn the overall rate of return. This treatment is followed by utilities subject to "Special Rule for Ratable Flow-through"/Option 2 Treatment.</p>			
Year 2			
2-a 409.10	Income Taxes, Utility Operating Income	\$13,156	
236	Accrued Taxes		\$13,156
<p>To record taxes estimated to be payable for period .46(\$30,000-\$1,400).</p>			
2-b 410.10	Deferred Income Taxes	184	
282	Accumulated Deferred Income Taxes-Liberalized Depreciation		184
<p>To record deferral of a portion of taxes based on the difference between straight-line depreciation and ACRS depreciation (.46(\$1000-\$1400)). NOTE:--The cumulative balance of deferred taxes (\$138+\$184) would be either deducted from rate base or included in capital structure at zero cost.</p>			
2-c 255	Accumulated Deferred Investment Tax Credits	80	
412.21	Investment Tax Credits Restored to Nonoperating Income, Utility Operations		80
<p>To record ratable amortization over the asset's book depreciable life of the ITC deferred to future periods (\$800 (1/10)). NOTE:--The net balance of deferred ITC (\$800 - (\$40 + \$80)) would be either deducted from rate base or included in capital structure at zero cost. This treatment is followed by utilities subject to the "General Rule"/Option 1 Treatment.</p>			

**ACCOUNTING INSTRUCTIONS**

Account Number	Account Title	Debit	Credit
2-d 255	Accumulated Deferred Investment Tax Credits	80	
412.11	Investment Tax Credits Restored to Operating Income, Utility Operations		80
	<p>To record ratable flow-through over the asset's book depreciable life of investment tax credits deferred to future period (\$800(1/10)). NOTE:-- The net balance of deferred ITC (\$800-(\$40 + \$80)) would earn the overall rate of return. This treatment is followed by utilities subject to the "Special Rule for Ratable Flow-Through"/Option 2 Treatment.</p>		
Year 3			
3-a 409.10	Income Taxes, Utility Operating Income	13,248	
236	Accrued Taxes		13,248
	<p>To record taxes estimated to be payable for the period (.46(\$30,000-\$1,200)).</p>		
3-b 410.10	Deferred Income Taxes	92	
282	Accumulated Deferred Income Taxes - Liberalized Depreciation		92
	<p>To record deferral of a portion of taxes based on the difference between straight-line depreciation and ACRS depreciation ((\$1,000-\$1,200).46). The cumulative balance of deferred taxes (\$138 + \$184 + \$92) would be either deducted from rate base or included in capital structure at zero cost.</p>		
3-c 255	"General Rule"/Option 1 Treatment	80	
412.21	utilities would record the same entry as in Year 2 for amortization of ITC. The net balance deducted from rate base or included in capital structure at zero cost would be (\$800-(\$40 + 2 (\$80))).		80

**ACCOUNTING INSTRUCTIONS**

Account Number	Account Title	Debit	Credit
3-d 255 412.11	"Special Rule for Ratable Flow-Through"/Option 2 Treatment utilities would record the same entries recorded in Year 2 for ratable flow-through of ITC. The net ITC balance earning the overall rate of return would be \$600.	80	80
Year 4			
4-a 409.10 236	Income Taxes, Utility Operating Income Accrued Taxes	13,340	13,340
	To record taxes estimated to be payable for the period (.46(\$30,000-\$1,000)).		
4-b 410.10 282	No entry would be made related to deferred taxes because book and tax depreciation are equal. The cumulative balance of \$414 would continue to be deducted from rate base or included in capital structure at zero cost.		
4-c 255 412.21	"General Rule"/Option 1 Treatment utilities. Same entry as Year 2 Net deferred balance either deducted from rate base or included in capital structure at zero cost would be (\$800-(\$40+3(\$80))).	80	80
4-d 255 412.11	"Special Rule for Ratable Flow-Through"/Option 2 Treatment utilities. Same entry as Year 2. Net balance earning the overall rate of return would be \$520.	80	80
Year 5			
5-a 409.10 236	Same entry as Year 4.	13,340	13,340
5-b 410.10 282	See Year 4.		

**ACCOUNTING INSTRUCTIONS**

Account Number	Account Title	Debit	Credit
5-c 255 412.21	"General Rule"/Option 1 Treatment utilities. Same entry as Year 2. Net ITC balance deducted from rate base or included in capital structure is \$440.	80	80
5-d 255 412.11	"Special Rule for Ratable Flow-Through"/Option 2 Treatment utilities. Same entry as Year 2. Net ITC balance earning overall rate of return is \$440.	80	80
Year 6			
6-a 409.10 236	Same entry as Year 4.	13,340	13,340
6-b 410.10 282	See Year 4.		
6-c 255 412.21	"General Rule"/Option 1 Treatment utilities same entry as Year 2. Net ITC balance deducted from rate base or included in capital structure at zero cost is \$360.	80	80
6-d 255 412.11	"Special Rule for Ratable Flow-Through"/Option 2 Treatment utilities. Same entry as Year 2. Net ITC balance earning the overall rate of return is \$360.	80	80
Year 7			
7-a 409.10 236	Income Taxes, Utility Operating Income Accrued Taxes  To record taxes estimated to be payable for the period (.46(\$30,000-\$900)).	13,386	13,386
7-b 282 410.10	Accumulated Deferred Income Taxes - Liberalized Depreciation Deferred Income Taxes	46	46

**ACCOUNTING INSTRUCTIONS**

Account Number	Account Title	Debit	Credit
	To record reversal of taxes deferred in prior years (\$1000-\$900).46). NOTE:--The net deferred tax balance deducted from rate base or included in capital structure at zero cost is \$368.		
7-c 255 412.21	"General Rule"/Option 1 Treatment utilities. Same entries as Year 2. Net ITC balance deducted from rate base or included in capital structure at zero cost is \$280.	80	80
7-d 255 412.11	"Special Rule for Ratable Flow-Through"/Option 2 Treatment utilities. Same entry as Year 2. NOTE:--Net ITC balance earning the overall rate of return is \$280.	80	80
Year 8			
8-a 409.10 236	Same entry as Year 7.	13,386	13,386
8-b 282 410.10	Same entry as Year 7. NOTE:--Net balance deducted from rate base or included in capital structure at zero cost is \$322.	46	46
8-c 255 412.21	"General Rule"/Option 1 Treatment utilities. Same entry as Year 2. NOTE:--Net ITC balance deducted from rate base or included in capital structure at zero cost is \$200.	80	80
8-d 255 412.11	"Special Rule for Ratable Flow-Through"/Option 2 Treatment utilities. Same entry as Year 2. NOTE:--Net ITC balance earning the overall rate of return is \$200.	80	80
Year 9			
9-a 409.10 236	Same entry as Year 7.	13,386	13,386

