

STATE OF NEW HAMPSHIRE

UNIFORM SYSTEM of ACCOUNTS for WATER UTILITIES



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UNIFORM SYSTEM OF ACCOUNTS FOR WATER UTILITIES

PREFACE

I. Background

The revised Uniform System of Accounts (USOA) is a historical financial accounting system which reports the results of operational and financial events in a manner which enables both management and regulators to assess these results within a specified accounting period. The USOA also provides the financial community and others with financial performance results. In order for an accounting system to fulfill these purposes, it must exhibit a consistency and stability in financial reporting (including the results published for regulatory purposes.) Accordingly, the USOA has been designed to reflect stable, recurring financial data based to the extent regulatory considerations permit upon the consistency of the well-established body of accounting theories and principles commonly referred to as generally accepted accounting principles.

II. Basis of the Accounts

(a) The financial accounts of a company are used to record, in monetary terms, the basic transactions which occur. Certain natural groupings of these transactions are called (in different contexts) transaction cycles, business processes, functions or activities. The concept, however, is the same in each case; i.e., the natural groupings represent what happens within the company on a consistent and continuing basis. This repetitive nature of the natural groupings, over long periods of time, lends an element of stability to the financial account structure.

(b) The financial data contained in the accounts, together with the detailed information contained in the underlying financial and other subsidiary records required by this Commission, will provide the information necessary to support cost of service and management reporting requirements. The basic account structure has been designed to remain stable as reporting requirements change.

III. Authority

Order authorizing Uniform System of Accounts

(a) The attached uniform system of accounts for Water Utilities is required for every water company subject to the jurisdiction of the Commission, and every such water company is required to keep its records and accounts in conformity therewith.

(b) Each water company for which this uniform system of accounts is prescribed shall classify, set forth, and carry all assets, liabilities, capital stock, and retained earnings (or unincorporated proprietorship) existing as of the effective date of this uniform system of accounts as prescribed in such system of accounts.

(c) In prescribing this system of accounts, the Commission does not commit itself to the approval or acceptance of any item set out in any account for the purpose of fixing rates or in determining other matters before the Commission. The prescribed system of accounts is designed to set out the facts in connection with the capitalization, construction, income, expenditures, etc., and there from the Commission shall determine, in connection with such matters as shall be

deemed advisable from time to time, just what consideration shall be given to the various items in the several accounts.

(d) The system of accounts prescribed became effective January 1, 1994.

IV. Abstracts from the Law

This Uniform System of Accounts has been prepared under the following authority:

New Hampshire R.S.A. 374:8 Accounting Systems

“The Commission may, whenever it deems advisable, establish a system of accounts and records to be used by public utilities for their business within this state, may classify them and prescribe a system of accounts for each class, and may prescribe the manner in which said accounts shall be kept.”

New Hampshire R.S.A. 374:13 Form of Accounts and Records

“When the Commission has prescribed the form of accounts and records to be kept by public utilities of any class, each public utility of that class shall thereafter keep the accounts and records so prescribed accurately and honestly and in the manner prescribed; and it shall be unlawful for it to keep any other accounts or records covering the matters included in the accounts and records prescribed, except those which it may be required to keep by the authority of the United States or of any other state.”

New Hampshire R.S.A. 374:14 False Entries, etc.

“No person shall willfully make any false entry in the accounts or records of any public utility, or willfully destroy, mutilate or by any other means falsify such accounts or records, or willfully neglect or fail to make full, true or correct entries of all facts and transactions appertaining to the business of any public utility, which it is his duty to make; provided, that the Commission may at its discretion issue orders specifying operating, accounting or financial accounts, records, memoranda, books or papers of public utilities which may, after a reasonable time, be destroyed, and may prescribe the length of time the same shall be preserved.”

Puc 607.07 Uniform System of Accounts

“(a) Each utility shall maintain its accounts and records in conformity with the "Uniform Classification of Accounts for Water Utilities" established and issued by the commission as a uniform system of accounts pursuant to RSA 374:8.

(b) Each utility shall keep and preserve all accounts and records as provided in the "Regulations to Govern the Preservation of Records of Electric, Gas and Water Utilities Regulation", governing the preservation of records of water utilities, issued by the National Association of Regulatory Utility Commissioners, which is established and designated by the commission as part of its uniform system of accounts pursuant to RSA 374:8.”

Pursuant to RSA 374:8, II and RSA 541-A:21, I(q), as amended effective 7-23-94 by 1994 N.H. Laws 193:3 and 1994 N.H. Laws 193:4, the uniform system of accounts (USOA) for regulated utilities as referenced in Puc 607.07 is exempt from the rulemaking requirements of RSA 541-A.

In light of 1994 N.H. Laws 193, New Hampshire Public Utilities Commission issued Order No. 21,310, dated August 8, 1994 and ordered that the USOAs, including the USOA for water utilities, “shall remain in effect until such time as the Commission shall prescribe, amend, rescind or otherwise affect the USOAs currently prescribed for regulated utilities.”

The Commission publishes the USOA separately and has done so first in 1994 and second in 2008. The Commission also files a copy of the USOA with the Office of Legislative Services. The text of the USOA for water utilities subject to Order No. 21,310 was last filed in Document #6624.

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UNIFORM SYSTEM OF ACCOUNTS FOR WATER UTILITIES**GLOSSARY**

When used in this system of accounts:

“Account” means a specific element of a chart of accounts used to record, classify and accumulate similar financial transactions resulting from the operations of the entity. Accounts or these accounts refer to the accounts of this system of accounts.

“Accounting system” means the total set of interrelated principles, rules, requirements, definitions, accounts, records, procedures and mechanisms necessary to operate and evaluate the entity from a financial perspective. An accounting system generally consists of a chart of accounts, various parallel sub systems and subsidiary records. An accounting system is utilized to provide the necessary financial information to users to meet judiciary and other responsibilities.

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

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

“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.

“Associated companies” means companies or persons that, directly or indirectly, through one or more intermediaries, control, or are controlled by, or are under common control with, the accounting entity.

“Book cost” means the amount at which property is recorded in these accounts, without deduction of related accumulated provision for depreciation, amortization or allowances for other purposes.

“Commission or this Commission” means the New Hampshire Public Utilities Commission.

“Company or the Company,” when not otherwise indicated in the context, means the accounting entity.

“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.

“Control” (including the terms “controlling,” “controlled by,” and “under common control with”) means the possession, direct or indirect, of the power to direct or cause the direction of

the management and policies of a company, whether such power is exercised through one or more intermediary companies, or alone, or in conjunction with, or pursuant to an agreement with, one or more other companies, and whether such power is established through a majority or minority ownership or voting of securities, common directors, officers, or stock holders, voting trusts, holding trusts, affiliated companies, contract, or any other direct or indirect means.

“Cost,” except as applied to water utility plant, franchises, and patent rights, means the amount of money actually paid (or the current money value of any consideration other than money exchanged) for property or services. See also Original Cost.

“Cost of removal” means the cost of demolishing, dismantling, removing, tearing down, or otherwise disposing of water utility plant and recovering the salvage, including the cost of transportation and handling incident thereto.

“Depreciation,” as applied to depreciable water utility plant, is a systematic means of charging operations with the loss in service value not restored by current maintenance over the estimated useful life of the asset, incurred in connection with the consumption or prospective retirement of water utility plant in the course of service from causes which are known to be in current operation, against which the company is not protected by insurance, and the effect of which can be forecasted with a reasonable approach to accuracy. Among the causes to be given consideration are wear and tear, decay, action of the elements, inadequacy, obsolescence, changes in technology, changes in demand and requirements of public authorities.

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

“Fire main” means any main forming part of an integrated system used exclusively for fire protection purposes.

“Intangible property” means assets that have no physical existence but instead have value because of the rights which ownership confers.

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

“Minor items of property” means the associated parts or items of which retirement units are composed.

“Net salvage value” means the salvage value of the property retired after deducting the cost of removal.

“Original cost or cost” as applied to water utility plant, rights of way and other intangible property, means the actual money cost of (or the current money value of any consideration or other than money exchanged for) property at the time when it was first dedicated to public service by a regulated water entity, whether the accounting company or by predecessors.

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

“Plant retired” means plant which has been removed, sold, abandoned, destroyed, or otherwise withdrawn from service.

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

“Property record units” means those items, groups of items, or quantities of property in terms of which the continuing property record of water utility plant accounts is maintained.

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

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

“Retained earnings” (formerly earned surplus) means the accumulated net income of the utility less distribution to stockholders and transfers to other capital accounts.

“Retirement units”, as applied to depreciable water utility plant, means those major items of plant which when removed (with or without replacement) cause the initiation of retirement accounting entries.

“Salvage value” means the amount received for property retired, if sold, or if retained for reuse, the amount at which the material recovered is chargeable to Material and Supplies, or other appropriate account.

“Service life” means the period between the time of installation of water utility plant and the time of its retirement.

“Service value” means the difference between the original cost and the net salvage of utility plant.

“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 value will be reexamined periodically and depreciation rates will be corrected to reflect any changes in these estimates.

“Subsidiary record” means the accumulation of detailed information which is required by this Commission to be maintained in support of entries to the accounts.

“Subsidiary record categories” means those segregations of certain regulated costs, expenses and revenues which must be maintained and are subject to specific reporting requirements of this Commission.

“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.

“Tangible property” means assets characterized by physical existence, such as land, buildings, equipment, furniture, fixtures and tools.

“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 connections with customers.

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

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Section 1 GENERAL INSTRUCTIONS**(a) Classification of Companies**

A. All water companies shall be required to maintain the accounts and comply with the record keeping requirements described herein. For accounting purposes, companies shall be divided into classes as follow:

1. Class A. Utilities having annual water operating revenues of \$750,000 or more.
2. Class B. Utilities having annual water operating revenues of \$150,000 or more, but less than \$750,000.
3. Class C. Utilities having annual water operating revenues of less than \$150,000.

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

C. Water companies shall keep all the accounts of this system of accounts which are applicable to their affairs and are designated. These companies shall also keep Basic Property Records.

(b) Records

A. The company's financial records shall be kept in accordance with generally accepted accounting principles to the extent permitted by this system of accounts. 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. The company's financial records shall be kept with sufficient particularity to show fully the facts pertaining to all entries in these accounts. The detail records shall be filed in such manner as to be readily accessible for examination by representatives of this Commission.

C. The Commission shall require a company to maintain financial and other subsidiary records in such a manner that specific information, of a type not warranting disclosure as an account or subaccount, shall be readily available. When this occurs, or where the full information is not otherwise recorded in the general books, the subsidiary records shall be maintained in sufficient detail to facilitate the reporting of the required specific information. The subsidiary records, in which the full details are shown, shall be sufficiently referenced to permit ready identification and examination by representatives of this Commission, and shall be kept in such manner that they may be produced within the state at such times and places as the Commission may designate.

1. The books referred to herein include not only books of accounts in a limited technical sense but all other records such as minute books, stock books, etc., which will be useful in developing the history of any transaction.

(c) Regulated Accounts

A. In the context of this system of accounts, the regulated accounts shall be interpreted to include the investments, revenues and expenses associated with those water products and services to which the tariff filing requirements contained in this Commission's rules, as amended, are applied, except as may be otherwise provided by the Commission. Regulated water products and services shall thereby be fully subject to the accounting requirements as specified in this Commission's rules, as amended, and as detailed in this system of accounts.

B. In addition to those amounts considered to be regulated by the provisions of (A) above, those water products and services to which the tariff filing requirements of other jurisdictions are applied shall be accounted for as regulated, except where such treatment is prescribed or otherwise excluded from the requirements pertaining to regulated water products and services by this Commission.

(d) Accounts - General**(d)(1) General - Numbering System**

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

- 100-199 Assets and Other Debits
- 200-299 Equity, Liabilities and Other Credits
- 300-399 Water Plant Accounts
- 400-434 Income Accounts
- 435-439 Retained Earnings Accounts
- 460-499 Water Operating Revenue Accounts
- 600-999 Water Operation and Maintenance Expenses

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

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

(d)(2) General - Accounting Period

Each utility shall keep its books on a monthly basis so that for each month all transactions applicable thereto, as nearly as may be ascertained, shall be entered in the books of the utility. Amounts applicable or assignable to specific utility departments shall be so segregated monthly. Each utility shall close its books at the end of each calendar year unless otherwise authorized by the Commission.

(d)(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 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.

(d)(4) General - Extraordinary Items

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

(d)(5) General - Prior Period Items

A. All prior period adjustments to retained earnings shall be approved by the Commission. Generally the only types of transactions which will be considered as a prior period adjustment are:

1. Correction of an error in the financial statements of a prior period; or
2. Adjustments that result from realization of income tax benefits of preacquisition loss carry forwards of purchased subsidiaries.

B. Prior period adjustments, when approved, shall be charged or credited to account 439 - Adjustments to Retained Earnings and are not considered in income of the period. Prior period adjustments shall be recorded net of all state and federal income tax effects.

C. Changes in depreciation or amortization estimates or methods are considered changes in accounting estimates rather than accounting errors; and therefore are not subject to prior period adjustments. Any adjustments made to the accumulated amortization or depreciation balances of the utility due to a change in estimate or method shall be offset by a charge or credit to either: an income account; account 186.2 - Other Deferred Debits; or account 253 - Other Deferred Credits, as directed by the Commission.

(d)(6) General - Unaudited Items

Whenever a financial statement is required by the Commission and 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 transaction(s) shall accompany the financial statements. Utilities are not required to anticipate minor items which would not appreciably affect the accounts.

(d)(7) 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 operational 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.

(d)(8) General - Payroll Distribution

Underlying accounting data shall be maintained so that the distribution of the costs of labor charged to the various accounts shall be available. The utility may utilize clearing accounts in its accounting process; however, the use of clearing accounts does not relieve the utility from the responsibility of providing a distribution of the costs of labor or from being able to substantiate its labor charged with sufficient source documents.

(d)(9) General - Operating Reserves

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

(d)(10) General - Records for Each Plant

Separate records are to be maintained by utility plant accounts detailing book cost of each plant owned including additions by the utility to plant leased from others and the cost of operating and maintaining each plant owned or operated.

(d)(11) General - Accounting for Other Departments

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

(d)(12) General - Transactions with Associated Companies

Each utility shall keep its accounts and records so as to be able to furnish accurately and expeditiously statements of all transactions with associated companies. The statements may be required to show the general nature of the transactions, the amounts involved therein and the amounts included in each account prescribed herein with respect to such transactions.

Transactions with associated companies shall be recorded in the appropriate accounts for transactions of the same nature. Nothing herein contained, however, shall be construed as restraining the utility from subdividing accounts for the purposes of recording separately transactions with associated companies.

(d)(13) General - Contingent Assets and Liabilities

Contingent assets represent a possible source of value to the utility contingent upon the fulfillment of conditions regarded as uncertain. Contingent liabilities include items which may under certain conditions become obligations of the utility but which are neither direct nor assumed liabilities at the date of the balance sheet. The utility shall be prepared to give a complete statement of material contingent assets and liabilities (including cumulative dividends on preferred stock) in its annual report and at such other times as may be requested by the Commission.

(d)(14) General - Account Information

A. As a general rule, all accounts kept by reporting companies shall conform in numbers and titles to those prescribed herein. However, reporting companies may use different numbers for internal purposes when separate accounts (or subaccounts) maintained are similar to the title and content of accounts and subaccounts prescribed in the system.

1. Accounts which are clearly summaries of other accounts or subaccounts shall be used for reporting purposes and are not otherwise required to be maintained.
2. A company may subdivide any of the accounts prescribed. The titles of all such subaccounts shall refer, by number or title, to the controlling account.
3. A company may establish temporary or experimental accounts provided that within 30 days of the opening of such accounts, the company notifies the Commission of the nature and purpose thereof.

B. Exercise of the preceding options shall be allowed only if the integrity of the prescribed accounts is not impaired.

C. As of the date a company becomes subject to this system of accounts, it shall prepare opening entries in accordance with the following provisions:

1. The accounts prescribed herein shall be opened by transferring thereto the balances carried in the accounts previously maintained. The company may make such subdivisions, reclassifications or consolidations of existing balances as are necessary to meet the requirements of this system of accounts.
2. The company shall prepare and keep supporting records and summary statements showing:
 - a. the closing balances in each account carried on the books prior to the adoption of this system of accounts;
 - b. the journal entries to effect the transfer of those balances to the accounts prescribed herein, arranging such entries so as to show for each account or

subdivision thereof from what account and to what account each amount was transferred; and

c. the resultant opening balance of each account under this system of accounts.

3. The first annual report filed with this Commission by a utility covering its operations subsequent to the adoption of this system of accounts shall include copies of the statements referred to in subdivision (C) (2), supra, and shall be accompanied by a statement of the company's independent auditors attesting to the conformity, in all material aspects, of the transfer of the balance sheet account balances and detail water plant accounts as required by subdivision (C)(2)(b), supra, with this system of accounts.

D. Nothing contained in this uniform system of accounts shall prohibit or excuse any company, receiver, or operating trustee of any water utility from subdividing the accounts hereby prescribed for the purpose of:

1. Complying with the requirements of the state Commission(s) having jurisdiction; or
2. Securing the information required in the prescribed reports to such Commission(s).

E. Where the use of subsidiary records is considered necessary in order to secure the information required in reports to the Commission, the company shall incorporate the following controls into their accounting system with respect to such subsidiary records:

1. Subsidiary records shall be reconciled to the company's general ledger or books of original entry, as appropriate.
2. The company shall adequately document the accounting procedures related to subsidiary records.
3. The subsidiary records shall be maintained at an adequate level of detail to satisfy state regulators.

(e) Utility Plant - General

(e)(1) Utility Plant - To be Recorded at Cost

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

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

be prepared to furnish the Commission the particulars of its determination of the cash value of the consideration if other than cash.

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

D. Utility plant accounts shall be charged with construction costs (estimated, if not known) of the utility plant contributed by others or constructed by the utility using contributed cash or its equivalent. For contributed utility plant, the accumulated depreciation or amortization account shall be charged with the estimated amount of depreciation or amortization applicable to the property at the time it was contributed to the utility. Account 271 - Contributions in Aid of Construction shall be credited with the net of the amounts charged to the plant and the accumulated depreciation or amortization accounts. For plant constructed using contributed cash or its equivalent, account 271 - Contributions in Aid of Construction shall be credited with the amount of the cash or its equivalent contribution.