**ACCOUNTING INSTRUCTIONS**

Account Number	Account Title	Debit	Credit
9-b 282 410.10	Same entry as Year 7. NOTE:-- Net balance of deferred taxes deducted from rate base or included in capital structure at zero cost is \$276.	46	46
9-c 255 412.21	"General Rule"/Option 1 Treatment utilities. Same entry as Year 2. NOTE:--Net balance ITC deducted from rate base or included in capital structure at zero cost is \$120.	80	80
9-d 255 412.11	"Special Rule for Ratable Flow- Through"/Option 2 Treatment utilities. Same entry as Year 2. NOTE:--Net balance ITC earning overall rate of return is \$120.	80	80
Year 10			
10-a 409.10 236	Same entry as Year 7.	13,386	13,386
10-b 282 410.10	Same entry as Year 7. NOTE:-- Net balance deferred taxes deducted from rate base or included in capital structure at zero cost is \$230.	46	46
10-c 255 412.21	"General Rule"/Option 1 Treatment utilities. Same entry as Year 2. NOTE:--Net balance ITC deducted from rate base or included in capital structure at zero cost is \$40.	80	80
10-d 255.1 412.11	"Special Rule for Ratable Flow- Through"/Option 2 Treatment utilities. Same entry as Year 2. NOTE:--Net balance ITC earning overall rate of return is \$40.	80	80
Year 11			
11-a 409.10 236.1	Income Taxes, Utility Operating Income Accrued Taxes, Utility Operating Income	13,800	13,800

## ACCOUNTING INSTRUCTIONS

Account Number	Account Title	Debit	Credit
	To record taxes estimated to be payable for period (.46(\$30,000)).		
11-b 282	Accumulated Deferred Income Taxes		
	Liberalized Depreciation	230	
410.10	Deferred Income Taxes		230
	To record reversal of taxes deferred in prior years ((\$500-0).46). NOTE:--There is no longer a deferred tax balance to be deducted from rate base or included in capital structure at zero cost.		
11-c 255.1	"General Rule"/Option 1 Treatment	40	
412.21	utilities. Same entry as Year 1. NOTE:--There is no longer an ITC balance to be deducted from rate base or included in capital structure at zero cost.		40
11-d 255.1	"Special Rate for Ratable Flow-	40	
412.11	Through"/Option 2 Treatment utilities. Same entry as Year 1. NOTE:--There is no longer an ITC balance to earn the overall rate of return.		40

### 11. Operating Income - Clearing Accounts

A. The purpose of a clearing account is to temporarily accumulate in one account costs of a specific type which affect more than a single account, and which subsequently will be apportioned among utility plant accounts, operating expense accounts and other appropriate accounts.

B. The use of clearing accounts is optional. In addition to the payroll clearing account, a utility may use such additional clearing accounts as it finds useful.

## BALANCE SHEET ACCOUNTS

### Assets and Other Debits

- 101. Utility Plant in Service
- 103. Property Held for Future Use
- 104. Utility Plant Purchased or Sold
- 105. Construction Work in Progress
- 108. Accumulated Depreciation and Amortization of Utility Plant  
in Service
- 114. Utility Plant Acquisition Adjustments
- 115. Accumulated Amortization of Utility Plant Acquisition  
Adjustments
- 121. Nonutility Property
- 122. Accumulated Depreciation and Amortization of Nonutility Property
- 124. Utility Investments
- 131. Cash
- 132. Special Deposits
- 141. Customer Accounts Receivable
- 143. Accumulated Provision for Uncollectible Accounts--Cr.
- 151. Plant Materials and Supplies
- 174. Miscellaneous Current and Accrued Assets
- 186. Miscellaneous Deferred Debits
- 190. Accumulated Deferred Income Taxes

### Equity Capital

- 201. Common Stock Issued
- 204. Preferred Stock Issued
- 211. Other Paid-In Capital
- 215. Retained Earnings
- 218. Proprietary Capital (for proprietorships and partnerships only)

### Liabilities and Other Credits

- 224. Long-Term Debt
- 231. Accounts Payable
- 232. Notes Payable
- 235. Customer Deposits
- 236. Accrued Taxes
- 237. Accrued Interest
- 242. Miscellaneous Current and Accrued Liabilities
- 252. Advances for Construction
- 253. Other Deferred Credits
- 255. Accumulated Deferred Investment Tax Credits
- 265. Miscellaneous Operating Reserves
- 271. Contributions in Aid of Construction
- 272. Accumulated Amortization of Contributions in Aid of Construction
- 281. Accumulated Deferred Income Taxes - Accelerated Amortization
- 282. Accumulated Deferred Income Taxes - Liberalized Depreciation
- 283. Accumulated Deferred Income Taxes - Other

## BALANCE SHEET ACCOUNTS

### Assets and Other Debits

#### 101. Utility Plant in Service

A. This account is the control account for plant accounts 301 through 348.

B. This account shall include the original cost of utility plant owned and used by the utility in providing water service.

#### 103. Property Held for Future Use

A. This account shall include the cost of property owned and held for future use in utility service under a definite plan for such use.

B. The property included in this account shall be classified according to the detailed accounts (301 to 348) for utility plant in service and the account shall be maintained in such manner and in such detail as though the property were in service.

**Note:**--Materials and supplies, and meters held in reserve shall not be included in this account.

#### 104. Utility Plant Purchased or Sold

A. This account shall be temporarily charged with the cost and expense incidental to acquisition of utility systems acquired as operating units or systems. The account shall be temporarily credited with the selling price of utility systems transferred to others.

B. Within six months, or the time specified by the Commission in its order approving the transaction, from the date of acquisition or sale of a water system the utility shall file with the Commission for approval proposed journal entries to clear this account.

**Note:**--In clearing this account the original cost of acquired plant shall be charged to plant accounts, and accumulated depreciation shall be credited to account 108 - Accumulated Depreciation and Amortization of Utility Plant in Service. Any balance (representing the difference between the net original cost of the assets acquired and the cost to the acquiring utility) shall be charged or credited to account 114 - Utility Plant Acquisition Adjustments.

C. When an existing water system or operating unit is acquired the utility shall be obligated to obtain from the vendor all existing records, including records of plant construction dates and costs, and records of accumulated depreciation and contributions in aid of construction applicable to such properties.

#### 105. Construction Work in Progress

This account shall include the cost of water plant in process of construction, but not ready for service.

#### 108. Accumulated Depreciation and Amortization of Utility Plant in Service

A. This account shall reflect the depreciation and amortization accumulated on plant used in water utility service.

## BALANCE SHEET ACCOUNTS

- B. This account shall be credited with:
1. Amounts concurrently charged to account 403 - Depreciation Expense, representing currently accruing depreciation of water plant (other than contributed plant).
  2. Amounts concurrently charged to account 407 - Amortization Expense - Other, representing currently accruing amortization of utility plant.
  3. Salvage value, sales price, insurance settlements and other amounts recovered from plant retired.
  4. Amounts representing the balance of accumulated depreciation and amortization of utility plant acquired from others.
- Note:**--Also see account 104 - Utility Plant Purchased or Sold.
- C. This account shall be charged with:
1. Original cost of depreciable utility plant retired.
  2. Cost of removal of plant retired.
- D. The utility is restricted in the use of this account to the purposes set forth above. It shall not transfer any portion to retained earnings or to other accounts without prior written authorization from the Commission.
- Note:**--See Accounting Instruction 8 for information on depreciation accruals and plant retirement procedures.

### 114. Utility Plant Acquisition Adjustments

- A. This account shall include the difference between (1) the cost to the utility of plant acquired as an operating unit or system by purchase, merger, or otherwise, and (2) the net of amounts distributed to the plant accounts, the accumulated depreciation account and other appropriate accounts.
- B. No transfers shall be made from this account unless prior written authorization has been obtained from the Commission.
- Note:**--See also account 104 - Utility Plant Purchased or Sold.

### 115. Accumulated Amortization of Utility Plant Acquisition Adjustments

This account shall be credited or debited with amounts which are includible in account 406 - Amortization of Utility Plant Acquisition Adjustments, or account 426 - Miscellaneous Nonutility Expenses, for the purpose of providing for the extinguishment of amounts in account 114 - Utility Plant Acquisition Adjustments.