(e)(2) Utility Plant - Components of Construction Cost

A. The cost of construction properly included in the utility plant accounts shall include, where applicable, the direct and overhead costs as listed and defined hereunder:

1. "Contract work" includes amounts paid for work performed under contract by other companies, firms, or individuals, costs incident to the award of such contracts, and the inspection of such work.
2. "Labor" includes the pay and expenses of employees of the utility engaged in construction work, and related workmen's compensation insurance, payroll taxes and similar items of expense. It does not include the pay and expenses of employees which are distributed to construction through clearing accounts, nor the pay and expenses included in other items hereunder.
3. "Materials and supplies" includes purchase price at point of free delivery plus: customs duties, excise taxes, the cost of inspecting, loading and transportation, the related stores expenses, and the cost of fabricated materials from the utility's shop. In determining the cost of materials and supplies used for construction, proper allowance shall be made for unused materials and supplies, for materials recovered from temporary structures used in performing the work involved, and for discounts allowed and realized in the purchase of materials and supplies.

Note: The cost of individual items of equipment of small value (for example, \$250 or less) or short life, including small portable tools and implements, shall not be charged to utility plant accounts unless the correctness of the accounting therefore is verified by current inventories. 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.

4. "Transportation" includes the cost of transporting employees, materials and supplies, tools, purchased equipment, and other work equipment (when not under own power) to and from points of construction. It includes amounts paid to others as well as the cost of operating the utility's own transportation equipment (See item 5 following).
5. "Special machine service" includes the cost of labor (optional), materials and supplies, depreciation, and other expenses incurred in the maintenance, operation and use of special machines, such as pile drivers, derricks, ditchers, scrapers, material unloaders, and other labor saving machines; it also includes expenditures for rental, maintenance and operation of machines of others. It does not include the cost of small tools and other individual items of small value or short life which are included in the cost of materials and supplies (See item 3, above). When a particular construction job requires the use for an extended period of time of special machines, transportation or other equipment, the net book cost thereof, less the appraised or salvage value at time of release from the job, shall be included in the cost of construction.
6. "Shop service" includes the proportion of the expense of the utility's shop department assignable to construction work, except the cost of fabricated materials from the utility's shop shall be included in "materials and supplies."
7. "Protection" includes the cost of protecting the utility's property from fire or other casualties and the cost of preventing damages to others, or to the property of others, including payments for discovery or extinguishment of fires, cost of apprehending and prosecuting incendiaries, witness fees in relation thereto, amounts paid to municipalities and other fire protection, and other analogous items of expenditures in connection with construction work.
8. "Injuries and damages" include expenditures or losses in connection with construction work on account of injuries to persons and damages to the property of others; it also includes the cost of investigation of and defense against actions for such injuries and damages. Insurance recovered or recoverable on account of compensation paid for injuries to persons incident to construction shall be credited to the account or accounts to which such compensation is charged. Insurance recovered or recoverable on account of property damages incident to construction shall be credited to the account or accounts charged with the cost of damages.
9. "Privileges and permits" include payments for and expenses incurred in securing temporary privileges, permits for and expenses incurred in securing temporary privileges, permits or rights in connection with construction work, such as for the use of private or public property, streets, or highways, but it does not include rents or amounts chargeable as franchises (See account 302 - Franchises).

10. "Rents" include amounts paid for the use of construction quarters and office space occupied by construction forces and amounts properly included in construction costs for such facilities jointly used.

11. "Engineering and supervision" includes the portion of the pay and expenses of engineers, surveyors, draftsmen, inspectors, superintendents and their assistants applicable to construction work.

12. "General administration capitalized" includes the portion of the pay and expenses of the general officers and administrative and general expenses applicable to construction work.

13. "Engineering services" include amounts paid to other companies, firms or individuals engaged by the utility to plan, design, prepare estimates, supervise, inspect, or give general advice and assistance in connection with construction work.

14. "Insurance" includes premiums paid or amounts provided or reserved as self-insurance for the protection against loss and damages in connection with construction, by fire or other casualty, injuries to or death of persons other than employees, damages to property of others, defalcations of employees and agents, and the nonperformance of contractual obligations of others. It does not include workmen's compensation or similar insurance on employees included as "labor" in item 2 above.

15. "Legal expenditures" includes the general legal expenditures incurred in connection with construction and the court and legal costs directly related thereto, other than legal expenses included in "Protection", item 7 and in "Injuries and Damages", item 8.

16. "Taxes" include taxes on physical property (including land) during the period of construction and other taxes properly included in construction costs before the facilities become available for service.

17. "Allowance for funds used during construction" (AFUDC) includes the net cost for the period of construction of borrowed funds used for construction purposes and a reasonable rate upon the utility's own funds when so used. No allowance for funds used during construction shall be included in these accounts upon expenditures for construction projects which have been abandoned.

Note: — a. AFUDC, if charged, shall be charged each month upon the balance at the beginning of the month in Unfinished Construction. The period for which interest charges may be capitalized shall be limited to the duration of the construction work and shall not extend beyond the time when the property becomes ready for service. In case construction work is suspended, interest charges may not be capitalized for more than six months thereafter, except under order of the Commission.

b. When only a part of a plant or project is placed in operation or is completed and ready for service but the construction work as a whole is incomplete, that part of the cost of the property placed in operation, or ready for service, shall be treated as "Utility Plant in Service" and the allowance for funds used during construction thereon as a charge to construction shall cease. Allowance for funds used during construction on that part of the cost of the plant which is incomplete may be continued as a charge to construction until such time as it is placed in operation or is ready for service, except as limited in item 17 above.

18. "Earnings and expenses during construction." The earnings and expenses during construction shall constitute a component of construction costs.

a. The earnings shall include revenues received or earned by plants during the construction period. The revenues shall also include rentals for lands, buildings, etc., and miscellaneous receipts not properly included in other accounts.

b. The expenses shall consist of the cost of operating the water plant, and other costs incident to the water utility costs for which construction is credited under paragraph (a) above, including the cost of repairs and other expenses of operating and maintaining lands, buildings, and other property, and other miscellaneous and like expenses not properly included in other accounts.

(e)(3) Utility Plant - Overhead Construction Costs

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

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

C. The records supporting the entries for overhead construction costs shall be so kept as to show the total amount of each overhead for each year, the nature and amount of each overhead expenditure charged to each construction work order and to each utility plant account, and the basis of distribution of such costs.

(e)(4) Utility Plant - Purchased or Sold

A. When utility plant constituting an operating unit or system is acquired by purchase, merger, consolidation, liquidation, or otherwise, the costs of acquisition, including expenses incidental thereto properly includible in utility plant, shall be charged to account 104 - Utility Plant Purchased or Sold.

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

1. The original cost of plant, estimated if not known, shall be credited to account 104- Utility Plant Purchased or Sold, and concurrently charged to the appropriate utility plant in service accounts and to account 102 - Utility Plant Leased to Others and account 103 - Property Held for Future Use, and account 105 - Construction Work in Progress, as appropriate.
2. The requirements for accumulated depreciation and amortization applicable to the original cost of the properties purchased, if required by the Commission to be recorded by the accounting utility determined with due regard to operating practices of the purchaser and his plans regarding such property and giving consideration also to the effect on such requirements of any rehabilitation expenditures (See Paragraph C), shall be charged to account 104 - Utility Plant Purchased or Sold and concurrently credited to the appropriate account for accumulated depreciation or amortization.
3. The cost to the utility of any property included in account 121 - Non-utility Property shall be transferred thereto.
4. The amount of contributions in aid of construction applicable to the property acquired, and which the purchaser may be required to record, shall be charged to account 104 - Utility Plant Purchased or Sold and concurrently credited to account 271 - Contributions in Aid of Construction.
5. The amount of accumulated amortization applicable to contributed property, and which the purchaser may be required to record, shall be credited to account 104 - Utility Plant Purchased or Sold and concurrently debited to account 272 - Accumulated Amortization of Contributions in Aid of Construction according to the regulatory treatment of the Commission.
6. The amount remaining in account 104 - Utility Plant Purchased or Sold shall then be closed to account 114 - Utility Plant Acquisition Adjustments.

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

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

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

F. When utility plant constituting an operating unit or system is sold, conveyed, or transferred to another by sale, merger, consolidation, or otherwise, the book cost of the property sold or transferred to another shall be credited to the appropriate utility plant accounts, including amounts carried in account 114 - Utility Plant Acquisition Adjustments, and the amounts (estimated if not known) carried with respect thereto in the accounts for accumulated depreciation and amortization and in account 252 - Advances for Construction, and account 271 - Contributions in Aid of Construction, shall be charged to such accounts and the contra entries made to account 104 - Utility Plant Purchased or Sold. Unless otherwise ordered by the Commission, the difference, if any between (a) the net amount of debits and credits and (b) the consideration received for the property (less commissions and other expenses of making the sale) shall be included in account 414 - Gains (Losses) from Disposition of Utility Property or account 422 - Gains (Losses) from Disposition of Non-utility Property, as approved by the Commission. (See account 104 - Utility Plant Purchased or Sold).

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

(e)(5) Utility Plant - Accounting for Capital and Operating Leases

A. For each lease entered into, the utility shall maintain sufficient documents and other background information as necessary to determine whether the lease is a capital or operating lease. This information includes, but is not limited to:

1. Evidence or documents of ownership;
2. Signed copies of the lease agreement;
3. Estimated life of the leased property;
4. Evidence as to the value of the lease property;

5. Evidence as to the lessor's implicit interest rate (if available);
6. Evidence as to the lessee's borrowing rate; and
7. The amount and disposition of executory costs (taxes, maintenance, and insurance).

B. Leases shall be accounted for by the utility as described in Statement of Financial Accounting Standards Nos. 13 (as amended) and 71 published by the Financial Accounting Standards Board; however, the Commission may elect to approve the entries made to the utility's accounts in recording the effect of utility leases.

C. Capitalized leases shall be recorded in the appropriate plant in service account(s) which describe the type of asset leased. These records shall be maintained in sufficient detail such that the utility will be able to report the number, general nature, and residual balances of all capitalized leased assets as well as any related leasehold amortization balances and the balance of any leasehold obligations.

(e)(6) Utility Plant - Expenditures on Leased Property

A. The cost of substantial initial improvements (including repairs, rearrangements, additions and betterments) made in the course of preparing for utility property leased for a period of more than one year, and the cost of subsequent substantial additions, replacements, or betterments to such property, shall be charged to the utility plant account appropriate for the class of property leased. If the service life of the improvements is terminable by action of the lease, then the cost, less net salvage value, of the improvements shall be spread over the life of the lease by charges to account 407.1 - Amortization of Limited Term Plant. However, if the service life is not terminated by action of the lease but by depreciation proper, then the cost of the improvements, less net salvage, shall be accounted for as depreciable plant.

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

(e)(7) Utility Plant - Land and Land Rights

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

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

improvements is included in the general tax levy, the amount thereof shall be charged to the appropriate tax account.

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

D. Any difference between the amount received from the sale of land or land rights, less agents' commissions and other costs incident to the sale, and the book cost of such land or rights, shall be included in account 414 - Gains (Losses) from Disposition of Utility Property or account 422 - Gains (Losses) from Disposition of Non-utility Property, as approved by the Commission, unless a reserve has been authorized and provided. Appropriate adjustments of the accounts shall be made with respect to any structures or improvements located on land sold.

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

F. When the purchase of land for utility operations requires the purchase of more land than is needed for such purposes, the charge to the specific land account shall be based upon the cost of the land purchased, less the fair market value of that portion of the land which is not to be used in utility operations. The portion of the cost measured by the fair market value of the land not to be used shall be included in account 103 - Property Held for Future Use or account 121- Non-utility Property, as appropriate.

G. Provision shall be made for amortizing amounts carried in the accounts for limited term interests in land so as to apportion equitably the cost of each interest over the life thereof (See account 110.1 - Accumulated Amortization of Utility Plant in Service and account 407.1 - Amortization of Limited Term Plant).

(e)(8) Utility Plant - Structures and Improvements

A. The accounts for structures and improvements include the cost of all buildings and facilities to house, support, or safeguard property or persons, including all fixtures permanently attached to and made a part of buildings and which cannot be removed therefrom without cutting into the walls, ceilings, or floors, or without in some way impairing the buildings, and improvements of a permanent character on or to land. It also includes those costs incurred in

connection with the first clearing and grading of land, rights of way, the damage costs associated with construction and installation of plant.

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

C. Minor buildings and structures, such as valve towers, patrolmen's towers, telephone stations, etc., which are used directly in connection with or form a part of a reservoir, dam, waterway, etc., shall be considered a part of that facility constructed or operated and the cost thereof accounted for accordingly.

D. Where furnaces and boilers are used primarily for furnishing steam for some particular department and only incidentally for furnishing steam for heating a building and operating the equipment therein, the entire cost of such furnaces and boilers shall be charged to the appropriate plant account, and not to the building account.

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

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

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

(e)(9) Utility Plant - Equipment

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

B. Exclude from equipment accounts hand and other portable tools which are likely to be lost or stolen or which have relatively small value (for example, \$250 or less) or short life, unless the correctness of the accounting as utility plant is verified by current inventories. Special tools acquired and included in the purchase price of equipment shall be included in the appropriate

plant account. Portable drills and similar tool equipment, when used in connection with the operation and maintenance of a particular plant or department such as pumping, transmission and distribution, etc., or in “stores,” shall be charged to the plant account appropriate for their use.

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

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

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

(e)(10) Utility Plant - Additions and Retirements

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

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

1. When a retirement unit is added to the utility plant, the cost thereof shall be added to the appropriate utility plant account, except that when units are acquired in the acquisition of any utility plant constituting an operating system, they shall be accounted for as provided in the instructions.

2. When a retirement unit is retired from utility plant, with or without replacement, the book cost thereof shall be credited to the utility plant account in which it is included, determined in the manner set forth in paragraph D below. If the retirement unit is of a depreciable class, the book cost of the unit retired and credited to utility plant shall be charged to the accumulated depreciation applicable to such property. The cost of removal and the salvage value shall be charged or credited, as appropriate, to such depreciation account.

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

1. When a minor item of property which did not previously exist is added to plant and a substantial addition results, the cost thereof shall be accounted for in the same manner as for the addition of a retirement unit, as set forth in paragraph B(1); otherwise the charge shall be to the appropriate maintenance expense account.
2. When a minor item of property is retired and not replaced, the book cost thereof shall be credited to the utility plant account in which it is included; and, in the event the minor item is a part of a depreciable plant, the account for accumulated depreciation shall be charged with the book cost and cost of removal and credited with the salvage value. If, however, the book cost of the minor item retired and not replaced has been or will be accounted for when such unit is retired, no separate credit to the property account is required.
3. When a minor item of depreciable property is replaced independently of the retirement unit of which it is a part, the cost of replacement shall be charged to the maintenance expense account appropriate for the item, except that if the replacement effects a substantial betterment (the primary aim of which is to make the property affected more useful, more efficient, of greater durability, or of greater capacity), the excess cost of the replacement over the estimated cost at current prices of replacing without betterment shall be charged to the appropriate utility plant account.

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

E. The book cost of land retired shall be credited to the appropriate land account. If the land is sold, the difference between the book cost (less any accumulated provision for depreciation, depletion or amortization therefore which has been authorized and provided) and the sale price of the land (less commissions and other expenses of making the sale) shall be included in account 414 - Gains (Losses) from Disposition of Utility Property, or account 422 - Gains (Losses) from Disposition of Non-utility Property as approved by the Commission. If the land is not used in utility service but is retained by the utility, the book cost shall be charged to account 103 - Property Held for Future Use or account 121 - Non-utility Property, as appropriate.

F. The book cost less net salvage value of depreciable utility plant retired shall be charged in its entirety to account 108.1 - Accumulated Depreciation of Utility Plant in Service. Any amounts which, by approval or order of the Commission, are charged to account 182 -

Extraordinary Property Losses shall be credited to account 108.1 - Accumulated Depreciation of Utility Plant in Service.

G. The accounting for the retirement of amounts included in account 302 -Franchises and the items of limited term interest in land included in the accounts for land and land rights shall be as provided for in the text of account 110.1 - Accumulated Amortization of Utility Plant in Service, account 407.1 - Amortization of Limited Term Plant and account 407.3 - Amortization of Other Utility Charges.

H. In some instances the unexpected 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 B 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.

(e)(11) Utility Plant - Reserved

(e)(12) Utility Plant - Transfers of Property

A. When property is transferred from one utility plant account to another, from one utility department to another, such as from water to sewer, from one operating division or area to another, to or from accounts 101 - Utility Plant in Service, 102 - Utility Plant Leased to Others and 103- Property Held for Future Use, the transfer shall be recorded by transferring the original cost thereof from the one account, department, or location to the other. Any related amounts carried in the accounts for accumulated depreciation or amortization shall be transferred in accordance with the segregation of such accounts.

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

(e)(13) Utility Plant - Common Plant

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

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

C. The utility shall be prepared to show at any time and to report to the Commission annually, or more frequently if required, by utility plant accounts (301 to 348) the following: (1) the book cost of common utility plant; (2) the allocation of such cost to the respective departments using the common utility plant; and (3) the basis of the allocation.

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

E. The expenses of operation, maintenance, rent, depreciation and amortization of common utility plant shall be recorded in the accounts prescribed herein but designated as common expenses, and the allocation of such expenses to the departments using the common utility plant shall be supported in such manner as to reflect readily the basis of allocation used.

(e)(14) Utility Plant - Multiple Uses

Land, rights of way and structures used jointly for several functions, such as supply, and transmission and distribution purposes, shall be classified according to the major use thereof.

(e)(15) Utility Plant - Plant Account Matrix

A. Class A and Class B utilities (as defined in General Instruction (a)) are required to subdivide the plant accounts into “functional” operations. The subaccounts are to be designated by adding a suffix of one decimal place to the three digit account number.

B. The “functional” operations for the water system are listed below along with the designated suffix:

1. Intangible Plant
2. Source of Supply and Pumping Plant
3. Water Treatment Plant
4. Transmission and Distribution Plant
5. General Plant

(e)(16) Utility Plant - Account Information

A. As of the date a company becomes subject to this system of accounts, it shall prepare opening entries in accordance with the following provisions:

1. All utility plant shall be recorded at original cost.
2. The accounts prescribed herein shall be opened by transferring thereto the balances carried in the accounts previously maintained. The company may make any such subdivisions, reclassifications or consolidations of existing balances as are necessary to meet the requirements of this system of accounts.
3. The company shall prepare and keep supporting records with summary statements showing:

- (a) the closing balances in each account carried on the books prior to the adoption of this system of accounts;
- (b) the journal entries to effect the transfer of those balances to the accounts prescribed herein, arranging such entries so as to show for each account or subdivision thereof from what account and to what account each amount was transferred; and
- (c) the resultant opening balance of each account under this system of accounts.

(e)(17) Utility Plant - Depreciation

A. Depreciation charges shall be computed using the straight-line method (see Glossary). Composite depreciation rates may be used with prior Commission approval.

B. When the straight-line method is used, the rates shall be reviewed periodically and adjusted with Commission approval so that the depreciation accrual will bear a reasonable relationship to the service life, the estimated net salvage, and the cost of plant in service.

C. The utility shall keep such records of property and property retirements as will reflect the service life of property which has been retired and aid in estimating probable service life by mortality, turnover, or other appropriate methods; and also such records as will reflect the percentage of salvage value and cost of removal for property retired from each account, or subdivision thereof, for depreciable utility plant.

D. When an item of plant is retired, account 108 - Accumulated Depreciation and account 110 - Accumulated Amortization 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 section (e)(10)(C). Account 108 - Accumulated Depreciation shall also 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 unexpected 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 C 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 only be used when specifically authorized or directed by the Commission.

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

(e)(18) 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 allowable 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 405 - Amortization of Contributions in Aid of Construction.

C. The balance in this account representing contributions of non-depreciable plant (i.e.: land) shall remain unchanged until such time as the property is sold or otherwise retired. At the time of retirement of non-depreciable contributed plant, its cost shall be credited to the appropriate plant account and charged to account 271.

(e)(19) Utility Plant - Work Order System Required

A. Each utility shall record all construction and retirements of utility plant by means of work orders or job orders. Separate work orders shall be opened for additions to and retirements of utility plant or the retirements may be included with the construction work order, provided, however, that all items relating to the retirements shall be kept separate from those relating to construction and further provided that any maintenance costs involved in the work shall likewise be segregated.

B. Each utility shall keep its work order system so as to show the nature of each addition to or retirement of utility plant: exact location of the work performed; whether the work is new construction, reconstruction or retirement; total cost; source or sources of costs, and the utility plant account or accounts to which charged or credited. Work orders covering jobs of short duration shall be cleared monthly. Blanket work orders may be used to record a relatively large number of minor additions of a similar nature. For the purposes of this classification, the term "reconstruction" shall be deemed to refer to any work wherein items previously charged to Utility Plant account are moved, removed, demolished, or abandoned, either in whole or in part, in conjunction with new construction.

C. Each work order shall be subdivided in such manner as will show separately the details of each unit to be entered in the Continuing Property Record.

D. On all reconstruction work orders the cost of removing or demolishing previous construction, and the salvage realized from material removed, shall be shown as separate items. These items shall be transferred to account 108 Accumulated Depreciation at the time the work order is closed out from account 105 - Construction Work in Progress to the appropriate Utility Plant account. The entry recording the retirement of property removed, demolished or abandoned shall be made or referred to on the work order under which the removal took place.

E. Individual items of equipment, which are not related to other items of equipment purchased at about the same time and do not have installation charges may be charged directly to the applicable Utility Plant account.

(e)(20) Utility Plant - Continuing Property Records

A. Each utility shall maintain Continuing Property Records of operating property used in utility operations, subdivided so as to show separately the operating property at each location, such as each production plant and the distribution equipment, exclusive of meters, located in each city or town. Customers' meters may be displayed separately by cities and towns or may be shown for the utility as a whole; but in the latter event, a separate statistical record shall be kept designed to show the number of each class of meters in service in each city or town and the number held in reserve. Such statistical record shall agree as to the number of each class of meters, with the corresponding total number carried in the Continuing Property Records and shall be verified at least once a year.

B. The Continuing Property Records shall be arranged in conformity with the Utility Plant accounts and shall show a description of the property and the cost thereof to the accounting utility, except that for such portion of the property, the cost of which can not be determined without excessive expense, the cost shall be estimated.

C. In the event of future additions, and so far as reasonably feasible for present property there shall be shown (either in such Continuing Property Records or in other records referred to therein) for each item of one or more units, the date of acquisition (or construction by the accounting utility or any predecessor thereof), the date when first placed in service, the location of the property, and in the case of movable items, the manufacturer's name and any number or other identifying mark imprinted thereon, the company number or designation, and such other particulars as may be necessary for complete identification.

D. Where the price paid by the accounting utility for operating property acquired from a predecessor public utility differs from the cost of such property when first dedicated to the public use, the cost to the accounting utility shall be determined by first establishing the original cost of each unit or such property and thereafter allocating the difference to the various accounts and units of property upon some reasonable basis. Where such allocations are necessary, the accounting utility shall maintain at all times a complete record of the amounts allocated to each account and unit and the basis of such allocations so that the original cost of such units of property will be available as a part of the Continuing Property Records.

E. In the case of large items, such as structures, boiler plant equipment, and production equipment, the cost of each unit or group of units comprising a piece of property acquired as a whole shall be determined when feasible; otherwise it shall be estimated.

F. There shall be no revisions made in the list of units as originally set in the Continuing Property Records and verified with Commission Engineering without the approval of the Commission, except as a normal result of the disposal of the property.

(f) Operating Income - General**(f)(1) 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 included in account 214 - Appropriated Retained Earnings or account 215 - Unappropriated Retained Earnings so that these accounts, as nearly as can be ascertained, 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 214 - Appropriated Retained Earnings or account 215 - Unappropriated Retained Earnings shall be recorded net of tax.

B. Interperiod Income Tax Allocation - Depreciation**1. The Federal Economic Recovery Tax Act of 1981 (ERTA).**

ERTA provides that a utility claiming accelerated depreciation (Accelerated Cost Recovery System or 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.

(f)(2) 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. However, all operation expenses must be recorded in the accounts prescribed by this manual and the utility remains

responsible for providing the underlying source documents as if all entries were made directly without the use of a clearing account.

(f)(3) Operating Income - Accrual Accounting

A. During the accounting period, certain amounts may have been earned although collection is not to be made until the subsequent period and certain expenses may have been incurred although payment is not to be made until a subsequent period. At the end of the accounting period, the expenses and revenues shall be recognized by charging the appropriate expense account and corresponding liability or receivable account.

B. A reversing entry will be necessary at the beginning of the subsequent period.

(f)(4) Operating Income - Operating and Maintenance Expense

A. The account structure for operation and maintenance expenses are divided into functional operation areas as listed below:

1. Source of Supply - Operations and Maintenance
2. Pumping Expenses - Operations and Maintenance
3. Water Treatment Expenses - Operations and Maintenance
4. Transmission and Distribution Expenses - Operations and Maintenance
5. Customer Accounts Expenses
6. Sales Expenses
7. Administrative and General Expenses

B. Supervision and Engineering

1. The supervision and engineering includible in the operating expense accounts shall consist of the pay and expenses of superintendents, engineers, clerks, other employees and consultants engaged in supervising and directing the operations and maintenance of each utility function. Wherever allocations are necessary in order to arrive at the amount to be included in any account, the method and basis of allocation shall be reflected by underlying records.

Items

Labor:

1. Special testings to determine efficiency of equipment operation.
2. Preparing or reviewing budgets, estimates, and drawings relating to operations or maintenance for department approval.
3. Preparing instructions for operations and maintenance activities.
4. Reviewing and analyzing of operating results.

5. Establishing organizational setup of departments and executing changes therein.
6. Formulating and reviewing routines of departments and executing changes therein.
7. Training and instruction of employees by supervisors whose pay is chargeable hereto. Specific instruction and training in a particular type of work is chargeable to the appropriate functional account.
8. Secretarial work for supervisory personnel, but not general clerical work chargeable to other accounts.

Expenses:

9. Consultants' fees and expenses.
10. Meals, traveling and incidental expenses.

C. Maintenance

1. The cost of maintenance chargeable to the various operating expense and clearing accounts includes labor, materials, overheads and other expenses incurred in maintenance work. A list of work operations applicable generally to utility plant is included hereunder.
2. Materials recovered in connection with the maintenance of property shall be credited to the same account to which the maintenance cost was charged.
3. If the book cost of any property is carried in account 104 - Utility Plant Purchased or Sold, the cost of maintaining such property shall be charged to the accounts for maintenance of property of the same class and use, the book cost of which is carried in other utility plant in service accounts. Maintenance of property leased from others shall be treated as provided in operating expense instruction paragraph D.

Items

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

7. Net cost of installing, maintaining, and removing temporary facilities to prevent interruptions in service.
8. Replacing or adding minor items of plant which do not constitute a retirement unit. (See utility plant instruction (e)(10).)

D. Rent

1. Rent expense accounts provided under the several functional groups of expense accounts shall include all rents including taxes paid by the lessee on leased property for property used in utility operations, except (1) minor amounts paid for occasional or infrequent use of any property or equipment and all amounts paid for use of equipment that, if owned, would be includible in plant accounts 340 to 348, inclusive, which shall be treated as an expense item and included in the appropriate functional account and (2) rents which are charge able to clearing accounts and distributed there from to the appropriate account. If rents cover property used for more than one function, such as pumping and distribution, or by more than one department, the returns shall be apportioned to the appropriate rent expense or clearing accounts of each department on an actual or, if necessary, an estimated basis.
2. When a portion of property or equipment rented from others for use in connection with utility operations is subleased, the revenue derived from such subleasing shall be credited to the rent revenue account in operating revenues; provided, however, that in case the rent was charged to a clearing account, amounts received from subleasing property shall be credited to such clearing account.
3. The cost, when incurred by the lessee of operating and maintaining leased property, shall be charged to the accounts appropriate for the expense if the property were owned.
4. The cost incurred by the lessee of additions and replacements to utility plant leased from others shall be accounted for as provided in utility plant instruction (e)(6).

(g) Interpretation of Accounts

To the end that uniform accounting shall be maintained within the prescribed system, questions involving matters of significance which are not clearly provided for shall be submitted to the Director, Gas/Water Division of the New Hampshire Public Utilities Commission for explanation, interpretation, or resolution. Questions and answers thereto with respect to this system of accounts shall be maintained by the Director, Gas/Water Division.

(h) Preservation of Records

Except with the permission of this Commission, the companies shall not destroy any records beyond those specifically permitted under the Regulation to Govern the Preservation of

Records of Electric, Gas and Water Utilities Regulation of the National Association of Regulatory Utility Commissioners governing the preservation of records of water utilities, effective April 1974, revised October 2007, and as thereafter amended.

(i) Waivers

A waiver from any provision of this system of accounts shall be made by the Commission upon its own initiative or upon the submission of written request therefore from any water company, or group of water companies, provided that such a waiver is in the public interest and each request for waiver expressly demonstrates that: existing peculiarities or unusual circumstances warrant a departure from a prescribed procedure or technique which will result in a substantially equivalent or more accurate portrayal of operating results or financial condition consistent with the principles embodied in the provisions of this system of accounts and the application of such alternative procedure will maintain or improve uniformity in substantive results as among water companies.

(j) Address for Reports and Correspondence

Reports, statements, and correspondence submitted to the New Hampshire Public Utilities Commission in accordance with or relating to instructions and requirements contained herein shall be addressed to the New Hampshire Public Utilities Commission, 21 S. Fruit Street, Suite 10, Concord, NH 03301-2429.

(k) Sequence of Accounts

The order in which the accounts are presented in the system of accounts is not to be considered as necessarily indicative of the order in which they shall be scheduled at all times in reports to this Commission.

(l) Comprehensive Interperiod Tax Allocation Other Than Depreciation

A. 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 periods 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.

B. 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 rate jurisdiction.

C. Should the utility be subject to more than one agency having rate jurisdiction, its accounts shall appropriately reflect the ratemaking treatment (deferral or flow through) of each jurisdiction.

D. 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.

(m) Unusual Items and Contingent Liabilities

Extraordinary items, prior period adjustments, and contingent liabilities shall be submitted to this Commission for review before being recorded in the company's books of account.

(n) Materiality

Companies shall follow this system of accounts in recording all financial and statistical data irrespective of individual items materiality under Generally Accepted Accounting Principles (GAAP), unless a waiver has been granted under the provisions of paragraph (i) of this system of accounts to do otherwise.

(o) Approval by the Commission

Whenever the phrases "with the permission of the Commission, with the approval of the Commission, approved by the Commission, or directed by the Commission" are used herein, such permission, approval, authorization, or direction shall be specific and in writing.

Section 2 INSTRUCTIONS FOR BALANCE SHEET ACCOUNTS

	Class A Account	Class B Account	Class C Account
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Utility Plant Leased to Others	102	102	
Property Held for Future Use	103	103	103
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Construction Work in Progress	105	105	105
Completed Construction Not Classified	106		
Accumulated Depreciation	108	108	108
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Accumulated Depreciation of Utility Plant Leased to Others	108.2		
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Accumulated Amortization	110	110	110
Accumulated Amortization of Utility Plant in Service	110.1		
Accumulated Amortization of Utility Plant Leased to Others	110.2		
Utility Plant Acquisition Adjustments Accumulated Amortization of Utility Plant Acquisition Adjustments	114	114	114
	115	115	115
(b) Other Property and Investments			
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Investment in Associated Companies	123	123	
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Chart of Accounts

Section 2 - Balance Sheet Accounts

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Sinking Funds	126	126	
Depreciation Funds	127	127	127
Other Special Funds	128	128	
(c) Current and Accrued Assets			
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Cash on Hand	131.1	131.1	
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Special Deposits	132	132	132
Other Special Deposits	133		
Working Funds	134	134	
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Other Accounts Receivable	142	142	
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Notes Receivable from Associated Companies	146	146	
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Chart of Accounts

Section 2 - Balance Sheet Accounts

	Class A Account	Class B Account	Class C Account
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Miscellaneous Deferred Debits	186	186	186
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Accumulated Deferred Income Taxes	190	190	190
Accumulated Deferred Federal Income Taxes	190.1		
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Chart of Accounts

Section 2 - Balance Sheet Accounts

	Class A Account	Class B Account	Class C Account
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Preferred Stock Liability for Conversion	206		
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Discount on Capital Stock	212	212	
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(f) Long-Term Debt			
Bonds	221	221	
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Advances from Associated Companies	223	223	
Other Long-Term Debt	224	224	224
(g) Current and Accrued Liabilities			
Accounts Payable	231	231	231
Notes Payable	232	232	232
Accounts Payable to Associated Companies	233	233	
Notes Payable to Associated Companies	234	234	
Customer Deposits	235	235	235
Accrued Taxes	236	236	236

Chart of Accounts

Section 2 - Balance Sheet Accounts

	Class A Account	Class B Account	Class C Account
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Accrued Interest on Long-Term Debt	237.1		
Accrued Interest on Other Liabilities	237.2		
Accrued Dividends	238	238	
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Matured Interest	240	240	
Miscellaneous Current and Accrued Liabilities	241	241	241
(h) Deferred Credits			
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Other Deferred Credits	253	253	253
Accumulated Deferred Investment Tax Credits	255	255	255
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(j) Contributions in Aid of Construction			
Contributions in Aid of Construction	271	271	271
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Chart of Accounts

Section 2 - Balance Sheet Accounts

	Class A Account	Class B Account	Class C Account
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Accumulated Deferred Income Taxes - Other	283	283	283

Section 2 INSTRUCTIONS FOR BALANCE SHEET ACCOUNTS**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 included in the plant accounts prescribed herein and in similar accounts for other utility departments, owned and used by the utility in its utility operations, and having an expected life in service of more than one year from the date of installation, including such property owned by the utility but held by nominees. Separate subaccounts shall be maintained hereunder for each utility department and/or division.
- C. The cost of additions to and betterment of property leased from others, which are includible in this account, shall be recorded in subdivisions, separate and distinct from those relating to owned property. (See General Instruction (e)(6).)

102 Utility Plant Leased to Others

- A. This account shall include the original cost of utility plant owned by the utility but leased to others as operating units or systems, where the lessee has exclusive possession.
- B. The property included in this account shall be classified according to the detailed accounts prescribed for utility plant in service and this account shall be maintained in such detail as though the property were used by the owner in its utility operations.

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. There shall be included herein property acquired and never used by the utility in utility service but held for such service in the future under a definite plan and property previously used by the utility in utility service, but retired from such service and held pending its reuse in the future, under a definite plan, in utility service.
- B. In the event that property recorded in this account shall no longer be needed or appropriate for future utility operations, the company shall notify the Commission of such condition and request approval of journal entries to remove such property from this account.
- C. Gains or losses from the sale of land and land rights or other disposition of such property previously recorded in this account and not placed in utility service shall, unless otherwise authorized or required by the Commission, be recorded directly in account 414 - Gains (Losses) from Disposition of Utility Property. However, when determined to be significant by the Commission, the gain or loss shall be transferred to account 253 - Other Deferred Credits, or account 186 - Miscellaneous Deferred Debits. Such deferred amounts shall then be amortized to

account 414 - Gains (Losses) from Disposition of Utility Property, unless otherwise authorized or required by the Commission.

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

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

104 Utility Plant Purchased or Sold

A. This account shall be charged with the cost of utility plant acquired as an operating unit or system by purchase, merger, consolidation, liquidation, or otherwise and shall be credited with the selling price of like property transferred to others pending the distribution to appropriate accounts in accordance with General Instruction (e)(4).

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

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

105 Construction Work in Progress

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

B. Work orders shall be cleared from this account as soon as practicable after completion of the job. Further, if a project, such as pumping station or treatment plant, is designed to consist of two or more units which may be placed in service at different dates, any expenditures which are common to and which will be used in the operation of the project as a whole shall be included in utility plant in service upon the completion and the readiness for service of the first unit. Any expenditures which are identified exclusively with units of property not yet in service shall be included in this account.

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

106 Completed Construction Not Classified

At the end of the year or such other date as a balance sheet may be required by the Commission, this account shall include the total of the balances of work orders for utility plant which have been completed and placed in service but which work orders have not been classified for transfer to the detailed utility plant accounts.

Note: — For the purpose of reporting to the Commission, the classification of utility plant in service by accounts is required. The utility shall also report the balance in this account tentatively classified as accurately as practicable according to prescribed account classifications. The purpose of this provision is to avoid any significant omissions in reported amounts of utility plant in service.

108 Accumulated Depreciation

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

B. The utility shall maintain separate subaccounts corresponding with the depreciable plant accounts in which the accumulated depreciation total is segregated.