### 121. Nonutility Property

- A. This account shall include all property and other assets owned by the utility, but not used in providing water service, for which separate balance sheet accounts have not been provided.
- B. This account shall be appropriately subdivided.
- Items
1. Land and buildings not used in water operations.
  2. Utility assets transferred to "nonoperative" status.
  3. Investments in securities.
  4. Assets of nonutility businesses owned by the utility.
  5. Accounts receivable and notes receivable not due within one year.

## BALANCE SHEET ACCOUNTS

- 122. Accumulated Depreciation and Amortization of Nonutility Property**  
A. This account shall reflect the depreciation and amortization accumulated on property not used in utility operations.  
B. This account shall be credited with amounts currently charged to account 426 - Miscellaneous Nonutility Expenses, representing currently accruing depreciation and amortization on property not used in utility operations.  
C. This account shall be charged with the amount of depreciation accumulated on items of nonutility property sold, abandoned, or otherwise retired.
- 124. Utility Investments**  
This account shall include book cost of investments in securities issued or assumed by nonassociated companies for the purpose of insuring adequate water service (i.e., source of water supply).
- 131. Cash**  
This account shall include the amount of cash on hand or on deposit in banks.
- 132. Special Deposits**  
This account shall include deposits with fiscal agents or others for the payment of interest and/or dividends.
- 141. Customer Accounts Receivable**  
This account shall include amounts due from customers for utility service.
- 143. Accumulated Provision for Uncollectible Accounts--Cr**  
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 670 - Bad Debt Expense, 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.
- 151. Plant Materials and Supplies**  
A. This account shall include the cost of materials and supplies on hand, purchased for use in plant construction or repair work.  
B. The cost shall include, when practicable, transportation charges, sales and use taxes and other directly assignable costs. Cash discounts realized on material purchases shall be credited to this account.  
C. Reusable materials which are retired from plant and returned to the materials and supplies inventory shall be charged to this account and credited to account 108 - Accumulated Depreciation and Amortization of Utility Plant in Service. Identifiable units that have been removed from service (i.e., pumps, motors, etc.) shall be carried in inventory at original cost. Items of small value whose original cost cannot be readily determined shall be carried in inventory at current prices. Scrap materials shall be carried in

## BALANCE SHEET ACCOUNTS

inventory at estimated scrap value.

D. Inventories of materials and supplies shall be taken at least annually and the necessary adjustments shall be made to bring this account into agreement with the actual quantities on hand.

### **174. Miscellaneous 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.

### **186. Miscellaneous Deferred Debits**

A. This account shall include such items as expenses of security issues, bond discount, items in suspense, and costs which the Commission has authorized the utility to amortize over future periods (i.e., deferred portion of rate case expense).

B. This account shall be appropriately subdivided.

### **190. Accumulated Deferred Income Taxes**

A. This account shall be debited and account 411.10 - Provision for Deferred Income Taxes - Credit, Utility Operating Income, or account 411.20 - Provision for Deferred Income Taxes - Credit, Other Income and Deductions, as appropriate, shall be credited with an amount equal to that by which income taxes payable for the year are higher because of the inclusion of certain items in income for tax purposes, which items for general accounting purposes will not be fully reflected in the utility's determination of annual net income until subsequent years.

B. This account shall be credited and account 410.10 - Deferred Income Taxes, or account 410.20 - Provision for Deferred Income Taxes, Other Income and Deductions, as appropriate, shall be debited with an amount equal to that by which income taxes payable for the year are lower because of prior payment of taxes as provided by paragraph A above, because of differences in timing for tax purposes of particular items of income or income deductions from that recognized by the utility for general accounting purposes. Such credit to this account and debit to account 410.10 or 410.20 shall, in general, represent the effect on taxes payable in the current year of the smaller amount of book income recognized for tax purposes as compared to the amount recognized in the utility's current accounts with respect to the item or class of items for which deferred tax accounting by the utility was authorized by the Commission.

C. Vintage year records with respect to entries to this account, as described above, and the account balance, shall be so maintained as to show the factor of calculation with respect to each annual amount of the item or class of items for which deferred tax accounting by the utility is utilized.

D. The utility is restricted in its use of this account to the purpose set forth above. It shall not make use of the balance in this account or any portion thereof except as provided in the text of this account, without prior approval of the Commission. Any remaining deferred tax account balance with respect to an amount for any prior year's tax deferral, the amortization of which or

## BALANCE SHEET ACCOUNTS

other recognition in the utility's income accounts has been completed, or other disposition made shall be debited to account 410.10 - Deferred Income Taxes, or account 410.20 - Provision for Deferred Income Taxes - Other Income and Deductions, as appropriate, or otherwise disposed of as the Commission may authorize or direct (See Accounting Instruction 10).

### Equity Capital

#### 201. Common Stock Issued

- A. This account shall be credited with the total par value or stated value of common stock outstanding.
- B. Premiums related to the issue of common stock shall be carried in a separate subaccount of account 211 - Other Paid-In Capital.

#### 204. Preferred Stock Issued

- A. This account shall be credited with the total par value or stated value of preferred stock outstanding.
- B. A separate subaccount shall be maintained for each class and series of preferred stock.
- C. Premiums and discounts related to the issue of preferred stock shall be carried in a separate subaccount of account 211 - Other Paid-In Capital.

#### 211. Other Paid-In Capital

- A. This account shall include all paid-in capital not derived from earnings. It shall include such items as premiums and discounts related to the issuance of capital stock, donations to the utility of its capital stock, credits arising from the forgiveness of debt of the utility; credits arising out of a reorganization of the utility, or in connection with its recapitalization.
- B. Each type of paid-in capital shall be carried in a separate subaccount.

#### 215. Retained Earnings (for corporations only)

- A. This account shall reflect corporation earnings retained in the business.
- B. The account shall be credited with:
  - 1. Net Income.
  - 2. Accounting adjustments associated with correction of errors attributable to a prior period.
- C. The account shall be charged with:
  - 1. Net losses.
  - 2. Accounting adjustments associated with correction of errors attributable to a prior period.
  - 3. Dividends.
- D. Adjustments caused by the correction of an estimate or a change in an accounting method shall not adjust the balance of this account but shall rather affect either an income, asset, liability or deferred credit account. For example, adjustments to accumulated depreciation shall not affect this account but rather shall affect an income account, account 186 - Miscellaneous

## BALANCE SHEET ACCOUNTS

Deferred Debits, or account 253 - Other Deferred Credits.

- 218. Proprietary Capital (for proprietorships and partnerships only)**
- A. This account shall be credited with the investment of a sole proprietor, or partners, in an unincorporated water utility.
  - B. A separate subaccount shall be maintained for each partner.
  - C. At the end of each calendar year the net income or loss for the year shall be entered in this account.
  - D. Accounting adjustments associated with correction of errors attributable to a prior period shall be charged or credited to this account. See also account 215, item D, above.
- Note:**--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, earned surplus accounts shall be maintained.