C. The following subaccounts shall be maintained:

108.1 Accumulated Depreciation of Utility Plant in Service

A. This account shall be credited with the following:

1. Amounts charged to account 403 - Depreciation Expenses, to account 416 - Costs and Expenses of Merchandising, Jobbing and Contract Work, or to clearing accounts of current depreciation expense (excludes contributed plant).
2. Amounts of depreciation applicable to utility properties acquired as operating units or systems (See General Instruction (e)(4)).
3. Amounts charged to account 182 - Extraordinary Property Losses when authorized by the Commission.
4. Amounts equal to those concurrently charged to account 272 - Accumulated Amortization of Contributions in Aid of Construction if such amortization is recognized by the Commission.

Note: — See General Instruction (d)(5) and account 439 regarding adjustments for past accrued depreciation.

B. At the time of retirement of depreciable utility plant in service, this account shall be charged with the book cost of the property retired plus the cost of removal and shall be credited with the salvage value and any other amounts recovered, such as insurance. When retirement, cost of removal and salvage value are entered originally in retirement work orders, the net total of such work orders

may be included in a separate subaccount hereunder. Upon completion of the work order, the proper distribution to subdivisions of this account shall be made as provided in the following paragraph.

C. When transfers of plant are made from one utility plant account to another, or from or to another utility department, or from or to nonutility property, the accounting for the related accumulated depreciation shall be as provided in General Instruction (e)(12).

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

108.2 Accumulated Depreciation of Utility Plant Leased to Others

A. This account shall be credited with amounts charged to account 413 - Income from Utility Plant Leased to Others, for current depreciation expense of property included in account 102 - Utility Plant Leased to Others. Include, also, credits for depreciation applicable to leased plant acquired as operating units or systems, to leased plant donated to the utility or for losses transferred to account 182 - Extraordinary Property Losses.

B. The requirements of account 108.1 - Accumulated Depreciation of Utility Plant in Service regarding retirements chargeable thereto and of subsidiary data to be maintained shall be applicable likewise to this account.

C. The utility is restricted in its use of this accumulated depreciation account to the purposes set forth above. It shall not divert any portion of this account or make any other use thereof without authorization by the Commission.

108.3 Accumulated Depreciation of Property Held for Future Use

A. This account shall be credited with amounts charged to account 426 - Miscellaneous Non-utility Expenses for depreciation expense on property included in account 103 - Property Held for Future Use. Include, also, the balance of accumulated depreciation on property which may be transferred to account 103 - Property Held for Future Use from other property accounts.

B. The utility is restricted in its use of accumulated depreciation to the purposes set forth above. It shall not transfer any portion of this account or make any other use thereof without authorization by the Commission.

Note: — Normally this account will not be used for current depreciation provisions because, as provided herein, the service life during which depreciation is computed commences with the date property is includible in utility plant in service. However, if special circumstances indicate the propriety of current accruals for depreciation, such charges shall be made to account 426 - Miscellaneous Non-utility Expenses.

110 Accumulated Amortization

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

B. The utility shall maintain separate subaccounts corresponding with the amortizable plant accounts, in which the accumulated amortization total is segregated.

C. The following subaccounts shall be maintained:

110.1 Accumulated Amortization of Utility Plant in Service

A. This account shall be credited with amounts charged to account 407.1 - Amortization of Limited Term Plant for the current amortization of limited term utility investments. It shall be credited also with amounts which may be charged to account 407.3 - Amortization of Other Utility Charges or to account 426 - Miscellaneous Non-utility Expenses to amortize intangible or other utility plant which does not have a definite or terminable life and is not subject to charges for depreciation expenses.

B. When any property to which this account applies is sold, relinquished, or otherwise retired from service, this account shall be charged with the amount previously credited in respect to such property. The book cost of the property so retired, less the amount chargeable to this account and less the net proceeds realized at retirement, shall be included in account 414 - Gains (Losses) from Disposition of Utility Property unless otherwise authorized or required by the Commission.

C. The utility is restricted in its use of accumulated amortization to the purposes set forth above. It shall not divert any portion of this account or make any other use thereof without authorization of the Commission.

Note: — See General Instruction (d)(5) and account 439 regarding adjustments for past accrued amortization.

110.2 Accumulated Amortization of Utility Plant Leased to Others

A. This account shall be credited with amounts charged to account 413 - Income from Utility Plant Leased to Others for the current amortization of limited-term or other investments subject to amortization included in account 102 - Utility Plant Leased to Others.

B. When any property to which this account applies is sold, relinquished or otherwise retired from service, this account shall be charged with the amount previously credited in respect to such property. The book cost of the property so retired, less the amount chargeable to this account and less the net proceeds realized at retirement, shall be included in account 414 - Gains (Losses) from Disposition of Utility Property unless otherwise authorized or required by the Commission.

C. Records shall be maintained so as to show separately the balance applicable to each class of property which is being amortized.

D. The utility is restricted in its use of the accumulated provision for amortization to the purposes set forth above. It shall not transfer any portion of this account or make any other use thereof without authorization by the Commission.

Note: — See General Instructions (d)(5) and account 439 regarding adjustments for past accrued amortization.

114 Utility Plant Acquisition Adjustments

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

B. This account shall be subdivided so as to show the amounts included herein for each property acquisition and the amounts applicable to each utility department and to utility plant in service and utility plant leased to others. (See General Instructions (e)(4)).

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

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 Non-utility Expenses for the purpose of providing for the extinguishment of amounts in account 114 - Utility Plant Acquisition Adjustments.

121 Non-utility Property

A. This account shall include the book cost of land, structures, equipment or other tangible or intangible property owned by the utility, but not used in utility service and not properly includible in account 103 - Property Held for Future Use.

B. This account shall be subdivided so as to show the amount of property used in operations which are non-utility in character, but nevertheless constitute a distinct operating activity of the company (such as plant merchandising and repair where such activity is not classed as utility) and the amount of miscellaneous property not used in operations. The records, in support of each subaccount, shall be maintained so as to show an appropriate classification of the property.

Note: — For transfers from utility plant accounts (See General Instructions (e)(12) B.)

122 Accumulated Depreciation and Amortization of Non-utility 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 Non-utility 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 non-utility property sold, abandoned, or otherwise retired.

123 Investment in Associated Companies

A. This account shall include the book cost of investments in securities issued or assumed by associated companies (See Glossary definition) and investment advances to such companies, including interest accrued thereon when such interest is not subject to current settlement. Include, also, the offsetting entry to the recording of amortization of discount or premium on interest bearing investments. (See account 419 - Interest and Dividend Income).

B. The account shall be maintained in such manner as to show the investment in securities of and advances to each associated company together with full particulars regarding any of such investments that are pledged.

Note A: — Securities and advances of associated companies owned and pledged shall be included in this account, but such securities, if held in special deposits or in special funds, shall be included in the appropriate deposit or fund account. A complete record of securities pledged shall be maintained.

Note B: — Securities of associated companies held as temporary cash investments are includible in account 135 - Temporary Cash Investments.

Note C: — Balances in open accounts with associated companies, which are subject to current settlement, are includible in account 145 - Accounts Receivable from Associated Companies.

Note D: — The utility may write down the cost of any security in recognition of a decline in the value thereof. Securities shall be written off or written down to a nominal value if there is no reasonable prospect of substantial value. Fluctuations in market value shall not be recorded, but a permanent impairment in the value of securities shall be recognized in the accounts. When securities are written off or written down, the amount of the adjustment shall be charged to account 426 - Miscellaneous Non-utility Expenses or to an appropriate account for provisions for loss in value established as a separate subdivision of this account.

124 Utility Investments

This account shall include the book cost of investments in securities issued or assumed by non-associated companies for the purpose of insuring adequate water service (i.e., source of water supply).

125 Other Investments

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

B. The cost of capital stock of the utility reacquired by it under a definite plan for resale pursuant to authorization by the Board of Directors may, if permitted by statutes, be included in a separate subdivision of this account (See also account 210 - Gain on Resale or Cancellation of Reacquired Capital Stock and account 216 - Reacquired Capital Stock).

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

Note A: — Securities owned and pledged shall be included in this account, but securities held in special deposits or in special funds shall be included in appropriate deposit or fund accounts. A complete record of securities pledged shall be maintained.

Note B: — Securities held as temporary cash investments shall not be included in this account.

Note C: — See Note D of account 123.

126 Sinking Funds

This account shall include the amount of cash and book cost of investments held in sinking funds. A separate account with appropriate title shall be kept for each sinking fund. Transfers from this account to account 133 - Other Special Deposits may be made as necessary for the purpose of paying matured sinking-fund obligations, or obligations called for redemption but not presented, or the interest thereon.

127 Depreciation Funds

This account shall include the amount of cash and book cost of investments which have been segregated in a special fund for the purpose of identifying such assets with the accumulated provisions for depreciation.

128 Other Special Funds

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

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

Current and Accrued Assets

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

131 Cash

A. This account shall include the amount of cash on hand or on deposit in banks.

B. The following subaccounts shall be maintained:

131.1 Cash on hand

131.2 Cash in bank

132 Special Deposits

This account shall include deposits with fiscal agents or others for the payment of interest and/or dividends.

133 Other Special Deposits

This account shall include deposits with fiscal agents or others for purposes other than the payment of interest and dividends. Such deposits may include: cash deposited with federal, state, or municipal authorities as a guaranty for the fulfillment of obligations; cash deposited with trustees to be held until mortgaged property is sold, destroyed, or otherwise disposed of is replaced; and cash realized from the sale of the accounting utility's securities and deposited with trustees to be held until invested in property of the utility. Entries to this account shall specify the purpose for which the deposit is made.

Note: — Assets available for general corporate purposes shall not be included in this account. Further, deposits for more than one year, which are not offset by

current liabilities, shall not be charged to this account but to account 128 - Other Special Funds.

134 Working Funds

This account shall include cash advanced to officers, agents, employees, and others as petty cash or working funds.

135 Temporary Cash Investments

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

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

141 Customer Accounts Receivable

A. This account shall include amounts due from customers for utility service. This account shall not include amounts due from associated companies.

B. This account shall be maintained so as to show separately amounts due from each type of utility service.

142 Other Accounts Receivable

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

B. This account shall be maintained so as to show separately amounts due on subscriptions to capital stock and from officers and employees, but the amount shall not include amounts advanced to officers or others as working funds (See account 134 - Working Funds).

143 Accumulated Provision for Uncollectible Accounts - Cr.

A. This account shall be credited with amounts provided for losses on accounts receivable which may become uncollectible and also with collections on accounts previously charged hereto. Concurrent charges shall be made to account 904 - Uncollectible Accounts for amounts applicable to utility operation and to corresponding accounts for other operations. Records shall be maintained so as to show the write-offs of accounts receivable for each utility department.

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

Utility Customers

Merchandising, Jobbing and Contract Work

Officers and Employees

Other

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

Note B: — If provisions for uncollectible notes receivable or for uncollectible receivables from associated companies are necessary, separate subaccounts therefore shall be established under the account in which the receivable is carried.

144 Notes Receivable

This account shall include the book cost, not includible elsewhere, of all collectible obligations in the form of notes receivable and similar evidences (except interest coupons) of money due on demand or within one year from the date of issue, except, however, notes receivable from associated companies (See account 135 - Temporary Cash Investments and account 146 - Notes Receivable from Associated Companies).

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

145 Accounts Receivable from Associated Companies

See account 146.

146 Notes Receivable from Associated Companies

These accounts shall include notes and drafts upon which associated companies are liable, and which mature are expected to be paid in full not later than one year from date of issue, together with any interest thereon, and debit balances subject to current settlement in open accounts with associated companies. Items which do not bear a specified due date but which have been carried for more than twelve months and items which are not paid within twelve months from due date shall be transferred to account 123 - Investment in Associated Companies.

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

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

151 Plant Material and Supplies

A. This account shall include the cost of fuel on hand and unapplied materials and supplies (except meters) purchased primarily for use in the utility business for construction, operation and maintenance purposes. It shall include the book cost

of materials recovered in connection with construction, maintenance or the retirement of property, such as materials being credited to construction maintenance or accumulated depreciation, respectively, and included herein as follows:

1. Reusable materials consisting of large individual items shall be included in this account at original cost, estimated if not known. The cost of repairing such items shall be charged to the maintenance account appropriate for the previous use.
2. Reusable materials consisting of relatively small items, the identity of which (from the date of original installation to the final abandonment or sale thereof) cannot be ascertained without undue refinement in accounting, shall be included in this account at current prices new for such items. The cost of repairing such items shall be charged to the appropriate expense account as indicated by previous use.
3. Scrap and non-usable materials included in this account shall be carried at the estimated net amount realizable therefrom. The difference between the amounts realized for scrap and non-usable materials sold and the net amount at which the materials were carried in this account, as far as practicable, shall be adjusted to the accounts credited when the materials were charged to this account.

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

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

Items

- (1) Invoice price of materials less cash or other discounts.
- (2) Freight, switching or other transportation charges when practicable to include as part of the cost of particular materials to which they relate.
- (3) Customs, duties and excise taxes.

(4) Costs of inspection and special tests prior to acceptance.

(5) Insurance and other directly assignable charges.

Note A: — Where expenses applicable to materials purchased cannot be directly assigned to particular purchases, they shall be charged to account 161 - Stores Expense, a clearing account, and distributed therefrom to the appropriate account.

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

152 Merchandise

This account shall include the book cost of materials and supplies held primarily for merchandising, jobbing and contract work. The principles prescribed in accounting for utility materials and supplies shall be observed in respect to items carried in this account.

153 Other Materials and Supplies

This account shall include the book cost of materials and supplies held primarily for non-utility purposes. The principles prescribed in accounting for utility materials and supplies shall be observed in respect to items carried in this account.

161 Stores Expense

A. This account shall include the cost of supervision, labor and expenses incurred in the operation of general storerooms, including, purchasing, storage, handling and distribution of materials and supplies.

B. This account shall be cleared by adding to the cost of materials and supplies issued a suitable loading charge which will distribute the expense equitably over stores issues. The balance in the account at the close of the year shall not exceed the amount of stores expenses reasonably attributable to the inventory of materials and supplies.

Items

Labor:

1. Inspecting and testing materials and supplies, when not assignable to specific items.
2. Unloading from shipping facility and putting in storage.
3. Supervision of purchasing and stores department to extent as signable to materials handled through stores.
4. Getting materials from stock and in readiness to go out.
5. Inventorying stock received or stock on hand by stores employees, but not including inventories by general department employees as part of internal or general audits.

6. Purchasing department activities in checking materials needs, investigating sources of supply, analyzing prices, preparing and placing orders, and related activities to the extent applicable to materials handled through stores. (Optional: Purchasing department expenses may also be included in administrative and general expenses.)
7. Maintaining stores equipment.
8. Cleaning and tidying storerooms and stores offices.
9. Keeping stock records, including recording and posting of material receipts and issues and maintaining inventory record of stock.
10. Collecting and handling scrap materials in stores.

Supplies and Expenses:

11. Adjustments of inventories of materials and supplies, but not including large differences which can readily be assigned to important classes of materials and can be equitably distributed among the accounts to which such classes of materials have been charged since the previous inventory.
12. Cash and other discounts not practically assignable to specific materials.
13. Freight, express, etc., when not assignable to specific items.
14. Heat, light and power for storerooms and stores offices.
15. Brooms, brushes, sweeping compounds and other supplies used in cleaning and tidying storerooms and stores offices.
16. Injuries and damages.
17. Insurance on materials and supplies and on stores equipment.
18. Losses due to breakage, leakage, evaporation, fire or other causes, less credits for amounts received from insurance, transportation companies or others in compensation of such losses.
19. Postage, printing, stationery and office supplies.
20. Rent of storage space and facilities.
21. Communication service.
22. Excise and other similar taxes not assignable to specific materials.
23. Transportation expense on inward movement of stores and on transfer between storerooms but not including charges on materials

recovered from retirements which shall be accounted for as part of the cost of removal.

Note: — A physical inventory of each class of materials and supplies shall be made every year.

162 Prepayments

This account shall include the amounts of rents, insurance, interest and like disbursements made in advance of the period to which they apply. As the periods covered by such prepayments expire, the amount applicable to the period shall be credited to this account and charged to the applicable operating expense or other account.

163 Prepaid Taxes

This account shall include the amounts of taxes paid in advance of the period in which they are chargeable to income, except amounts chargeable to water and/or sewer plant under construction and minor amounts which may be charged directly to the final accounts. As the term expires for which the taxes are paid, this account shall be credited at monthly intervals and the appropriate account charged.

171 Accrued Interest and Dividends Receivable

This account shall include the amount of interest on bonds, mortgages, notes, commercial paper, loans, open accounts, deposits, etc., the payment of which is reasonably assured and the amount of dividends declared or guaranteed on stocks owned.

Note A: — Interest which is not subject to current settlement shall not be included herein but in the account in which is carried the principal on which the interest is accrued.

Note B: — Interest and dividends receivable from associated companies shall be included in account 145 - Accounts Receivable from Associated Companies.

172 Rents Receivable

This account shall include rents receivable or accrued on property rented or leased by the utility to others.

Note: — Rents receivable from associated companies shall be included in account 145 - Accounts Receivable from Associated Companies.

173 Accrued Utility Revenues

The estimated amount accrued for service rendered, but not billed at the end of any accounting period, will be included herein. When accruals are made for unbilled revenues, they shall be made likewise for unbilled expenses such as for the purchase of energy.

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.

181 Unamortized Debt Discount and Expense

A. This account shall include the total of the debit balances in the discount, expense, and premium accounts for all classes of long-term debt, determined as provided in the following paragraphs of this account.

B. A discount, expense, and premium account shall be maintained for each class and series of long-term debt (including receivers' certificates) issued or assumed by the utility, in which shall be recorded the discount, expense, and premium associated with the issuance and sale of each such class and series of debt. In starting the balance sheet, the total of the debit balances remaining in those accounts having debit balances shall be reported under this account and the total of the credit balances remaining in those accounts having credit balances shall be reported under account 251 – Unamortized Premium on Debt. Accounts with debit balances shall not be set off against accounts with credit balances.

C. The discount, expense, and premium shall be amortized over the life of the respective issues under a plan which will distribute the amounts equitably over the life of the securities. The amortization shall be on a monthly basis and the amounts thereof shall be charged to account 428 - Amortization of Debt Discount and Expense or credited to account 429 - Amortization of Premium on Debt, as may be appropriate.

D. When any long-term debt is reacquired or redeemed without being converted into another form of long-term debt and when the transaction is not in connection with a refunding operation, the difference between the amount paid upon reacquirement and the face value plus the unamortized premium or less the unamortized discount and expense, as the case may be, applicable to the debt redeemed, retired and canceled, shall be included in account 421 - Non-utility Income or account 426 - Miscellaneous Non-utility Expenses, as appropriate unless otherwise ordered by the Commission.

E. When the redemption of one issue or series of bonds or other long-term obligations is financed by another issue or series before the maturity date of the first issue, account 421 - Non-utility Income or account 426 - Miscellaneous Non-utility Expenses shall be credited or debited, as appropriate, with any unamortized discount expense, or premium on the first issue and any premium paid or discount earned on the redemption. If the utility desires to amortize any of the discount, expense, or premium associated with the issuance or redemption of the first issue over a period subsequent to the date of redemption, the permission of the Commission must be obtained; provided, however, that special permission of the

Commission shall not be necessary if the utility proceeds with a plan of disposition of the discount, expense, and redemption premiums associated with the refunded bonds as follows:

1. A special charge is recorded in the year of refunding in account 428 - Amortization of Debt Discount and Expense equal to the saving in income taxes arising from the refunding transactions;
2. There is a charge to account 426 - Miscellaneous Non-utility Expenses in the year of refunding, any amounts of unamortized discount and expenses or redemption premiums relating to bonds or other long- term obligations previously refunded by the refunded bonds under immediate consideration, such amounts, sometimes being referred to as "grandfather items"; and
3. The utility proceeds to amortize by equal monthly charges, from the date of refunding, the remainder of the charges associated with the refunded bonds, over a period not longer than that in which the saving in net annual interest and amortization charges equals the remainder of charges to be amortized, after taking into consideration the estimated additional taxes on income attributable to the saving in net annual interest and amortization charges.

F. Discount, expense, or premium on debt shall not be included as part of the cost of constructing or acquiring any property, tangible or intangible, except under the provisions of account 420 - Allowance for Funds Used During Construction.

182 Extraordinary Property Losses

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

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

183 Preliminary Survey and Investigation Charges

A. This account shall be charged with all expenditures for preliminary surveys, plans, investigations, etc., made for the purpose of determining the feasibility of projects under contemplation. If construction results, this account shall be credited with the amount applicable thereto and the appropriate utility plant accounts shall be charged with an amount which does not exceed the expenditures which may

reasonably be determined to contribute directly and immediately, without duplication to plant. If the work is abandoned, the charge shall be to account 426 – Miscellaneous Non-utility Expenses or to the appropriate operating expense account unless otherwise ordered by the Commission. (See account 930 – Miscellaneous General Expenses.)

B. The records supporting the entries to this account shall be so kept that the utility can furnish complete information as to the nature and the purpose of the survey, plans, or investigation and the nature and amounts of the several charges.

Note: — The amount of preliminary survey and investigation charges transferred to utility plant shall not exceed the expenditures which may reasonably be determined to contribute directly and immediately and without duplication to utility plant.

184 Clearing Accounts

A. This caption shall include undistributed balances in clearing accounts at the date of the balance sheet. Balances in clearing accounts shall be substantially cleared not later than the end of the accounting year unless items held therein relate to a future period.

B. Use of the following subaccounts is recommended. This list is intended to be representative, but not exhaustive.

- 184.1 Building Service Expenses—Clearing
- 184.2 Electronic Data Processing Expenses—Clearing
- 184.3 Laboratory Expenses—Clearing
- 184.4 Payroll—Clearing
- 184.5 Shop Expenses—Clearing
- 184.6 Tools and Work Equipment Expenses—Clearing
- 184.7 Transportation Expenses—Clearing
- 184.8 Charges by Associated Companies—Clearing
- 184.9 Jobbing Accounts

185 Temporary Facilities

This account shall include amounts shown by work orders for plant installed for temporary use in utility service for periods of less than one year. Such work orders shall be charged with the cost of temporary facilities, credited with payments received from customers and net salvage value realized on removal of the temporary facilities. Any net credit or debit resulting shall be cleared to account 471 - Miscellaneous Service Revenues.

186 Miscellaneous Deferred Debits

A. This account shall include all debits not elsewhere provided for, such as miscellaneous work in progress, other than on utility plant; losses on disposition of property, net of income taxes, deferred by authorization of the Commission; unusual or extraordinary expenses, not included in other accounts, which are in process of amortization; and items the proper final disposition of which is uncertain.

B. The records supporting the entries to this account shall be so kept that the utility can furnish full information as to each deferred debit.

C. The following subaccounts shall be maintained at a minimum, unless otherwise authorized by the Commission. The utility may add additional subaccounts, if desired.

186.1 Deferred Rate Case Expenses

186.2 Other Deferred Debits

187 Research and Development Expenditures

A. This account shall include the cost of all research and development expenditures, as defined in the Glossary, deferred by authorization of the Commission, except those properly includible in account 105 - Construction Work in Progress.

B. The amortization of deferred research and development expenditures and those research and development expenditures, which are minor or of a general or recurring nature, shall be charged to account 930 - Miscellaneous General Expenses.

C. In certain instances a utility may incur large and significant research expenditures which are nonrecurring and which would distort the annual research and development charges for the period. In such a case, the portion, net of income taxes, of such amounts that cause the distortion may be amortized to account 930 - Miscellaneous General Expenses over a period not to exceed five years unless otherwise authorized by the Commission.

D. The entries in this account must be so maintained as to show separately each project along with complete detail of the nature and purpose of the research and development project together with the related costs.

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, or 410.11 - Deferred Federal, or State 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 accounts 410.10, 410.11 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 other recognition in the utility's income accounts has been completed, or other disposition made shall be debited to account 410.10 or 410.11, Deferred Federal or State Income Taxes, Other Income and Deductions, as appropriate, or otherwise disposed of as the Commission may authorize or direct. (See General Instruction (I).)

E. The following subaccounts shall be maintained:

190.1 Accumulated Deferred Federal Income Taxes

190.2 Accumulated Deferred State Income Taxes

201 Common Stock Issued

A. This account shall include the par value or the stated value of stock without par value if such stock has a stated value, and, if not, the cash value of the consideration received for such non-par stock, of each class of capital stock actually issued, including the par or stated value of capital stock in account 125 - Other Investments and account 216 - Reacquired Capital Stock.

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

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

D. A separate ledger account, with a descriptive title, shall be maintained for each class and series or stock. The supporting records shall show the shares nominally issued, actually issued, and nominally outstanding.

Note: — When a levy or assessment, except a call for payment on subscriptions, is made against holders of capital stock, the amount collected upon such levy or assessment shall be credited to account 207 - Premium on Capital Stock; provided, however, that the credit shall be made to account 212 - Discount on Capital Stock to the extent of any remaining balance of discount on the issue of stock.

202 Common Stock Subscribed

A. This account shall include the amount of legally enforceable subscriptions to capital stock of the utility. They shall be credited with the par or stated value of the stock subscribed, exclusive of accrued dividends, if any. Concurrently, a debit shall be made to subscriptions to capital stock, included as a separate subdivision of account 142 - Other Accounts Receivable, for the agreed price and any premium shall be credited to the appropriate premium account. When properly executed stock certificates have been issued representing the shares subscribed, this account shall be debited, and the appropriate capital stock account credited, with the par or stated value of such stock.

B. The records shall be kept in such manner as to show the amount of subscriptions to each class and series of stock.

203 Common Stock Liability for Conversion

A. This account shall include the par value or stated value, as appropriate, of capital stock which the utility has agreed to exchange for outstanding securities or other companies in connection with the acquisition of properties of such companies under terms which allow the holders of the securities of the other companies to surrender such securities and receive in return attribute capital stock of the accounting utility.

B. When the securities of the other companies have been surrendered and capital stock issued in accordance with the terms of the exchange, this account shall be charged and accounts 201 - Common Stock Issued or 204 - Preferred Stock Issued, as the case may be, shall be credited.

C. The records shall be kept so as to show separately the stocks of each class and series for which a conversion liability exists.

204 Preferred Stock Issued

See account 201 for the description of this account.

205 Preferred Stock Subscribed

See account 202 for the description of this account.

206 Preferred Stock Liability for Conversion

See account 203 for the description of this account.

207 Premium on Capital Stock

A. This account shall include in a separate subdivision for each class and series of stock the excess of the actual cash value of the consideration received on original issues of capital stock over the par or stated value and accrued dividends of such stock, together with assessments against stockholders representing payments required in excess of par or stated values.

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

C. When capital stock which has been actually issued is retired, the amount in this account applicable to the shares retired shall be transferred to account 210 - Gain on Resale or Cancellation of Reacquired Capital Stock.

208 Installments Received on Capital Stock

A. This account shall include the amount of installments paid on capital stock on a partial or installment payment plan by subscribers who are not bound by a legally enforceable subscription contract and who are entitled to be reimbursed for the principal amount of payments, with or without interest, in the event of failure to complete payments for the stock and to receive certificates.

B. The records supporting the entries to this account shall be kept so that the corporation can furnish the name and address of each subscriber, the amount and kind of capital stock subscribed, the date of subscription, the date that each payment is due and the date that each is paid, the nature of each payment (whether cash or other consideration), and any other information necessary to make the history of the subscription complete.

209 Reduction in Par or Stated Value of Capital Stock

This account shall include the balance of credits arising from a reduction in the par or stated value of capital stock.

210 Gain on Resale or Cancellation of Reacquired Capital Stock

This account shall include the balance of credits arising from the resale or cancellation of reacquired capital stock (See account 216 - Reacquired Capital Stock).

211 Other Paid-In Capital (for corporations only)

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

Items

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

212 Discount on Capital Stock

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

B. When capital stock which has been actually issued is retired, the amount in this account applicable to the shares retired shall be written off to account 210 - Gain on Resale or Cancellation of Reacquired Capital Stock provided, however, that the amount shall be charged to account 439 - Adjustments to Retained Earnings to the extent that it exceeds the balance in account 210.

C. The utility may amortize the balance in this account by systematic charges to account 426 - Miscellaneous Non-utility Expenses.

213 Capital Stock Expense

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

B. When capital stock which has been actually issued by the utility is retired, the amount in this account applicable to the share retired shall be written off to account 210 - Gain on Resale or Cancellation of Reacquired Capital Stock.

C. The utility may amortize the balance carried in this account by systematic charges to account 426 - Miscellaneous Non-utility Expenses.

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

214 Appropriated Retained Earnings

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

215 Unappropriated Retained Earnings

This account shall include the balance, either debit or credit, of unappropriated retained earnings. It shall not include items includible in any of the accounts for paid-in capital.

216 Reacquired Capital Stock

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

B. When reacquired capital stock is retired or cancelled, the difference between its cost, including commissions and expenses paid in connection with the reacquisition, and its par or stated value plus any premium and less any discount and expenses applicable to the shares retired shall be debited or credited, as appropriate, to account 210 - Gain on Resale or Cancellation of Reacquired Capital Stock or account 211 - Other Paid in Capital.

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

Note A: — See account 125 - Other Investments, for permissive accounting treatment of stock reacquired under a definite plan for resale.

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

217 Retained Earnings (for Class C Companies only)

A. This account shall reflect corporate 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. Adjustment 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 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. At the end of each calendar year, the net income or loss for the year shall be entered in this account.

C. Accounting adjustments not properly attributable to operations of the current period shall be charged or credited to this account.

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

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

221 Bonds

A. Separate accounts shall be maintained hereunder for unmatured bonds of each class and series. Each such account shall be subdivided so as to show:

(1) the face value of the actually issued and unmatured bonds which have not been retired or cancelled; also, the face value of such bonds issued by others, the payment of which has been assumed by the utility; (2) the face value of bonds actually issued or assumed by the utility and reacquired by it and not paid, retired,

or cancelled. The account for reacquired debt shall not include securities which are held by trustees in sinking or other funds.

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

222 Reacquired Bonds

A. This account shall include the face value of bonds actually issued or assumed by the utility and reacquired by it and not paid, retired, or cancelled. The account for reacquired debt shall not include securities which are held by trustees in sinking or other funds.

B. When bonds are reacquired, the difference between face value adjusted for unamortized discount, expense or premium and the amount paid upon reacquisition shall be debited or credited, as appropriate, to account 421 - Non-utility Income or account 426 - Miscellaneous Non-utility Expenses (See, however, account 181, paragraph E, as to refunding operations).

223 Advances from Associated Companies

A. This account shall include the face value of notes payable to associated companies and the amount of open book accounts representing advances from associated companies. It does not include notes and open accounts representing indebtedness subject to current settlement which are includible in account 233 - Accounts Payable to Associated Companies or account 234 - Notes Payable to Associated Companies.

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

224 Other Long-Term Debt

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

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

Note: — Miscellaneous long-term debt reacquired shall be accounted for in accordance with the procedure set forth in account 222 - Reacquired Bonds or account 221 - Bonds.

Current and Accrued Liabilities

Current and accrued liabilities are those obligations which have either matured or which become due within one year from the date thereof; except, however, bonds, receiver's certificates and similar obligations which shall be classified as long-term debt until date of maturity; accrued taxes, such as income taxes, which shall be classified as accrued liabilities even though payable more than one year from date; compensation awards which shall be classified as current liabilities regardless of date due; and minor amounts payable in installments which may be classified as current liabilities. If a liability is due more than one year from date of issuance or assumption by the utility, it shall be credited to a long-term debt account appropriate for the transaction except, however, the current liabilities previously mentioned.

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.

233 Accounts Payable to Associated Companies

This account shall include all amounts payable by the utility to associated companies which are not provided for in other accounts.

Note: — Exclude from this account amounts which are includible in account 223 - Advances from Associated Companies.

234 Notes Payable to Associated Companies

This account shall include amounts owing to associated companies on notes, drafts, acceptance, or other similar evidences of indebtedness, payable on demand or within a time not exceeding one year from date of issue or creation.

Note: — Exclude from this account notes which are includible in account 223 - Advances from Associated Companies.

235 Customer Deposits

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

236 Accrued Taxes

A. This account shall be credited with the amount of taxes accrued during the accounting period with corresponding debits being made to the appropriate accounts for tax charges. Such credits may be based upon estimates, but from

time to time during the year as the facts become known, the amount of the periodic credits shall be adjusted so as to include, as nearly as can be determined, in each year the taxes applicable thereto. Any amount representing a prepayment of taxes applicable to a period subsequent to the date of the balance sheet shall be shown under account 162 - Prepayments.

B. If accruals for taxes are found to be insufficient or excessive, correction therefore shall be made through current tax accruals. However, if such corrections are so large as to seriously distort current expenses (See General Instruction 61 0.01 (d)(5)).

C. Accruals for taxes shall be based upon the net amounts payable after credit for any discounts, but shall not include any amount for interest on tax deficiencies or refunds. Interest received on refund shall be credited to account 419 - Interest and Dividend Income and interest paid on deficiencies shall be charged to account 427.5 - Interest – Other.

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

E. The following subaccounts may be maintained:

236.1 Accrued Taxes, Utility Operating Income

236.11 Accrued Taxes, Taxes Other Than Income

236.12 Accrued Taxes, Income Taxes

236.2 Accrued Taxes, Other Income and Deductions

237 Accrued Interest

A. 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.

B. The following subaccounts may be maintained:

237.1 Accrued Interest on Long-Term Debt

237.2 Accrued Interest on Other Liabilities

238 Accrued Dividends

This account shall include the amount of dividends which have been declared but not paid. Dividends shall be credited to this account when they become a liability.

239 Matured Long-Term Debt

This account shall include the amount of long-term debt (including any obligation for premiums) matured and unpaid, without specific agreement for extension of the time of payment, and bonds called for redemption but not presented.

240 Matured Interest

This account shall include the amount of matured interest on long-term debt or other obligations of the utility at the date of the balance sheet, unless such interest is added to the principal of the debt on which incurred.

241 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.

251 Unamortized Premium on Debt

A. This account shall include the total of the credit balances in the discount, expense and premium accounts for all classes of long-term debt including receivers' certificates.

B. The premium and expense shall be amortized over the life of the respective issues under a plan which will distribute the amounts equitably over the life of the securities. The amortization shall be credited to account 429 - Amortization of Premium on Debt. (See Account 181 - Unamortized Debt Discount and Expense)

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/she is entitled according to the agreement or rule under which the advance was made, the balance, if any, remaining in this account shall be credited to account 271 - Contributions in Aid of Construction.

253 Other Deferred Credits

This account shall include gains 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, Non-utility Operations, and 412.30 - Investment Tax Credits Restored to Non-operating 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 proportionate restorations to income shall be credited to account 412.30.

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

D. Separate records for each utility department and non-utility 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.

E. The following subaccounts shall be maintained:

255.1 Accumulated Deferred Investment Tax Credits, Utility Operations

255.2 Accumulated Deferred Investment Tax Credits, Non-utility Operations

261 Property Insurance Reserve

A. This account shall include amounts reserved by the utility for self-insurance against losses through accident, fire, flood, or other hazards to its own property or property leased from others. The accruals to this account are to be charged to account 942 - Insurance-Property or other appropriate accounts to cover such risks credited to this account. A schedule of risks covered by this reserve shall be maintained giving a description of the property involved, the character of the risks covered and the rates used.

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

262 Injuries and Damages Reserve

A. This account shall be credited with amounts to be charged to account 925 - Injuries and Damages or other appropriate accounts to meet the probable liability, not covered by insurance, for deaths or injuries to employees and others and for damages to property neither owned nor held under lease by the utility.

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

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

263 Pensions and Benefits Reserve

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

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

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

Note: — If employee pension or benefit plan funds are not included among the assets of the utility but are held by outside trustees, payments into such funds or accruals, therefore shall not be included in this account unless required payments are made on a periodic and timely basis to the outside trustees of the various funds.

265 Miscellaneous Operating Reserves

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

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

Note: — This account includes only such reserves as may be created for operating purposes and does not include any reservations of income the credits for which should be carried in account 214 - Appropriated Retained Earnings.

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.

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

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

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 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 405 - Amortization of Contribution in Aid of Construction Expense.

Accumulated Deferred Income Taxes

Before using the deferred tax accounts provided below, refer to General Instruction (f)(1)B and (l). Interperiod Income Tax Allocation - Depreciation and Comprehensive Interperiod Tax Allocation Other Than Depreciation.

Public utilities shall use the accounts provided below for prior accumulations of deferred taxes on income and for additional provisions. Prior to any use of these accounts, the utility must file with the Commission, for the purpose of obtaining authorization, its proposed plan of accounting for deferred taxes on income. The

utility shall not use these accounts unless such use has been authorized by the Commission. If deferred tax accounting is initiated with respect to any property, such accounting shall not be discontinued on that property without prior approval of the Commission.