### Liabilities and Other Credits

- 224. Long-Term Debt**
- A. This account shall include all notes, conditional sales contracts or other evidences of indebtedness payable more than one year from date of issue.
  - B. Separate subaccounts shall be maintained for obligations outstanding.
- 231. Accounts Payable**
- This account shall include all amounts payable by the utility within one year, which are not provided for in other accounts.
- 232. 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.
- 235. Customer Deposits**
- This account shall include all amounts deposited with the utility by customers as security for the payment of bills.
- 236. Accrued Taxes**
- A. This account shall include all taxes accrued or payable by the utility including property taxes, payroll taxes, withholding taxes, and corporate taxes.
  - B. This account shall be credited during the accounting period with the amount of taxes accrued during the period. Such credits may be based upon estimates, but from time to time during the year, the amount of the periodic credits shall be adjusted so as to reflect the correct tax liability. Any amount representing a prepayment of taxes applicable to a period subsequent to the date of the balance sheet shall be shown under account 174 - Miscellaneous Current and Accrued Assets.
- Note:**--Liability for personal income or self-employment taxes of

## BALANCE SHEET ACCOUNTS

owner or partners shall not be entered in the books of the utility, although payment of such taxes may be charged as withdrawals to proprietary capital.

### **237. Accrued Interest**

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.

### **242. Miscellaneous 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.

### **252. Advances for Construction**

This account shall include advances by or in 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 transferred to account 271 - Contributions in Aid of Construction.

### **253. Other Deferred Credits**

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

### **255. Accumulated Deferred Investment Tax Credits**

A. This account shall be credited with all investment tax credits deferred by companies which have elected to follow deferral accounting, partial or full, rather than recognizing in the income statement the total benefits of the tax credit as realized. After such election, a company may not transfer amounts from this account, except as authorized herein and in accounts 412.11 - Investment Tax Credits Restored to Operating Income, Utility Operations; 412.20 - Investment Tax Credits - Net, Nonutility Operations; and account 412.21 - Investment Tax Credits Restored to Nonoperating Income, Utility Operations, or with approval of the Commission.

B. Where the company's accounting provides that investment tax credits are to be passed on to customers, this account shall be debited and account 412.11 credited with a proportionate amount determined in relation to the book depreciable life of all utility property or utility property to which the tax credits relate or such lesser period of time as allowed by a regulatory agency having rate jurisdiction. If, however, the deferral procedure provides that investment tax credits are not passed on to customers, the

## BALANCE SHEET ACCOUNTS

proportionate restorations to income shall be credited to account 412.21.

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

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

### **265. Miscellaneous Operating Reserves**

A. This account shall include all operating reserves maintained by the utility.

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.

### **271. Contributions in Aid of Construction**

A. This account shall include:

1. Any amount or item of money, services or property received by a utility, from any person or governmental agency, any portion of which is provided at no cost to the utility, which represents an addition or transfer to the capital of the utility, and which is utilized to offset the acquisition, improvement or construction costs of the utility's property, facilities, or equipment used to provide utility services to the public.

2. Amounts transferred from account 252 - Advances for Construction, representing unrefunded balances of expired contracts or discounts resulting from termination of contracts in accordance with the Commission's rules and regulations.

3. Compensation received from governmental agencies and others for relocation of water mains or other plants.

4. Any amount of money received by a utility, any portion of which is provided at no cost to the utility, which represents an addition or transfer to the capital of the utility and which is utilized to offset the federal, state or local income tax effect of taxable contributions in aid of construction, taxable amounts transferred from Account 252 - Advances for Construction, and taxable compensation received from governmental agencies and others for relocation of water mains or other plants shall be reflected in a sub-account of this account.

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

## BALANCE SHEET ACCOUNTS

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).

### **272. Accumulated Amortization of Contributions in Aid of Construction**

A. This account shall reflect the amortization accumulated on account 271 - Contributions in Aid of Construction, if recognized by the Commission.

B. Specifically, balances in account 271 which represent contributions of depreciable plant shall be amortized by charges to this account over a period equal to the estimated service life of the related contributed asset. A group or overall composite rate may be used for contributed balances that cannot be directly related to a plant asset.

C. The concurrent credit for the amortization recorded in this account shall be made to account 403 - Depreciation Expense.

### **Accumulated Deferred Income Taxes**

Before using the deferred tax accounts provided below, refer to Accounting Instruction 10 (B) and (C). Interperiod Income Tax Allocation - Depreciation and Comprehensive Interperiod Income Tax Allocation - Other Than Depreciation.

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

The utility is restricted in its use of these accounts to the purposes set forth therein. It shall not make any transfers from these accounts or make any use thereof except as provided in the text of the accounts without prior approval of the Commission. It shall not transfer the balance in these accounts or any portion thereof to retained earnings except as provided in the text of this account 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 debited with an amount equal to the related income tax expense, if any, arising from such disposition and account 411 - Provision for Deferred Income Taxes-Credit, shall be credited. When the remaining balance, after consideration of any related income tax expense, is not significant, the deferred tax account shall be debited and account 411 credited with such balance. If after consideration of any related income tax expense, and the remaining

## BALANCE SHEET ACCOUNTS

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 account is granted. When plant is disposed of by transfer to a wholly owned subsidiary, the related balance in the deferred tax account shall also be transferred. When the disposition relates to retirement of an item or items under a group method of depreciation where there is no tax effect in the year of retirement, no entries are required in the deferred tax account if it can be determined that the related balances would be necessary to be retained to offset future group item tax deficiencies.

**Note:**--Public utilities having more than one utility department and/or nonutility property and which have deferred taxes on income with respect thereto shall classify such deferrals in the accounts provided elsewhere 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 include tax deferral resulting from adoption of the principles of Comprehensive Interperiod Income Tax Allocation - Other Than Depreciation described in Accounting Instruction 10 (c) of this system of accounts that relate to property for which the utility has availed itself of the use of accelerated (5-year) amortization of (1) certified defense facilities as permitted by Section 168 of the Internal Revenue Code and (2) certified pollution control facilities as permitted by Section 169 of the Internal Revenue Code.

B. This account shall be credited and account 410.10 - Deferred Income Taxes, or account 410.20 - Provision for Deferred Income Taxes, Other Income and Deductions, as appropriate, shall be debited with tax effects related to property described in paragraph A above where taxable income is lower than pretax accounting income due to differences between the periods in which revenue and expense transactions affect taxable income and the periods in which they enter into the determination of pretax accounting income.

C. This account shall be debited and accounts 411.10 - Provision for Deferred Income Taxes - Credit, Utility Operating Income, or 411.20 - Provision for Deferred Income Taxes-Credit, Other Income and Deductions, as appropriate, shall be credited with tax effects related to property described in paragraph A above where taxable income is higher than pretax accounting income due to differences between the periods in which revenue and expense transactions affect taxable income and the periods in which they enter into the determination of pretax accounting income.

D. 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. 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.

## BALANCE SHEET ACCOUNTS

### **282. Accumulated Deferred Income Taxes - Liberalized Depreciation**

A. This account shall include all credit tax deferrals resulting from adoption of the principles of comprehensive interperiod income tax allocation described in Accounting Instruction 10 of this system of accounts other than those deferrals which are includible in accounts 281 - Accumulated Deferred Income Taxes - Accelerated Amortization, and account 283 - Accumulated Deferred Income Taxes - Other.

B. This account shall be credited and accounts 410.10 - Deferred Income Taxes, or 410.20 - Provision for Deferred Income Taxes, Other Income and Deductions, as appropriate, shall be debited with tax effects related to property described in paragraph A above where taxable income is lower than pretax accounting income due to differences between the periods in which revenue and expense transactions affect taxable income and the periods in which they enter into the determination of pretax accounting income.