The utility is restricted in its use of these accounts to the purposes set forth therein. It shall not make any transfers from these accounts or make any use thereof, except as provided in the text of the accounts, without prior approval of the Commission. 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 expenses, 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 the remaining amount is significant, then the Commission shall authorize or direct how such amount shall be accounted for at the time approval for the disposition of 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 related 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 non-utility property and which have deferred taxes on income with respect thereto shall classify such deferrals in the accounts provided below so as to allow ready identification of items relating to each utility department and to Other Income and Deductions.

281 Accumulated Deferred Income Taxes - Accelerated Amortization

A. This account shall include tax deferral resulting from adoption of the principles of Comprehensive Interperiod Tax Allocation - Other Than Depreciation, described in General Instruction (1) 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 accounts 410.10, 410.11 - Deferred Federal or State Income Taxes and 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 revenues 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 revenues 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.

282 Accumulated Deferred Income Taxes - Liberalized Depreciation

A. This account shall include all credit tax deferrals resulting from the adoption of the principles of comprehensive interperiod income tax allocation of this system of accounts which are related to all property other than accelerated amortization property.

B. This account shall be credited and account 410.10, 410.11 - Deferred Federal, State 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 General Instruction (I) of this system of account 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 the subaccounts of account 410 - Provision for Deferred Income Taxes, as appropriate, 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 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 revenues 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, respectively 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 Commission.

Section 3 INSTRUCTIONS FOR WATER UTILITY PLANT ACCOUNTS

	Class A Account	Class B Account	Class C Account
(a) Intangible Plant			
Organization	301	301	301
Organization - Intangible Plant	301.1	301.1	
Franchises	302	302	302
Franchises - Intangible Plant	302.1	302.1	
(b) Land and Land Rights			
Land and Land Rights	303	303	303
Land and Land Rights - Source of Supply and Pumping Plant	303.2	303.2	
Land and Land Rights - Water Treatment Plant	303.3	303.3	
Land and Land Rights - Transmission and Distribution Plant	303.4	303.4	
Land and Land Rights - General Plant	303.5	303.5	
(c) Structures and Improvements			
Structures and Improvements	304	304	304
Structures and Improvements - Source of Supply and Pumping Plant	304.2	304.2	
Structures and Improvements - Water Treatment Plant	304.3	304.3	
Structures and Improvements - Transmission and Distribution Plant	304.4	304.4	
Structures and Improvements - General Plant	304.5	304.5	
(d) Collecting and Impounding Reservoirs			
Collecting and Impounding Reservoirs	305	305	305
Collecting and Impounding Reservoirs - Source of Supply and Pumping Plant	305.2	305.2	

Chart of Accounts

Section 3 - Water Utility Plant Accounts

	Class A Account	Class B Account	Class C Account
(e) Lake, River and Other Intakes			
Lake, River and Other Intakes	306	306	306
Lake, River and Other Intakes - Source of Supply and Pumping Plant	306.2	306.2	
(f) Wells and Springs			
Wells and Springs	307	307	307
Wells and Springs - Source of Supply and Pumping Plant	307.2	307.2	
(g) Infiltration Galleries and Tunnels			
Infiltration Galleries and Tunnels	308	308	308
Infiltration Galleries and Tunnels - Source of Supply and Pumping Plant	308.2	308.2	
(h) Supply Mains			
Supply Mains	309	309	309
Supply Mains - Source of Supply and Pumping Plant	309.2	309.2	
(i) Power Generation Equipment			
Power Generation Equipment	310	310	310
Power Generation Equipment - Source of Supply and Pumping Plant	310.2	310.2	
(j) Pumping Equipment			
Pumping Equipment	311	311	311
Pumping Equipment - Source of Supply and Pumping Plant	311.2	311.2	
(k) Water Treatment Equipment			
Water Treatment Equipment	320	320	320
Water Treatment Equipment - Water Treatment Plant	320.3	320.3	

Chart of Accounts

Section 3 - Water Utility Plant Accounts

	Class A Account	Class B Account	Class C Account
(l) Distribution Reservoirs and Standpipes			
Distribution Reservoirs and Standpipes	330	330	330
Distribution Reservoirs and Standpipes - Transmission and Distribution Plant	330.4	330.4	
(m) Transmission and Distribution Mains			
Transmission and Distribution Mains	331	331	331
Transmission and Distribution Mains - Transmission and Distribution Plant	331.4	331.4	
(n) Services			
Services	333	333	333
Services - Transmission and Distribution Plant	333.4	333.4	
(o) Meters and Meter Installations			
Meters and Meter Installations	334	334	334
Meters and Meter Installations - Transmission and Distribution Plant	334.4	334.4	
(p) Hydrants			
Hydrants	335	335	335
Hydrants - Transmission and Distribution Plant	335.4	335.4	
(q) Other Plant and Miscellaneous Equipment			
Other Plant and Miscellaneous Equipment	339	339	339
Other Plant and Miscellaneous Equipment - Intangible Plant	339.1	339.1	
Other Plant and Miscellaneous Equipment - Source of Supply and Pumping Plant	339.2	339.2	
Other Plant and Miscellaneous Equipment - Water Treatment Plant	339.3	339.3	
Other Plant and Miscellaneous Equipment - Transmission and Distribution Plant	339.4	339.4	

Chart of Accounts

Section 3 - Water Utility Plant Accounts

	Class A Account	Class B Account	Class C Account
(r) Office Furniture and Equipment			
Office Furniture and Equipment	340	340	340
Office Furniture and Equipment - General Plant	340.5	340.5	
(s) Transportation Equipment			
Transportation Equipment	341	341	341
Transportation Equipment - General Plant	341.5	341.5	
(t) Stores Equipment			
Stores Equipment	342	342	
Stores Equipment - General Plant	342.5	342.5	
(u) Tools, Shop and Garage Equipment			
Tools, Shop and Garage Equipment	343	343	343
Tools, Shop and Garage Equipment - General Plant	343.5	343.5	
(v) Laboratory Equipment			
Laboratory Equipment	344	344	
Laboratory Equipment - General Plant	344.5	344.5	
(w) Power Operated Equipment			
Power Operated Equipment	345	345	345
Power Operated Equipment - General Plant	345.5	345.5	
(x) Communication Equipment			
Communication Equipment	346	346	
Communication Equipment - General Plant	346.5	346.5	
(y) Computer Equipment			
Computer Equipment	347	347	
Computer Equipment - General Plant	347.5	347.5	
(z) Other Plant and Miscellaneous Equipment			
Other Plant and Miscellaneous Equipment	348	348	348
Other Plant and Miscellaneous Equipment - General Plant	348.5	348.5	

Section 3 INSTRUCTIONS FOR WATER UTILITY PLANT ACCOUNTS

The water utility plant accounts have been designed utilizing an account matrix for Class A and Class B utilities. The matrix employs a list of object accounts which in effect act as control accounts. The object accounts are further segregated by the matrix into classifications by functions or subaccounts. (See Accounting Instruction (e)(15).) Class C utilities are required to use only the object accounts for posting 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 is 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.

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

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

302 Franchises

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

B. If a franchise or certificate is acquired by assignment, the charge to this account in respect thereof shall not exceed the amount paid therefore by the utility to the assignor nor shall it exceed the amount paid by the original grantee.

Any excess of the amount actually paid by the utility over the amount above specified shall be charged to account 426 - Miscellaneous Non-utility Expenses.

C. When any franchise has expired, the book cost thereof shall be credited hereto and charged to account 426 - Miscellaneous Non-utility Expenses, or to account 110.1 - Accumulated Amortization of Utility Plant in Service, as appropriate.

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

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

303 Land and Land Rights

This account shall include the cost of land, rights-of-way and easements used in water operations. A sample of items to be included in this account is listed below:

1. Bulkheads buried not requiring maintenance or replacement.
2. Cost, first, of acquisition including mortgages and other liens assumed (but not subsequent interest thereon).
3. Condemnation proceedings, including court and counsel costs.
4. Consents and abutting damages, payment for.
5. Conveyancers' and notaries' fees.
6. Fees, commissions, and salaries to brokers, agents and others in connection with the acquisition of the land or land rights.
7. Leases, cost of voiding upon purchase to secure possession of land.
8. Removing, relocating or reconstructing property of others, such as buildings, highways, railroads, bridges, cemeteries, churches, telephone and power lines, etc., in order to acquire quiet possession.

9. Retaining walls unless identified with structures.
10. Special assessments levied by public authorities for public improvements on the basis of benefits for new roads, new bridges, new sewers, new curbing, new pavements and other public improvements but not taxes levied to provide for the maintenance of such improvements.
11. Surveys in connection with the acquisition but not amounts paid for topographical surveys and maps where such costs are attributable to structures or plant equipment erected or to be erected or installed on such land.
12. Taxes assumed, accrued to date of transfer of title.
13. Title, examining, clearing, insuring and registering in connection with the acquisition and defending against claims relating to the period prior to the acquisition.
14. Appraisals prior to closing title.
15. Cost of dealing with distributees or legatees residing outside of the state or county, such as recording power of attorney, recording will or exemplification of will, recording satisfaction of state tax.
16. Filing satisfaction of mortgage.
17. Documentary stamps.
18. Photographs of property at acquisition.
19. Fees and expenses incurred in the acquisition of water rights and grants.
20. Cost of fill to extend bulkhead line over land under water, where riparian rights are held, which is not occasioned by the erection of a structure.
21. Sidewalks and curbs constructed by the utility on public property.
22. Labor and expenses in connection with security rights of way, where performed by company employees and company agents.

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 is listed below:

1. Architects' plans and specifications including supervision.

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

22. Painting, first cost.
23. Permanent paving, concrete, brick, flagstone, asphalt, etc., within the property lines.
24. Partitions, including movable.
25. Permits and privileges.
26. Water and sewer systems, for general use.
27. Power boards for services to a building.
28. Retaining walls except when identified with land.
29. Roadways.
30. Roofs.
31. Scales, connected to and forming a part of a structure.
32. Sidewalks, culverts, curbs and streets constructed by the utility on its property.
33. Sprinkling systems.
34. Sump pumps and pits.
35. Stacks — brick, steel, or concrete, when set on foundation forming part of general foundation and steelwork of a building.
36. Steel inspection during construction.
37. Storage facilities constituting a part of a building.
38. Storm doors and windows.
39. Tanks, constructed as part of a building or as distinct structural units.
40. Temporary heating during construction (net cost).
41. Temporary water connection during construction (net cost).
42. Temporary shanties and other facilities used during construction (net cost).
43. Topographical maps.
44. Tunnels, intake and discharge, when constructed as part of a structure, including sluice gates and those constructed to house mains.
45. Vaults constructed as part of a building.
46. Watchmen's sheds and clock systems (net cost when used during construction only).

47. Water basins or reservoirs.
48. Water front improvements.
49. Water supply piping, hydrants and wells.
50. Water meters and supply system for a building or for general company purposes.
51. Yard surfacing, gravel, concrete, or oil (initial cost only).
52. Plant metering.

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 is listed below:

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

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 is listed below:

1. Clearing land.

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

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 is listed below:

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

308 Infiltration Galleries and Tunnels

This account shall include the cost installed of infiltration galleries and tunnels used as a source of water supply. A sample of items to be included in this account is listed below:

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

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 is listed below:

1. Air chambers.

2. Blow-offs and overflows.
3. Bridges and culverts.
4. Canals.
5. Electrolysis control equipment.
6. Manholes.
7. Municipal inspection or permits.
8. Pavement disturbed, including cutting and replacing pavement, pavement base and sidewalks.
9. Pipes, aqueducts or conduits.
10. Placing mains and accessories.
11. Special castings.
12. Sterilizing new mains.
13. Surge tanks.
14. Trenching, including shoring, bracing, bridging, pumping, backfilling and disposing of excess excavated material.
15. Tunnels.
16. Valves, valve vaults and appurtenances.

310 Power Generation Equipment

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

B. Subaccounts shall be maintained hereunder for the cost of equipment used for each type of power generating equipment.

311 Pumping Equipment

This account shall include the cost of pumping equipment driven by electric power, diesel engines, steam engines and hydraulic water wheels and turbines. A sample of items to be included in this account is listed below:

1. Engines, motors, water wheels and turbines for driving pumps.
2. Pumps, including setting, gearing, shafting and belting.
3. Water piping within station including valves.
4. Auxiliary equipment for engines and pumps such as oiling systems, cooling systems, condensers, etc.
5. Oil supply lines and accessories.
6. Regulating, recording and measuring devices.

7. Foundations, frames and bed plates.
8. Ladders, stairs and platforms if a part of pumping unit.

320 Water Treatment Equipment

This account shall include the cost installed of apparatus, equipment and other facilities used for the treatment of water. A sample of items to be included in this account is listed below:

1. Aerators (when installed as an integral part of the water treatment plant).
2. Chemical treating plant.
3. Clear water basin.
4. Filter plant.
5. Mixing chambers.
6. Sedimentation or coagulation basin.
7. Softening plant.

Note: — Protecting superstructures shall be included in account 304 - Structures and Improvements.

330 Distribution Reservoirs and Standpipes

This account shall include the cost in place of reservoirs, tanks, standpipes, and appurtenances used in storing water for distribution. A sample of items to be included in this account is listed below:

1. Aerators (when installed as an integral part of distribution reservoirs).
2. Bridges and culverts.
3. Clearing land.
4. Dams.
5. Embankments.
6. Fences.
7. Foundations.
8. Gates and gate houses.
9. Landscaping.
10. Lighting systems.
11. Piping system within reservoirs.
12. Retaining walls.

13. Roads and paths.
14. Rust-proofing apparatus.
15. Sewer drain or storm sewer.
16. Spillways and channels.
17. Standpipes.
18. Tanks.
19. Towers.
20. Valves.

331 Transmission and Distribution Mains

A. This account shall include the cost installed of transmission and distribution mains and appurtenances. A sample of items to be included in this account is listed below:

1. Air chambers.
2. Blow-offs and overflows.
3. Bridges and culverts.
4. Electrolysis control equipment.
5. Gauges and recorders.
6. Jointing and jointing material.
7. Manholes.
8. Meters and appurtenances.
9. Municipal inspection or permits.
10. Pavement disturbed, including cutting and replacing pavement, pavement base and sidewalks.
11. Pipes.
12. Fire Mains.

B. Records supporting this account shall be so kept as to show separately the cost of mains of different sizes and types and of each tunnel, bridge, or river crossing.

333 Services

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

B. A complete service begins with the connection on the main and extends to but does not include the connection with the customer's meter. The utility's service pipe extends from the main to the property line or the curb stop (curb stop cock).

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

Items

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

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

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, devices and appurtenances attached thereto.

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

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

D. A sample of items to be included in this account is listed below:

1. Meters, including badging and initial testing.
2. Remote meter registers.
3. Installation labor (first installation only).
4. Meter coupling.
5. Meter bars.
6. Meter yokes.
7. Meter fittings, connections and shelves.
8. Meter vaults or boxes.
9. Associated valves owned by the utility.

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

Note B: — The utility shall maintain a statistical record to show separately the number of each type and size of meter or group of types and sizes as carried in the continuing property record. Underlying records shall be kept so that the utility can determine readily for each such classification the number of company-owned meters in service (subdivided between active and inactive) and the number of meters carried herein but not in service, the latter to include meters undergoing repairs, and the number of meters in service owned by customers.

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

335 Hydrants

A. This account shall include the cost installed of hydrants in service owned by the utility. A sample of items to be included in this account is listed below:

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

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 foregoing accounts.

340 Office Furniture and Equipment

A. This account shall include the cost of office furniture and equipment owned by the utility, and devoted to utility service, and not permanently attached to buildings, except the cost of such furniture and equipment which the utility elects to assign to other plant accounts on a functional basis. A sample of items to be included in this account is listed below:

1. Book cases and shelves.
2. Desks, chairs, and desk equipment.
3. Drafting room equipment.
4. Computers, printers, software and other peripheral equipment.
5. Filing, storage and other cabinets.
6. Floor covering.
7. Library and library equipment.
8. Office equipment such as calculators, typewriters, etc.
9. Safes.
10. Tables.

B. If the utility has equipment includible in this account at more than one location, separate records shall be maintained for each location.

341 Transportation Equipment

This account shall include the cost of transportation vehicles used for utility purposes. A sample of items to be included in this account is listed below:

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

342 Stores Equipment

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

B. If the utility has equipment includible in this account at more than one location, separate records shall be maintained for each location. A sample of items to be included in this account is listed below:

1. Chain falls.
2. Counters.
3. Cranes (portable).
4. Elevating and stacking equipment (portable).
5. Hoists.
6. Lockers.
7. Scales.
8. Shelving.
9. Storage bins.
10. Trucks, hand and power driven.
11. Wheelbarrows.

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

1. Air compressors.
2. Anvils.
3. Automobile repair shop equipment.
4. Battery charging equipment.
5. Belts, shafts and countershafts.
6. Boilers.
7. Cable pulling equipment.
8. Concrete mixers.
9. Drill presses.
10. Derricks.
11. Electric equipment.
12. Engines.
13. Forges.
14. Furnaces.
15. Foundations and settings specially constructed for and not expected to outlast the equipment for which provided.
16. Gasoline pumps, oil pumps and storage tanks.
17. Greasing tools and equipment.
18. Hoists.
19. Ladders.
20. Lathes.
21. Machine tools.
22. Motor driven tools.
23. Motors.
24. Pipe threading and cutting tools.
25. Pneumatic tools.
26. Pumps.

27. Riveters.
28. Tool racks.
29. Vises.
30. Welding apparatus.
31. Workbenches.

344 Laboratory Equipment

A. This account shall include the cost installed of laboratory equipment used for general laboratory purposes and not specifically provided for or includible in other departmental or functional plant accounts. A sample of items to be included in this account is listed below:

1. Autoclaves.
2. Barometers.
3. Cameras.
4. Centrifuge.
5. Distilling apparatus.
6. Furnaces.
7. Microscopes.
8. Ovens.
9. Pitometers.
10. Rain gauges.
11. Refrigerators.
12. Scales.
13. Sterilizers.
14. Stop watches.
15. Testing machines.
16. Thermometers.
17. Voltmeters.
18. Other bacteriological, electric, chemical hydraulic or research equipment.

B. If the utility has equipment includible in this account at more than one location, separate records shall be maintained for each location.

345 Power Operated Equipment

This account shall include the cost of power operated equipment used in construction of 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 is listed below:

1. Backhoes.
2. Boring machines.
3. Bulldozers.
4. Cranes and joists.
5. Diggers.
6. Pile drivers.
7. Pipe cleaning machines.
8. Pipe coating or wrapping machines.
9. Tractors — crawler type.
10. Trenchers.
11. Other power operated equipment.

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

346 Communication Equipment

This account shall include the cost installed of telephone, telegraph and wireless equipment for general use in connection with utility operations. A sample of items to be included in this account is listed below:

1. Antennae.
2. Booths.
3. Cables.
4. Distribution boards.
5. Extension cords.
6. Gongs.
7. Handsets, manual and dial.
8. Insulators.
9. Intercommunicating sets.
10. Loading coils.

11. Operators' desks.
12. Poles and fixtures used wholly for telephone and telegraph wires.
13. Radio transmitting and receiving sets.
14. Remote control equipment and lines.
15. Sending keys.
16. Storage batteries.
17. Switchboards.
18. Telegraph receiving sets.
19. Telephone and telegraph circuits.
20. Testing instruments.
21. Towers.
22. Underground conduit used wholly for telephone or telegraph wires and cable wires.

347 Computer Equipment

This account shall include the cost of computers, peripheral devices, and software. The original software cost shall be included in this account with subsequent upgrades to be expensed in the period when the charge is incurred.

348 Other Plant and Miscellaneous Equipment

This account shall include the cost of tangible plant and cost of equipment used in utility operations and which is not includible in any other account.

Section 4 INSTRUCTIONS FOR INCOME ACCOUNTS

	Class A Account	Class B Account	Class C Account
(a) Utility Operating Income			
Operating Revenues	400	400	400
Operation and Maintenance Expenses	401	401	401
Depreciation Expenses	403	403	403
Amortization of Contributions in Aid of Construction	405	405	405
Amortization of Utility Plant Acquisition Adjustments	406	406	406
Amortization Expense - Other	407	407	407
Amortization of Limited Term Plant	407.1	407.1	
Amortization of Property Losses	407.2	407.2	
Amortization of Other Utility Charges	407.3	407.3	
Taxes Other Than Income	408	408	408
Utility Regulatory Assessment Fees	408.10	408.10	
Property Taxes	408.11		
Payroll Taxes	408.12		
Other Taxes and Licenses	408.13	408.13	
Income Taxes	409	409	409
Federal Income Taxes, Utility			
Operating Income	409.10	409.10	409.10
State Income Taxes, Utility Operating Income	409.11	409.11	409.11
Provision for Deferred Income Taxes	410	410	410
Deferred Federal Income Taxes	410.10	410.10	410.10
Deferred State Income Taxes	410.11	410.11	410.11
Provision for Deferred Income Taxes-Credit	411	411	411
Provision for Deferred Income Taxes - Credit, Utility Operating Income	411.10	411.10	411.10

Chart of Accounts

Section 4 - Income Accounts

	Class A Account	Class B Account	Class C Account
Investment Tax Credits	412	412	412
Investment Tax Credits Deferred to Future Periods, Utility Operations	412.10	412.10	412.10
Investment Tax Credits Restored to Operating Income, Utility Operations	412.11	412.11	412.11
Income from Utility Plant Leased to Others	413	413	
Gains (Losses) From Disposition of Utility Property	414	414	
(b) Other Income and Deductions			
Revenues from Merchandising, Jobbing and Contract Work	415	415	
Costs and Expenses of Merchandising, Jobbing and Contract Work	416	416	
Equity in Earnings of Subsidiary Companies	418	418	
Interest and Dividend Income	419	419	419
Allowance for Funds Used During Construction	420	420	420
Non-utility Income	421	421	421
Gains (Losses) from Disposition of Non-utility Property	422	422	422
Miscellaneous Non-utility Expenses	426	426	426
(c) Taxes Applicable to Other Income and Deductions			
Taxes Other Than Income	408	408	408
Taxes Other Than Income, Other Income and Deductions	408.20	408.20	
Income Taxes	409	409	409
Income Taxes, Other Income and Deductions	409.20	409.20	409.20
Provision for Deferred Income Taxes	410	410	410
Provision for Deferred Income Taxes, Other Income and Deductions	410.20	410.20	410.20

Chart of Accounts

Section 4 - Income Accounts

	Class A Account	Class B Account	Class C Account
Provision for Deferred Income Taxes - Credit	411	411	411
Provision for Deferred Income Taxes - Credit, Other Income and Deductions	411.20	411.20	411.20
Investment Tax Credits	412	412	412
Investment Tax Credits - Net, Non-utility Operations	412.20	412.20	412.20
Investment Tax Credits Restored to Non-operating Income, Utility Operations	412.30	412.30	412.30
(d) Interest Expense			
Interest Expense	427	427	427
Interest on Debt to Associated Companies	427.1	427.1	
Interest on Short-Term Debt	427.2	427.2	
Interest on Long-Term Debt	427.3	427.3	
Interest on Customer Deposits	427.4	427.4	
Interest - Other	427.5	427.5	
Amortization of Debt Discount and Expense	428	428	
Amortization of Premium on Debt	429	429	
(e) Extraordinary Items			
Extraordinary Income	433	433	
Extraordinary Deductions	434	434	
Income Taxes, Extraordinary Items	409.30	409.30	

Section 4 INSTRUCTIONS FOR INCOME ACCOUNTS**400 Operating Revenues**

This account shall include the total amount included in the operating revenue accounts 460 through 474 inclusive for the period covered by the income statement.

401 Operation and Maintenance Expenses

This is the operating expense control account which totals the amounts charged to operating expense accounts 600 to 950 for water systems.

403 Depreciation Expenses

A. This account shall be charged with depreciation credited to account 108 - Accumulated Depreciation. Depreciation shall be accrued on a straight-line basis unless otherwise authorized by the Commission. A single composite depreciation rate for each class of property may be used if approval from the Commission is obtained.

Note: — See General Instruction (e)(17) for more detailed instructions on depreciation accounting.

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

405 Amortization of Contributions in Aid of Construction

This account shall be credited with amortization debited to account 272 - Accumulated Amortization of Contributions in Aid of Construction. Amortization shall be accrued on a straight-line basis unless otherwise authorized by the Commission. A single composite depreciation rate for each class of property may be used if approval from the Commission is obtained.

Note: — See General Instruction (e)(18) and Account 272 - Accumulated Amortization of Contributions in Aid of Construction definition for more detailed information on the Amortization of Contributions in Aid of Construction.

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

For Class A and Class B utilities, this account shall be the control account for amortization accounts totaling the amounts in accounts 407.1 to 407.3. Class C utilities shall use this account to include amortization debits or credits which relate to utility operations and are not provided for elsewhere.

407.1 Amortization of Limited Term Plant

This account shall include amortization charges applicable to amounts included in the utility plant accounts for limited term franchises, licenses, patent rights, limited term interests in land, and expenditures on leased property where the service life of the improvements is terminable by action of the lease. The charges to this account shall be such as to distribute the book cost of each investment evenly over the period of benefit to the utility (See account 110.1 - Accumulated Amortization of Utility Plant in Service).

407.2 Amortization of Property Losses

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

407.3 Amortization of Other Utility Charges

When authorized by the Commission, this account shall include amortization charges for other utility charges that have not been identified in this Chart of Accounts.

408 Taxes Other Than Income

A. These accounts shall include the amount of ad valorem gross revenue or gross receipts taxes, state unemployment insurance, franchise taxes, federal excise taxes, social security taxes, and all other taxes assessed by federal, state, county, municipal, or other local government 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 162 - Prepaid Taxes, 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.

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 non-utility 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 non-utility 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 non-utility 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, as appropriate.

408.10 Utility Regulatory Assessment Fees

This account shall include those general fees assessed by regulatory agencies for the purpose of public utility regulation.

408.11 Property Taxes

This account shall include ad valorem taxes related to utility property.

408.12 Payroll Taxes

This account shall include all types of taxes related to payroll and associated with utility operating income not properly accounted for elsewhere.

408.13 Other Taxes and Licenses

This account shall include all other taxes and licenses relating to utility operating income not properly accounted for elsewhere.

408.20 Taxes Other Than Income, Other Income and Deductions

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

409 Income Taxes

A. These accounts shall include the amounts of 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 includible in account 439 - Adjustments to Retained Earnings (Class A and B — utilities only) or account 217 - Retained Earnings (Class C utility only), so that these accounts, as nearly as can be ascertained, shall include the actual taxes payable by the utility.

(See General Instruction (d)(5) for prior period adjustments.)

B. The accruals for 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 shall be 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 439 - Adjustments to Retained Earnings (Class A and B utilities only) or account 215 - Retained Earnings (Class C utility only) 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 - Federal Income Taxes, Utility Operating Income.

C. This account shall be maintained according to the subaccount 409.10, 409.11, 409.20 and 409.30, inclusive, as shown below:

Note A: — Interest assumed by the utility on taxes 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 General Instruction (f)(1).

409.10 Federal Income Taxes, Utility Operating Income

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

409.11 State Income Taxes, Utility Operating Income

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

409.30 Income Taxes, Extraordinary Items

This account shall include those state and federal income taxes (both positive and negative) which relate to Extraordinary Items.

410 Provision for Deferred Income Taxes

A. Accounts 410.10, 410.11 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, 410.11 and 410.20 inclusive, as shown below.

Note — See General Instruction (f)(1).

410.10 Deferred Federal Income Taxes

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

410.11 Deferred State Income Taxes

This account shall include the amounts of those deferrals of state income taxes and allocations of deferred state income taxes which 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 and state 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 412.20 shall be credited and accounts 281, 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, 410.11 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 and state income taxes and deferrals of federal and state 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 the 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 non-utility operations shall be debited to account 412.2 - Investment Tax Credits - Net, Non-utility Operations.

B. A company which has deferred its investment tax credits shall amortize these deferred credit amounts by crediting 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 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 412.30 - Investment Tax Credits Restored to Non-operating Income, Utility Operations.

2. In amortizing the deferred investment tax credits related to property used in non-utility operations, the annual amount shall be

credited to subaccount 412.20 - Investment Tax Credits - Net, Non-utility 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 non-utility operation may be readily identified as well as the vintage year in which they were deferred.

E. This account shall be maintained according to subaccounts 412.10, 412.11, 412.20 and 412.30 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 (by 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, Non-utility 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 non-utility 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 non-utility operations being restored to non-operating income.

412.30 Investment Tax Credits Restored to Non-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 non-operating income in accordance with the "General Rule" or

Option 1 as provided by the Revenue Act of 1971, the Tax Reduction Act of 1975 and the Economic Recovery Tax Act of 1981.

413 Income from Utility Plant Leased to Others

A. This account shall include revenues from utility property constituting a distinct operating unit or system leased by the utility to others and which property is properly includible in account 102 - Utility Plant Leased to Others, and the expenses attributable to such property. A series of subaccounts shall be maintained for each operating unit or system leased to show separately revenues and expenses.

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

Operation;
Depreciation; and
Amortization.

C. The related taxes shall be recorded in the appropriate subsidiary accounts and the control account 408 - Taxes Other Than Income and account 409 - Income Taxes. Records shall be maintained such that those taxes associated with leased plant are separately identifiable.

414 Gains (Losses) from Disposition of Utility Property

A. Commission authorization is required for recording to this account any gains and losses from the sale, conveyance, exchange or transfer of utility property to another. The income tax attributable to gains and losses recorded in this account shall be recorded in the appropriate subsidiary account and control account 409 - Income Taxes.

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

415 Revenues from Merchandising, Jobbing and Contract Work

416 Costs and Expenses of Merchandising, Jobbing and Contract Work

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

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

Note: — Related operating taxes shall be recorded in account 408.20 – Taxes Other than Income, Other Income and Deductions and income taxes shall be recorded in account 409.20 - Income Taxes, Other Income and Deductions.

C. Items to be included in account 415 - Revenues from Merchandising, Jobbing and Contract Work and account 416 - Costs and Expenses of Merchandising, Jobbing and Contract Work areas follow:

Account 415:

1. Revenues from jobbing and contract work.
2. Discounts and allowances made in settlement of bills for jobbing work.

Account 416:

Labor:

1. Canvassing and demonstrating appliances in homes and other places for the purpose of selling appliances.
2. Demonstrating and selling activities in sales rooms.
3. Installing appliances on customer premises where such work is done only for purchases of appliances from the utility.
4. Installing piping or other property work on a jobbing or contract basis.
5. Preparing advertising materials for appliance sales purposes.
6. Receiving and handling customer orders for merchandise or for jobbing services.
7. Cleaning and organizing sales room.
8. Maintaining display counters and other equipment used in merchandising.
9. Arranging merchandise in sales rooms and decorating display windows.
10. Reconditioning repossessed appliances.
11. Bookkeeping and other clerical work in connection with merchandise jobbing activities.
12. Supervising merchandise and jobbing operations.

Materials and Expenses:

13. Advertising in newspapers, periodicals, radio, television, etc.
14. Cost of merchandise sold and materials used in jobbing work.
15. Stores expenses on merchandise and jobbing stocks.

16. Fees and expenses of advertising and commercial artists' agencies.
17. Printing booklets and other advertising data.
18. Premiums given as an inducement to buy appliances.
19. Light, heat, and power.
20. Depreciation on equipment used primarily for merchandise and jobbing operations.
21. Rent of sales rooms or of equipment.
22. Transportation expense of delivery and pickup of appliances by utility's facilities or by others.
23. Stationery, office supplies and expenses.
24. Losses from uncollectible merchandise and jobbing accounts.

Note: — The classification of revenues, costs and expenses of jobbing and contract work as non-operating, and thus inclusion in this account, is for accounting purposes. It does not preclude consideration of justification to the contrary for ratemaking or other purposes.

418 Equity in Earnings of Subsidiary Companies

This account shall include the utility's equity in the earnings or losses of subsidiary companies for the year.

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". (See General Instruction (e)(2).)

421 Non-utility 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 non-utility operations.
2. Net gain on sale of non-utility property.

3. Revenues from merchandising, jobbing and contract work. (for Class C companies only)

422 Gains (Losses) from Disposition of Non-utility Property

A. This account shall include, as approved by the Commission, gains and losses on the sale, conveyance, exchange or transfer of utility or other property to another. (See Utility Plant Instructions (e)(4) F; (e)(7) D; (e)(10) E.) The income tax effect attributable to gains and losses recorded in this account shall be recorded in account 409.2 - Income Taxes, Other Income and Deductions.

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

426 Miscellaneous Non-utility 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 non-utility 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.
 - b. Influencing public opinion with respect to obtaining approval, modification or revocation of franchises.
 - c. Influencing the decisions of public officials not including such expenditures which are directly

related to appearances before regulatory or other governmental bodies in connection with the utility's existing or proposed operations.

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. (for Class C companies only)

427 Interest Expense

For Class A and Class B utilities, this account shall be the control account for recording interest expense and shall total the sum of accounts 427.1 through 427.5. Class C utilities shall use this account to charge all interest expense of the utility. The contra credit to entries in this account shall be charged to account 237 - Accrued Interest.

427.1 Interest on Debt to Associated Companies

This account shall record interest incurred with related companies.

427.2 Interest on Short-Term Debt

This account shall record interest expense associated with short term debt (principal due in 1 year or less).

427.3 Interest on Long-Term Debt

This account shall record interest expense associated with long term debt (principal due in more than one year).

427.4 Interest on Customer Deposits

This account shall record interest expense associated with customer deposits.

427.5 Interest - Other

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

428 Amortization of Debt Discount and Expense

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

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

429 Amortization of Premium on Debt

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

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

433 Extraordinary Income

Upon approval of the Commission this account shall be credited with non-typical, non-customary, infrequently recurring gains, which would significantly distort the current year's income computed before extraordinary items, if reported other than as extraordinary items. The applicable income tax effects of the account shall be recorded in account 409.30 - Income Taxes, Extraordinary Items.

434 Extraordinary Deductions

Upon approval of the Commission, this account shall be debited with non-typical, non-customary, infrequently recurring losses which would distort the current year's income, if not reported separately. The applicable income tax effects shall be recorded in account 409.30 - Income Taxes, Extraordinary Items.

Section 5 INSTRUCTIONS FOR RETAINED EARNINGS ACCOUNTS

	Class A Account	Class B Account	Class C Account
(a) Retained Earnings			
Balance Transferred from Income	435	435	
Appropriations of Retained Earnings	436	436	
Dividends Declared - Preferred Stock	437	437	
Dividends Declared - Common Stock	438	438	
Adjustments to Retained Earnings	439	439	

435 Balance Transferred from Income

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

436 Appropriations of Retained Earnings

This account shall include appropriations of retained earnings.

Items

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

437 Dividends Declared - Preferred Stock

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

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

438 Dividends Declared - Common Stock

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

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

439 Adjustments to Retained Earnings

A. This account shall include significant nonrecurring transactions relating to prior periods. Other than transactions of capital stock as specified in paragraph B below, all entries to this account must receive prior Commission approval. These transactions are generally limited to those adjustments which:

1. correct an error in the financial statements of a prior period; or
2. adjustments that result from realization of income tax benefits of preacquisition loss carry forwards of purchased subsidiaries.

This account shall also include the related income tax effects (state and federal) on items included herein. All items included in this account shall be sufficiently described in the entries relating thereto as to permit ready analysis.

B. Debits due to losses on reacquisition, resale or retirement of the company's own capital stock shall be included in this account (See account 210 - Gain on Resale or Cancellation of Reacquired Capital Stock for the treatment of gains).

C. Changes in depreciation or amortization estimates or methods are considered changes in accounting estimates rather than accounting errors and therefore are not subject to prior period adjustments. Any adjustments made to the accumulated amortization or depreciation balances of the utility due to a change in estimate or method shall be offset by a charge or credit to either: an income account; account 186.2 - Other Deferred Debits; or account 253 - Other Deferred Credits as is directed by the Commission.

Section 6 INSTRUCTIONS FOR WATER OPERATING REVENUE ACCOUNTS

	Class A Account	Class B Account	Class C Account
(a) Water Sales			
Unmetered Water Revenue	460	460	460
Unmetered Sales to Residential Customers	460.1	460.1	460.1
Unmetered Sales to Commercial Customers	460.2	460.2	460.2
Unmetered Sales to Industrial Customers	460.3	460.3	460.3
Unmetered Sales to Public Authorities	460.4	460.4	460.4
Unmetered Sales - Other	460.5	460.5	460.5
Metered Water Revenue	461	461	461
Metered Sales to Residential Customers	461.1	461.1	461.1
Metered Sales to Commercial Customers	461.2	461.2	461.2
Metered Sales to Industrial Customers	461.3	461.3	461.3
Metered Sales to Public Authorities	461.4	461.4	461.4
Metered Sales - Other	461.5	461.5	461.5
Fire Protection Revenue	462	462	462
Public Fire Protection	462.1	462.1	
Private Fire Protection	462.2	462.2	
Sales for Resale	466	466	466
Interdepartmental Sales	467	467	
(b) Other Water Revenues			
Forfeited Discounts	470	470	
Miscellaneous Service Revenues	471	471	
Rents from Water Property	472	472	
Interdepartmental Rents	473	473	
Other Water Revenues	474	474	474

Section 6 INSTRUCTIONS FOR WATER OPERATING REVENUE ACCOUNTS**460 Unmetered Water Revenue**

A. This account shall be the control account for recording unmetered water revenue and shall total the sum of accounts 460.1 through 460.5. Unmetered water revenue includes net billing for water supplied for residential, commercial and industrial 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 quantity of water sold under each rate schedule, and under each special contract coming within the provisions of RSA 378:18 and RSA 378:19, the number of customers' meters or unmetered services through which that water is sold, and the revenue received can be determined readily.