C. This account shall be debited and accounts 411.10 - Provision for Deferred Income Taxes - Credit, Utility Operating Income, or 411.20 - Provision for Deferred Income Taxes - Credit, Other Income and Deductions, as appropriate, shall be credited with tax effects related to property described in paragraph A above where taxable income is higher than pretax accounting income due to differences between the periods in which revenue and expense transactions affect taxable income and the periods in which they enter into the determination of pretax accounting income.

D. 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. The underlying calculations to segregate and associate deferred tax accounts 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 shall include all credit tax deferrals resulting from the adoption of the principles of comprehensive interperiod income tax allocation described in Accounting Instruction 10 of this system of accounts other than those deferrals which are includible in accounts 281 - Accumulated Deferred Income Taxes - Accelerated Amortization, and 282 - Accumulated Deferred Income Taxes - Liberalized Depreciation.

B. This account shall be credited and account 410 - Provision for Deferred Income Taxes, shall be debited with tax effects related to items described in paragraph A above where taxable income is lower than pretax accounting income due to differences between the periods in which revenue and expense transactions affect taxable income and the periods in which they enter into the determination of pretax accounting income.

C. This account shall be debited and accounts 411.10 - Provision for Deferred Income Taxes - Credit, Utility Operating Income or

## BALANCE SHEET ACCOUNTS

411.20 - Provision for Deferred Income Taxes - Credit, Other Income and Deductions, as appropriate, shall be credited with tax effects related to items described in paragraph A above where taxable income is higher than pretax accounting income due to differences between the periods in which revenue and expense transactions affect taxable income and the periods in which they enter into the determination of pretax accounting income.

D. 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.

E. For ratemaking purposes, the balance in accounts 281, 282, and 283 - Accumulated Deferred Income Taxes - Accelerated Amortization, Liberalized Depreciation, and Other, net of any balance in account 190 - Accumulated Deferred Income Taxes, shall either be deducted from rate base by all companies having a net credit balance of deferred taxes or shall be included in capital structure as zero cost funds. The treatment shall be determined by the regulatory body having jurisdiction over the regulated operations of the utility. Where regulated operations are subject to the jurisdiction of more than one regulatory body, each regulatory body shall establish the ratemaking treatment of those deferrals related to operations under its jurisdiction.

## WATER UTILITY PLANT ACCOUNTS

### Amortizable

- 301. Organization
- 302. Franchises

### Nondepreciable

- 303. Land and Land Rights

### Depreciable

- 304. Structures and Improvements
- 305. Collecting and Impounding Reservoirs
- 306. Lake, River and Other Intakes
- 307. Wells and Springs
- 309. Supply Mains
- 310. Power Generation Equipment
- 311. Pumping Equipment
- 320. Water Treatment Equipment
- 330. Distribution Reservoirs and Standpipes
- 331. Transmission and Distribution Mains
- 333. Services
- 334. Meters and Meter Installations
- 335. Hydrants
- 336. Backflow Prevention Devices
- 339. Other Plant and Miscellaneous Equipment
- 340. Office Furniture and Equipment
- 341. Transportation Equipment
- 343. Tools, Shop and Garage Equipment
- 345. Power Operated Equipment
- 348. Other Tangible Plant

## WATER UTILITY PLANT ACCOUNTS

### 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. A sample of items to be included in this account are listed below.

1. Actual 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.

### 302. Franchises

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 or certificates of permission and approval.

B. This account shall not include any expenses incurred in connection with the authorization or sale of securities, or discounts on securities issued.

C. This account shall not include any sum for franchises or certificates in excess of the amounts actually paid to the state or political subdivision, and necessary and reasonable expenses incident to obtaining such franchises or certificates.

D. When any franchise has expired, the book cost thereof shall be credited hereto and charged to account 426 - Miscellaneous Nonutility Expenses, or to account 108 - Accumulated Depreciation and Amortization of Utility Plant in Service, as appropriate.

### 303. Land and Land Rights

This account shall include the cost of land, rights-of-way and easements used in water operations.

### 304. Structures and Improvements

This account shall include cost in place of structures and improvements used in connection with source of supply, pumping, water treatment, transmission and distribution and general plant. A sample of items to be included in this account are listed below:

1. Yard paving and fencing.
2. Pump houses and storage sheds.
3. Grading and clearing.
4. Meter testing shops.
5. Landscaping, sidewalks.
6. Roadways paved, concrete, etc.
7. Buildings.
8. Plant metering.

## WATER UTILITY PLANT ACCOUNTS

### 305. Collecting and Impounding Reservoirs

This account shall include the cost in place of structures and improvements used for impounding, collecting and storing water in the source of supply system. A sample of items to be included in this account are listed below:

- |                 |                            |
|-----------------|----------------------------|
| 1. Clearing.    | 5. Landscaping.            |
| 2. Dams.        | 6. Retaining walls.        |
| 3. Embankments. | 7. Roads.                  |
| 4. Fences.      | 8. Spillways and channels. |

### 306. Lake, River and Other Intakes

This account shall include the cost installed of lake, river and other intakes used as a source of water supply. A sample of items to be included in this account are listed below:

- |                 |                  |
|-----------------|------------------|
| 1. Conduits.    | 4. Intake pipes. |
| 2. Fences.      | 5. Intake wells. |
| 3. Gate houses. |                  |

### 307. Wells and Springs

This account shall include the cost installed of wells and springs used as a source of water supply. A sample of items to be included in this account are listed below:

- |                      |   |
|----------------------|---|
| 1. Clearing.         | 4. Landscaping.                             |
| 2. Collecting pipes. | 5. Springs and appurtenances.               |
| 3. Fences.           | 6. Wells, casings and<br>and appurtenances. |

### 309. Supply Mains

This account shall include the cost installed of supply mains, pipes, aqueducts and canals and their appurtenances. A sample of items to be included in this account are listed below:

- |   |   |
|---|---|
| 1. Manholes.                                | 5. Mains                                      |
| 2. Municipal inspection or<br>permits.      | 6. Main Installation.                         |
| 3. Reconstruction of pavement<br>disturbed. | 7. Valves, valve vaults<br>and appurtenances. |
| 4. Master Meters.                           |   |

### 310. Power Generation Equipment

This account shall include the cost installed of any equipment used for the production of power principally used in pumping operations.

### 311. Pumping Equipment

This account shall include the cost of electric, gas, gasoline, or other types of pumping equipment. A sample of items to be included in this account are listed below:

- |              |  |
|--------------|--|
| 1. Engines.  | 5. Pressure regulating and<br>recording instruments. |
| 2. Motors.   | 6. Electric power lines.                             |
| 3. Turbines. | 7. Switching equipment.                              |
| 4. Pumps.    |  |

## WATER UTILITY PLANT ACCOUNTS

### 320. Water Treatment Equipment

This account shall include the cost of equipment used in treatment of water. A sample of items to be included in this account are listed below:

- |                            |                               |
|----------------------------|-------------------------------|
| 1. Softening equipment.    | 6. Filtering equipment.       |
| 2. Chlorination equipment. | 7. Purification equipment.    |
| 3. Sand traps.             | 8. Fluoridation equipment.    |
| 4. Settling basins.        | 9. Reverse osmosis membranes. |
| 5. Disinfection equipment. |                               |

### 330. Distribution Reservoirs and Standpipes

A. This account shall include the cost of reservoirs, storage tanks, hydropneumatic tanks and standpipes used in storing water for distribution.

B. The account shall be segregated so as to show separately the cost of each major facility or installation.

### 331. Transmission and Distribution Mains

This account shall include the cost installed of water mains, including valves, fittings, shut-offs, etc., between the water source and customer's service. This account shall also include the cost installed of fire mains.

### 333. Services

This account shall include the cost installed of service pipes leading from the water main to the customers' premises.

### 334. Meters and Meter Installations

A. This account shall include the cost of meters, devices and appurtenances attached thereto, used for measuring the quantity of water delivered to users, whether actually in service or held in reserve. It shall also include the cost of labor employed, materials used and expenses incurred in connection with the original installation of a customer's meters and devices and appurtenances attached thereto.

B. Records shall be kept to show the number of meters of each type and size in service or held on stock, and their location.

C. A sample of items to be included in this account are listed below:

- |                 |                        |
|-----------------|------------------------|
| 1. Meters.      | 4. Stops.              |
| 2. Meter boxes. | 5. Installation labor. |
| 3. Yokes.       |                        |

**Note:**--The cost of "master meters" used to measure the quantity of water produced or delivered into the system shall be entered in account 309 - Supply Mains.

### 335. Hydrants

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

**Note:**--A hydrant begins at and includes the fittings at the connection with the main.

## WATER UTILITY PLANT ACCOUNTS

### 336. Backflow Prevention Devices

A. This account shall include the cost of backflow prevention devices, and attached appurtenances, used for preventing the backflow of water, whether actually in service or held in reserve. It shall also include the cost of labor employed, materials used and expenses incurred in connection with the original installation of a customer's backflow prevention device and appurtenances attached thereto unless done in conjunction with a meter installation.

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

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

### 339. Other Plant and Miscellaneous Equipment

This account shall include the cost installed of all other intangible, source of supply and pumping, water treatment and transmission and distribution plant not provided for in the preceding accounts.

### 340. Office Furniture and Equipment

This account shall include the cost of office furniture and equipment owned and used by the utility. A sample of items to be included in this account are listed below:

1. Adding machines.
2. Addressing machines.
3. Calculating machines.
4. Drafting room equipment.
5. Computers.
6. Postage meter machines.
7. Desks, typewriters.
8. Filing cabinets.
9. Book cases, tables, chairs.

### 341. Transportation Equipment

A. This account shall include the cost of trucks, automobiles and trailers owned and used by the utility.

B. Records shall be maintained to show the cost of each vehicle.

### 343. 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 includible in other accounts.

### 345. Power Operated Equipment

This account shall include the cost of power operated equipment used in construction or repair work exclusive of equipment includible in other accounts. Include, also, the tools and accessories acquired for use with such equipment and the vehicle on which such equipment is mounted. A sample of items to be included in this account are listed below:

## WATER UTILITY PLANT ACCOUNTS

1. Air compressors.
2. Back filling machines.
3. Tractors.
4. Trenchers.

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

### **348. Other Tangible Plant**

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

## INCOME ACCOUNTS

### Utility Operating Income

- 400. Operating Revenues
- 401. Operating Expenses
- 403. Depreciation Expense
- 406. Amortization of Utility Plant Acquisition Adjustment
- 407. Amortization Expense - Other
- 408. Taxes Other Than Income
- 409. Income Taxes
  - 409.10 Federal Income Taxes, Utility Operating Income
- 410. Provision for Deferred Income Taxes
  - 410.10 Deferred Income Taxes
- 411. Provision for Deferred Income Taxes - Credit
  - 411.10 Provision for Deferred Income Taxes - Credit, Utility Operating Income
- 412. Investment Tax Credits
  - 412.10 Investment Tax Credits Deferred to Future Periods, Utility Operations
  - 412.11 Investment Tax Credits Restored to Operating Income, Utility Operations

### Other Income and Deductions

- 419. Interest and Dividend Income
- 420. Allowance for Funds Used During Construction
- 421. Nonutility Income
- 426. Miscellaneous Nonutility Expenses
- 427. Interest Expense

### Taxes Applicable to Other Income and Deductions

- 408. Taxes Other Than Income
- 409. Income Taxes
  - 409.20 Income Taxes, Other Income and Deductions
- 410. Provision for Deferred Income Taxes
  - 410.20 Provision for Deferred Income Taxes, Other Income and Deductions
- 411. Provision For Deferred Income Taxes - Credit
  - 411.20 Provision for Deferred Income Taxes - Credit, Other Income and Deductions
- 412. Investment Tax Credits
  - 412.20 Investment Tax Credits - Net, Nonutility Operations
  - 412.21 Investment Tax Credits Restored to Nonoperating Income, Utility Operations

## INCOME ACCOUNTS

### Operating Income

**400. Operating Revenues**

This is the revenue control account which totals the accounts credited to revenue accounts 460 through 474 for water systems.

**401. Operating Expenses**

This is the operating expense control account which totals the amounts charged to operating expense accounts 601 through 675 for water systems.

**403. Depreciation Expense**

A. This account shall be charged with depreciation credited to account 108 - Accumulated Depreciation and Amortization of Utility Plant In Service and credited with amortization debited to account 272 - Accumulated Amortization of Contributions in Aid of Construction. Depreciation shall be accrued on a straight-line remaining life basis or straight-line basis, as required by the Commission. A single composite depreciation rate may be used if approval from the Commission is obtained.

**Note:**--See Accounting Instruction 8, for more detailed instructions on depreciation accounting.

B. Depreciation for property not used in water operations is charged to account 426 - Miscellaneous Nonutility Expense, and is credited to account 122 - Accumulated Depreciation and Amortization of Nonutility Property.

**406. Amortization of Utility Plant Acquisition Adjustments**

This account shall be debited or credited, as the case may be, only upon the approval of the governing regulatory authority, for the purpose of providing for the extinguishment of the amount in account 114 - Utility Plant Acquisition Adjustments.

**407. Amortization Expense - Other**

This account shall include amortization debits or credits, which relate to utility operations and are not provided for elsewhere.

**408. Taxes Other Than Income**

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

B. These accounts shall be charged in each accounting period with the amounts of taxes which are applicable thereto, with concurrent credits to account 236 - Accrued Taxes, or account 174 - Miscellaneous Current and Accrued Assets, as appropriate. When it is not possible to determine the exact amounts of taxes, the amounts shall be estimated and adjustments made in current accruals as the actual tax levies become known.

## INCOME ACCOUNTS

C. The charges to these accounts 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 more than one utility service, taxes of the kind includible in these accounts 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 after appropriate study to determine such basis.

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

**Note B:**--Taxes specifically applicable to construction shall be included in the cost of construction.

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

**Note D:**--Social security and other forms of 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 these accounts but in account 419 - Interest and Dividend Income, or 427 - Interest Expense.

### 409. Income Taxes

A. These accounts shall include the amounts of local, state and federal income taxes on income 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 - Accrued Taxes, and as the exact amounts of taxes become known, the current tax accruals shall be adjusted by charges or credits to these accounts unless such adjustments are properly included in account 215 - Retained Earnings, so that these accounts as nearly as can be ascertained shall include the actual taxes payable by the utility.

B. The accruals for local, state and federal income taxes shall be apportioned to Utility Operating Income (by department/division), Other Income and Deductions and Extraordinary Items so that, as nearly as practicable, each tax included in the expenses of the utility department, Other Income and Deductions or Extraordinary Items, shall be related to the income which gave rise to the tax. The income tax effect of amounts recorded in account 215 - Retained Earnings, shall be recorded in that account. The tax effects relating to interest charges, other than interest specifically applicable to indebtedness on property in account 121 shall be included in account 409.10 - Income Taxes, Utility Operating Income.

C. This account shall be maintained according to the subaccounts 409.10 and 409.20, as shown below.

## INCOME ACCOUNTS

**Note A:**--Taxes assumed by the utility on interest shall be charged to account 427 - 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 427 - Interest Expense, as appropriate.

**Note C:**--See Accounting Instruction 10.

### **409.10 Income Taxes, Utility Operating Income**

This account shall include the amount of those federal, state, and local 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/division), Utility Plant Leased to Others and Other Utility Operating Income.

### **409.20 Income Taxes, Other Income and Deductions**

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

## **410. Provision for Deferred Income Taxes**

A. Accounts 410.10 and 410.20 shall be debited and accounts 281, 282, or 283 Accumulated Deferred Income Taxes - Accelerated Amortization, Liberalized Depreciation, or Other, shall be credited with amounts equal to any current deferrals of taxes on income or any allocations of deferred taxes originating in prior periods, as provided by the texts of accounts 190, 281, 282, and 283. No credit amounts appropriately includible in account 411.10 or 411.20 shall be netted against entries required to be made to these accounts.

B. This account shall be maintained according to the subaccounts 410.10 and 410.20 inclusive, as shown below.

**Note:**--See Accounting Instruction 10.

### **410.10 Deferred Income Taxes**

This account shall include the amounts of those deferrals of federal, state, and local income taxes and allocations of deferred federal income taxes that relate to Utility Operating Income (by department/division).

### **410.20 Provision for Deferred Income Taxes, Other Income and Deductions**

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

## **411. Provision for Deferred Income Taxes - Credit**

Accounts 411.10 and 411.20 shall be credited, and accounts 281,

## INCOME ACCOUNTS

282, or 283, Accumulated Deferred Income Taxes - Accelerated Amortization, Liberalized Depreciation or Other, shall be debited, with amounts equal to any allocations of deferred taxes originating in prior periods or any current deferrals of taxes on income, as provided by the texts of accounts 190, 281, 282, and 283. No debit amounts appropriately includible in account 410.10 or 410.20 shall be netted against entries required to be made to these accounts.

### **411.10 Provision For Deferred Income Taxes - Credit, Utility Operating Income**

This account shall include the amounts of those allocations of deferred federal, state and local income taxes and deferrals of federal, state and local income taxes, credit, which relate to Utility Operating Income (by department/division).

### **411.20 Provision For Deferred Income Taxes - Credit, Other Income and Deductions**

This account shall include the amounts of those allocations of deferred taxes and deferrals of taxes, 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 payable.

Account 255 - Accumulated Deferred Investment Tax Credits, shall be credited with an equal amount of investment tax credits debited to this account. Investment tax credits related to property used in utility operations shall be debited to subaccount 412.10 - Investment Tax Credits Deferred to Future Periods, Utility Operations. Those investment tax credits related to property used in nonutility operations shall be debited to account 412.20 - Investment Tax Credits - Net, Nonutility Operations.

B. A company which has deferred its investment tax credits shall amortize these deferred credit amounts by crediting this account and debiting account 255 - Accumulated Deferred Investment Tax credits. Such annual amortization shall be allocated proportionately over the service lives of all assets or of the assets generating the credits. The proportional amounts shall be determined in relation to the method of depreciation actually used on the regulated books of account.

(1) In amortizing the deferred investment tax credits related to property used in utility operations, the annual proportional amount credited to account 412 - Investment Tax Credits may or may not be passed on to customers in accordance with the Internal Revenue Code section applicable to the company. Where the company is subject to Section 46 (f)(2) of the code which provides a "Special rule for ratable flow-through" or Option 2 treatment, the annual proportional amortization is to be credited to subaccount 412.11 - Investment Tax Credits Restored to Operating Income, Utility Operations. Where the company is

## INCOME ACCOUNTS

subject to Code Section 46 (f)(1), which is the "General Rule" or Option 1 treatment, the annual proportional amortization shall be credited to subaccount 412.21 - Investment Tax Credits Restored to Nonoperating Income, Utility Operations.

(2) In amortizing the deferred investment tax credits related to property used in nonutility operations, the annual amount shall be credited to subaccount 412.20, Investment Tax Credits - Net, Nonutility Operations.

C. This account shall be maintained so that the debits and credits relating to each allowable percentage of credit, i.e., 3%, 4%, 6%, 7%, 8%, 10%, etc., may be readily identified.

D. This account shall be maintained so that the debits and credits relating to each utility department/division and each nonutility operation may be readily identified.

E. This account shall be maintained according to subaccounts 412.10, 412.11, 412.20 and 412.21 as shown below.

### **412.10 Investment Tax Credits Deferred to Future Periods, Utility Operations**

This account shall be debited and account 255 - Accumulated Deferred Investment Tax Credits, shall be credited with the amounts of realized investment tax credits deferred to future periods related to property used in utility operations (department/division).

### **412.11 Investment Tax Credits Restored to Operating Income, Utility Operations**

This account shall be credited and account 255 - Accumulated Deferred Investment Tax Credits, shall be debited with the proportionate amounts of deferred investment tax credits related to property used in utility operations being restored to operating income in accordance with the "Special Rule for Ratable Flow-through" or Option 2 treatment as provided in the Revenue Act of 1971, the Tax Reduction Act of 1975 or the Economic Recovery Tax Act of 1981.

### **412.20 Investment Tax Credits - Net, Nonutility Operations**

A. This account shall be debited and account 255 - Accumulated Deferred Investment Tax Credits, shall be credited with the amounts of realized investment tax credits deferred to future periods which relate to property used in nonutility operations.

B. This account shall be credited and account 255 - Accumulated Deferred Investment Tax Credits shall be debited with the proportionate amounts of deferred investment tax credits related to property used in nonutility operations being restored to nonoperating income.

### **412.21 Investment Tax Credits Restored to Nonoperating Income, Utility Operations**

This account shall be credited and account 255 - Accumulated Deferred Investment Tax Credits shall be debited with the proportionate amounts of deferred investment tax credits related

## INCOME ACCOUNTS

to property used in utility operations being restored to nonoperating income in accordance with the "General Rule" or Option 1 Treatment as provided by the Revenue Act of 1971, the Tax Reduction Act of 1975 and the Economic Recovery Tax Act of 1981.

### Other Income and Deductions

**419. Interest and Dividend Income**

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 are carried as investments or included in sinking or other special funds accounts.

**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 of funds used for construction purposes and a reasonable rate upon other funds when so used. Appropriate regulatory approval shall be obtained for "a reasonable rate".

**421. Nonutility Income**

In this account is entered all income not includible in operating revenue accounts 460 through 474 or in account 419 - Interest and Dividend Income. Items in this account shall include:

1. Gross income from nonutility operations;
2. Net gain on sale of nonutility property; and
3. Revenues from merchandising, jobbing and contract work.

**426. Miscellaneous Nonutility Expenses**

This account shall contain all expenses other than expenses of utility operations and interest expense. Items which are included in this account are:

1. Expenses disallowed in a proceeding before the Commission.
2. Amortization of an Acquisition Adjustment not approved by the Commission.
3. Depreciation associated with plant not used and useful in the public service.
4. Depreciation of Nonutility Plant.
5. Imprudent expenses.
6. Donations for charitable, social or community welfare purposes.
7. Life insurance on officers and employees where utility is beneficiary (net premiums less increase in cash surrender value of policies).
8. Penalties or fines for violations of statutes pertaining to regulation.
9. 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.

## INCOME ACCOUNTS

- 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 that are directly related to appearances before regulatory or other governmental bodies in connection with the utility's existing or proposed operations.
10. Loss relating to investments in securities written-off or written-down.
  11. Loss on sale of investments.
  12. Loss on reacquisition, resale or retirement of utility's debt securities.
  13. Preliminary survey and investigation expenses related to abandoned projects, when not written-off to the appropriate operating expense account.
  14. 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.
  15. Costs and expenses of merchandising, jobbing, and contract work.

### 427. **Interest Expense**

This account shall be charged all interest expense of the utility. The contra credit to entries in this account shall be charged to account 237 - Accrued Interest.

**WATER OPERATING REVENUE ACCOUNTS**

**Water Sales**

- 460. Unmetered Water Revenue
- 461. Metered Water Revenue
  - 461.1 Metered Sales to Residential Customers
  - 461.2 Metered Sales to Commercial Customers
  - 461.3 Metered Sales to Industrial Customers
  - 461.4 Metered Sales to Public Authorities
  - 461.5 Metered Sales to Multiple Family Dwellings
  - 461.6 Metered Sales through Bulk Loading Stations
- 462. Fire Protection Revenue
- 465. Sales to Irrigation Customers
- 466. Sales for Resale

**Other Water Revenues**

- 469. Guaranteed Revenues
- 474. Other Water Revenues

## WATER OPERATING REVENUE ACCOUNTS

### Water Sales

#### 460. Unmetered Water Revenue

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

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

#### 461. Metered Water Revenue

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

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

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

461.1 Metered Sales to Residential Customers

461.2 Metered Sales to Commercial Customers

461.3 Metered Sales to Industrial Customers

461.4 Metered Sales to Public Authorities

461.5 Metered Sales to Multiple Family Dwellings

461.6 Metered Sales through Bulk Loading Stations

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

#### 462. Fire Protection Revenue

Include herein all revenue from public agencies and others for hydrant charges, private fire protection service, street sprinkling, sewer flushing and similar sources.

#### 465. Sales to Irrigation Customers

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

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

#### 466. Sales for Resale

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

## **WATER OPERATING REVENUE ACCOUNTS**

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

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

### **Other Water Revenues**

#### **469. Guaranteed Revenues**

This account shall be credited with revenue received from developers or other persons for a period of time prior to water service being established. Normally, this type of revenue is usually received to reserve or guarantee the availability of plant capacity when needed.

#### **474. Other Water Revenues**

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

## WATER OPERATION AND MAINTENANCE EXPENSE ACCOUNTS

- 601. Salaries and Wages - Employees
- 603. Salaries and Wages - Officers, Directors and Majority  
Stockholders
- 604. Employee Pensions and Benefits
- 610. Purchased Water
- 615. Purchased Power
- 616. Fuel for Power Production
- 618. Chemicals
- 620. Materials and Supplies
- 630. Contractual Services
- 635. Water Testing
- 640. Rents
- 650. Transportation Expenses
- 655. Insurance Expense
- 665. Regulatory Commission Expenses
- 670. Bad Debt Expense
- 675. Miscellaneous Expenses

## **WATER OPERATION AND MAINTENANCE EXPENSE ACCOUNTS**

### **601. Salaries and Wages - Employees**

This account shall include the compensation (salaries, bonuses and other consideration for services) paid or accrued to employees of the utility company for work related to operation and maintenance of that utility company. This account shall not include the salaries and wages of officers, directors or majority stockholders of the utility company.

### **603. Salaries and Wages - Officers, Directors and Majority Stockholders**

This account shall include the compensation (salaries, bonuses and other consideration for services) paid or accrued to officers, directors or majority stockholders of the utility company.

### **604. Employee Pensions and Benefits**

This account shall include all accruals under employee pension plans to which the utility has irrevocably committed such funds, and payments for employee accident, sickness, hospital and death benefits or insurance therefor. Include also expenses for medical, educational or recreational activities of employees.

### **610. Purchased Water**

A. This account shall include the cost at the point of delivery of water purchased for resale.

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

### **615. Purchased Power**

This account shall include the cost of all electric power expense incurred by the utility.

### **616. Fuel For Power Production**

A. This account shall include the cost of fuel used in the production of power to operate the pumps. Records shall be maintained to show the quantity and cost of each type of fuel used.

B. The cost of fuel shall be charged initially to appropriate fuel accounts under account 151 - Plant Materials and Supplies, and cleared to this account on the basis of the fuel used.

### **618. Chemicals**

This account shall include the cost of all chemicals used in the treatment of water. Include also the cost (except salaries and wages includible in accounts 600 - 603) of any chemicals manufactured by the utility and used to provide water services.

### **620. Materials and Supplies**

This account shall include all materials and supplies used in the operation and maintenance of the water system, other than materials and supplies charged to account 630 - Contractual Services.

## **WATER OPERATION AND MAINTENANCE EXPENSE ACCOUNTS**

### **630. Contractual Services**

This account shall include the costs of operation and maintenance work not performed by utility employees. This account shall include the cost of accounting, legal, management, engineering, and data processing if such work is not performed by employees of the utility.

### **635. Water Testing**

This account shall include costs paid to outside laboratories for testing.

### **640. Rents**

This account shall include those costs associated with the rental of buildings, real property and equipment, except for the rental of automobiles and trucks which shall be included in account 650 - Transportation Expenses.

### **650. Transportation Expenses**

This account shall include all truck, automobile, construction equipment, and other vehicle expense chargeable to utility operations, except depreciation and insurance.

### **655. Insurance Expense**

This account shall include all insurance costs applicable to the accounting period, including workers' compensation, liability, vehicle, fire and theft or robbery insurance.

**Note A:**--Insurance dividends and refunds shall be credited to this account.

**Note B:**--The cost of policies extending over a period of more than one year shall be prorated over the period of coverage. Prepaid insurance shall be charged to account 174 - Miscellaneous Current and Accrued Assets.

### **665. Regulatory Commission Expenses**

This account shall include all expenses (except salaries of regular utility employees) incurred by the utility in connection with formal cases before regulatory commissions. This account shall not include payment of taxes, which shall be reported in the taxes other than income account.

### **670. Bad Debt Expense**

This account shall be charged with amounts sufficient to provide for losses from uncollectible utility revenues. Concurrent credits shall be made to account 143.

### **675. Miscellaneous Expenses**

This account shall include all expenses not includible in other operating expense accounts.

1. Industry association dues for company memberships.
2. Contributions for conventions and meetings of the industry.
3. Communication service not chargeable to other accounts.

#### WATER OPERATION AND MAINTENANCE EXPENSE ACCOUNTS

4. Trustee, registrar, and transfer agent fees and expenses.
5. Stockholders meeting expenses.
6. Dividend and other financial notices.
7. Printing and mailing dividend checks.
8. Director's fees and expenses.
9. Publishing and distributing annual reports to stockholders.
10. Public notices of financial, operating and other data required by regulatory statutes, not including, however, notices required in connection with security issues or acquisition of property.
11. Write off of expenditures for preliminary surveys, plans, investigations, etc., included in account 183 - Preliminary Survey and Investigation Charges, relative to projects which have been abandoned.