C. This account shall be subdivided as follows:

- 460.1 Unmetered Sales to Residential Customers
- 460.2 Unmetered Sales to Commercial Customers
- 460.3 Unmetered Sales to Industrial Customers
- 460.4 Unmetered Sales to Public Authorities
- 460.5 Unmetered Sales – Other

461 Metered Water Revenue

A. This account shall be the control account for recording metered water revenue and shall total the sum of accounts 461.1 through 461.5. Metered water revenue includes the net billing for measured water supplied for residential, commercial or industrial 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 under each rate schedule, the number of customers' meters through which that water is sold, and the revenue received can be determined readily.

C. This account shall be subdivided 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 – Other

Note: — This account includes all revenues under service classification 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

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

B. The following subaccounts shall be used:

- 462.1 Public Fire Protection
- 462.2 Private Fire Protection

C. Records shall be maintained so as to show separately the revenues earned from each type of service provided.

466 Sales for Resale

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

B. Records shall be maintained so that the quantity (estimated if not metered) of water sold and the amount of revenue 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 602 – Purchased Water.

467 Interdepartmental Sales

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

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

470 Forfeited Discounts

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

B. Records shall be maintained to indicate amount of penalties imposed upon or discounts forfeited by customers under each rate.

471 Miscellaneous Service Revenues

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

1. Fees for changing or reconnecting service.
2. Net credit or debit (costless net salvage value and less payment from customers) on closing of work order for plant installed for temporary service of less than one year (See Account 185-Temporary Facilities).
3. Recovery of expenses in connection with unauthorized taking of water (billing for the water used shall be included in the appropriate water revenue account).
4. Late payment fees.

472 Rents from Water Property

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

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

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

473 Interdepartmental Rents

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

Note: — Charges for water supplied other utility departments shall not be included in this account but in account 467 - Interdepartmental Sales.

474 Other Water Revenue

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

1. Commission on sales or distribution of water of others when sold under rates filed by such others.

2. Compensation for minor incidental services provided for others such as customer billing, engineering, etc.
3. Profit or loss on sale of material and supplies not ordinarily purchased for resale and not handled through merchandising and jobbing accounts.
4. Sale of steam but not including sales made by a steam heating department or transfers or steam under joint facility operations.

**Section 7 INSTRUCTIONS FOR WATER OPERATION AND
MAINTENANCE EXPENSE ACCOUNTS**

	Class A Account	Class B Account	Class C Account
(a) Source of Supply Expenses-Operation			
Operation Supervision and Engineering	600	600	600
Operation Labor and Expenses	601	601	601
Purchased Water	602	602	602
Miscellaneous Expenses	603	603	603
Rents	604	604	604
(b) Source of Supply Expenses-Maintenance			
Maintenance Supervision and Engineering	610	610	610
Maintenance of Structures and Improvements	611	611	611
Maintenance of Collecting and Impounding Reservoirs	612	612	612
Maintenance of Lake, River and Other Intakes	613	613	613
Maintenance of Wells and Springs	614	614	614
Maintenance of Infiltration Galleries and Tunnels	615	615	615
Maintenance of Supply Mains	616	616	616
Maintenance of Miscellaneous Water Source Plant	617	617	617
(c) Pumping Expenses-Operation			
Operation Supervision and Engineering	620	620	620
Fuel for Power Production	621	621	621
Power Production Labor and Expenses	622	622	622
Fuel or Power Purchased for Pumping	623	623	623
Pumping Labor and Expenses	624	624	624
Expenses Transferred-Credit	625	625	625
Miscellaneous Expenses	626	626	626
Rents	627	627	627
(d) Pumping Expenses-Maintenance			
Maintenance Supervision and Engineering	630	630	630

	Class A Account	Class B Account	Class C Account
Maintenance of Structures and Improvements	631	631	631
Maintenance of Power Production Equipment	632	632	632
Maintenance of Pumping Equipment	633	633	633
(e) Water Treatment Expenses-Operation			
Operation Supervision and Engineering	640	640	640
Chemicals	641	641	641
Operation Labor and Expenses	642	642	642
Miscellaneous Expenses	643	643	643
Rents	644	644	644
(f) Water Treatment Expenses-Maintenance			
Maintenance Supervision and Engineering	650	650	650
Maintenance of Structures and Improvements	651	651	651
Maintenance of Water Treatment Equipment	652	652	652
(g) Transmission and Distribution Expenses-Operation			
Operation Supervision and Engineering	660	660	660
Storage Facilities Expenses	661	661	661
Transmission and Distribution Lines Expenses	662	662	662
Meter Expenses	663	663	663
Customer Installations Expenses	664	664	664
Miscellaneous Expenses	665	665	665
Rents	666	666	666
(h) Transmission and Distribution Expenses-Maintenance			
Maintenance Supervision and Engineering	670	670	670
Maintenance of Structures and Improvements	671	671	671
Maintenance of Distribution Reservoirs & Standpipes	672	672	672
Maintenance of Transmission and Distribution Mains	673	673	673

	Class A Account	Class B Account	Class C Account
Maintenance of Fire Mains	674	674	674
Maintenance of Services	675	675	675
Maintenance of Meters	676	676	676
Maintenance of Hydrants	677	677	677
Maintenance of Miscellaneous Equipment	678	678	678
(i) Customer Accounts Expenses-Operation			
Supervision	901	901	901
Meter Reading Expenses	902	902	902
Customer Records and Collection Expenses	903	903	903
Uncollectible Accounts	904	904	904
Miscellaneous Customer Accounts Expenses	905	905	905
(j) Sales Expense-Operations			
Sales Expenses	910	910	910
(k) Administrative and General Expenses-Operation			
Administrative and General Salaries	920	920	920
Office Supplies and Other Expenses	921	921	921
Administrative Expenses Transferred-Cr.	922	922	922
Outside Services Employed	923	923	923
Property Insurance	924	924	924
Injuries and Damages	925	925	925
Employee Pensions and Benefits	926	926	926
Franchise Requirements	927	927	927
Regulatory Commission Expenses	928	928	928
Duplicate Charges-Cr.	929	929	929
Miscellaneous General Expenses	930	930	930
General Rents	931	931	931
(I) Administrative and General Expenses-Maintenance			
Maintenance of General Plant	950	950	950

**Section 7 INSTRUCTIONS FOR WATER OPERATION AND
MAINTENANCE EXPENSE ACCOUNTS****600 Operation Supervision and Engineering**

This account shall include the cost of labor and expenses incurred in the general supervision and direction of the operation of water source of supply facilities. Direct supervision of specific activities shall be charged to the appropriate account. (See General Instruction (f)(4).)

601 Operation Labor and Expenses

This account shall include the cost of labor, materials used and expenses incurred in the operation of the source of supply plant. Items chargeable to this account shall include the following:

Labor:

1. Cutting brush and weeds.
2. Electrolysis and soil corrosion investigations.
3. Keeping plant log and records and preparing reports of operation.
4. Operating and lubricating gates and valves.
5. Patrolling and inspecting.
6. Removing organic growth.
7. Removing sediment. Materials and Expenses:
8. Attendants supplies.
9. Charts and gauge supplies.
10. Lubricants and waste.
11. Tools.
12. Transportation, meals and incidental expenses.

602 Purchased Water

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

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

603 Miscellaneous Expenses

This account shall include the cost of labor, materials used and expenses incurred which are not specifically provided for or are not readily assignable to other water source of supply expense accounts. Items chargeable to this account shall include the following:

Labor:

1. General clerical work at source of supply offices.
2. Preparing maps.
3. Building service.
4. Care of grounds including snow removal, cutting grass, etc.

Materials and Expenses:

5. Building service supplies.
6. First aid supplies and safety equipment.
7. Map record supplies.
8. Miscellaneous office supplies and expenses.
9. Utility service.
10. Cost of nonproductive wells (or amortization thereof) drilled as part of a project which did not result in a source of water within the same supply area. (See account 183 - Preliminary Survey and Investigation Charges.)

604 Rents

This account shall include all rents of property of others used, occupied, or operated in connection with the source of supply system. (See General Instruction (f)(4).)

610 Maintenance Supervision and Engineering

This account shall include the cost of labor and expenses incurred in the general supervision and direction of the maintenance of water source of supply facilities. Direct supervision of specific jobs shall be charged to the appropriate maintenance account. (See General Instruction (f)(4).)

611 Maintenance of Structures and Improvements

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of structures and improvements, the book cost of which is includible in account 304 – Structures and Improvements, and of similar property leased from others. (See General Instruction (f)(4).)

612 Maintenance of Collecting and Impounding Reservoirs

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of collecting and impounding reservoirs, the book cost of which is includible in account 305 - Collecting and Impounding Reservoirs, and of similar property leased from others. (See General Instruction (f)(4).)

613 Maintenance of Lake, River and Other Intakes

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of lake, river and other intakes, the book cost of which is includible in account 306 - Lake, River and Other Intakes, and of similar property leased from others. (See General Instruction (f)(4).)

614 Maintenance of Wells and Springs

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of wells and springs, the book cost of which is includible in account 307 - Wells and Springs, and of similar property leased from other. (See General Instruction (f)(4).)

615 Maintenance of Infiltration Galleries and Tunnels

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of infiltration galleries and tunnels, the book cost of which is includible in account 308 - Infiltration Galleries and Tunnels, and of similar property leased from others. (See General Instruction (f)(4).)

616 Maintenance of Supply Mains

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of mains and appurtenances, the book cost of which is includible in account 309 - Supply Mains, and of similar property leased from others. (See General Instruction (f)(4).)

617 Maintenance of Miscellaneous Water Source Plant

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of other water source plant, the book cost of which is includible in account 339 - Other Plant and Miscellaneous Equipment, and any general or other plant the maintenance of which is assignable to the source of supply function and is not provided for elsewhere. (See General Instruction (f)(4).)

620 Operation Supervision and Engineering

This account shall include the cost of labor and expenses incurred in the general supervision and direction of the operation of power production and pumping. Direct supervision of specific activities such as fuel handling, power production, etc., shall be charged to the appropriate account. (See General Instruction (f)(4).)

621 Fuel for Power Production

A. This account shall include the cost of fuel used in the production of power to operate 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 carried under account 151 - Plant Material and Supplies, and cleared to this account on the basis of the fuel used. Fuel handling expenses may be charged to this account as incurred.

C. The net cost of disposal of residuals (disposal expenses less proceeds from any sales) shall be included herein.

622 Power Production Labor and Expenses

This account shall include the cost of labor, materials used and expenses incurred in the production of power used to operate pumps. This includes all expenses in preparing and handling of fuel incurred beyond the point where the fuel enters the first boiler plant bunker, hopper, tank or holder, etc. and all expense involved in disposal of fuel residuals. Items chargeable to this account shall include the following:

Labor:

1. Direct supervision of power production.
2. Operating fuel conveying, storage, weighing, measuring and processing equipment within power production plant.
3. Operating boiler and boiler auxiliary equipment.
4. Operating boiler feed water purification and treatment equipment.
5. Operating ash collecting or other residual and disposal equipment located inside the plant.
6. Operating other power production equipment.
7. Keeping power production log and records and preparing report on power production operation.
8. Testing boiler water.
9. Testing, checking, and adjusting meters, gauges and other instruments and equipment in power production plant.
10. Clearing power production plant equipment when not incidental to maintenance work.

Materials and Expenses (other than fuel):

11. Boiler compounds, chemicals and inspection fees.

12. Boiler feed water.

13. Lubricants.

623 Fuel or Power Purchased for Pumping

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

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

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

D. Items chargeable to this account shall include the following:

1. Diesel fuel.

2. Electric power.

3. Gasoline.

4. Gas.

5. Other fuel or power.

624 Pumping Labor and Expenses

This account shall include the cost of labor, materials used and expenses incurred in operating pumps and auxiliary equipment.

Items chargeable to this account shall include the following:

Labor:

1. Direct supervision of pumping operations.

2. Operating pumps, turbines, and engines.

3. Operating condensers, circulating water system and other auxiliary apparatus.

4. Operating lubrication and oil control systems, including oil purification.

5. Operating control and protective equipment.

6. Operating valves to point where water enters the water treatment or transmission and distribution system.

7. Keeping plant log and records and preparing reports of operation.

8. Testing, checking and adjusting meters, gauges and other instruments, controls, etc., in the pumping plant.

9. Cleaning pumping equipment when not incidental to maintenance work.

Materials and Expenses (other than power purchased):

10. Lubricants, waste, gaskets, etc.

11. Transportation, meals and incidental expenses.

625 Expenses Transferred-Credit.

A. This account shall include credits for expenses of power production or pumping which are charged to others or to other departments under a joint operating arrangement. Include also credits for expenses chargeable to other water accounts outside the pumping group. Full details of the basis of determination of the costs transferred shall be maintained.

B. If the charges to others or to other departments of the utility include an amount for depreciation, taxes and return on the joint facilities, such portion of the charge shall be credited, in case of others, to account 472 - Rents from Water Property and, in the case of other departments of the utility, to account 473 - Interdepartment Rents.

626 Miscellaneous Expenses

This account shall include the cost of labor, materials used and expenses incurred which are not specifically provided for or are not readily assignable to other pumping expense accounts. Items chargeable to this account shall include the following:

Labor

1. General clerical work.

2. Guarding and patrolling plant and yard.

3. Building service.

4. Care of grounds including snow removal, cutting grass, etc.

5. Miscellaneous labor.

Materials and Expenses:

6. General operating supplies such as tools, gaskets, packing waste, gauge glasses, hoses, indicating lamps, records and report forms, etc.

7. First aid supplies and safety equipment.

8. Building service supplies.

9. Utility service.

10. Miscellaneous office supplies and expenses, printing and stationery.

11. Transportation, meals, and incidental expenses.

627 Rents

This account shall include all rents of property of others used, occupied or operated in connection with the pumping of water. (See General Instruction (f)(4).)

630 Maintenance Supervision and Engineering

This account shall include the cost of labor and expenses incurred in the general supervision and direction of the maintenance of power production and pumping plant. Direct supervision of specific maintenance work shall be charged to the appropriate maintenance account. (See General Instruction (f)(4).)

631 Maintenance of Structures and Improvements

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of structures and improvements used in the connection with pumping, the book cost of which is includible in account 304 - Structures and Improvements, and of similar property leased from others. (See General Instruction (f)(4).)

632 Maintenance of Power Production Equipment

A. This account shall include the cost of labor, materials used and expenses incurred in the maintenance of power production equipment used directly in pumping operations, the book cost of which is includible in account 310 - Power Generation Equipment, and of similar equipment leased from others.

B. For the purpose of making charges hereto and to account 633 - Maintenance of Pumping Equipment, the point at which power production plant is distinguished from pumping equipment is defined as follows:

1. Inlet flange of throttle valve on prime mover.
2. Flange of all steam extraction lines on prime mover.
3. Hot well pump outlet on condensate lines.
4. Inlet flange of all turbine room auxiliaries.
5. Connection to line side of motor starter for all boiler plant equipment.
6. Connection of electric power transmission lines to pump equipment controls.

633 Maintenance of Pumping Equipment

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of pumping equipment, the book cost of which is includible in account 311 - Pumping Equipment, and of similar equipment leased from others, and any general or other plant the maintenance of which is assign able to the pumping function and is not provided for elsewhere. (See paragraph B of account 632 - Maintenance of Power Production Equipment.)

640 Operation Supervision and Engineering

This account shall include the cost of labor and expenses incurred in the general supervision and direction of the operation of water treatment facilities. Direct supervision of specific activities shall be charged to the appropriate account. (See General Instruction (f)(4).)

641 Chemicals

This account shall include the cost of all chemicals used in the treatment of water. Include also the entire cost of any chemicals manufactured by the utility. Items chargeable to this account shall include the following:

1. Activated carbon.
2. Ammonia.
3. Caustic soda.
4. Chlorine.
5. Copper sulfate.
6. Fluorine compounds.
7. High test hypochlorite.
8. Iron sulfate.
9. Lime.
10. Soda ash.
11. Sodium chlorite.
12. Sulfate of alumina.
13. Sulfuric acid.
14. Other chemicals.

642 Operation Labor and Expenses

This account shall include the cost of labor, materials used and expenses incurred in the operation of the water treatment plant. Items chargeable to this account shall include the following:

Labor:

1. Applying chemicals.
2. Cleaning basins.
3. Operating filters.
4. Removing ice.
5. Removing sediments.
6. Washing filters.
7. Operating water softening plant.
8. Operating fluoridation plant.
9. Testing and analyzing.

Materials and Expenses:

10. Charts.
11. Lubricants, waste, etc.
12. Shop and laboratory expenses.
13. Transportation, meals and incidental expenses.
14. Utility service.

643 Miscellaneous Expenses

This account shall include the cost of labor, materials used and expenses incurred which are not specifically provided for or are not readily assignable to other water treatment operation expense accounts. Items chargeable to this account shall include the following:

Labor:

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

Materials and Expenses:

6. General operating supplies.

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

644 Rents

This account shall include all rents of property of others used, occupied or operated in connection with water treatment. (See General Instruction (f)(4).)

650 Maintenance Supervision and Engineering

This account shall include the cost of labor and expenses incurred in the general supervision and direction of the maintenance of water treatment plant. Direct supervision of specific jobs shall be charged to the appropriate maintenance account. (See General Instruction (f)(4).)

651 Maintenance of Structures and Improvements

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of structures and improvements, the book cost of which is includible in account 304 - Structures and Improvements, and of similar property leased from others. (See General Instruction (f)(4).)

652 Maintenance of Water Treatment Equipment

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of water treatment equipment, the book cost of which is includible in account 320 - Water Treatment Equipment, and of similar equipment leased from others. Include also any general or other plant the maintenance of which is assignable to the water treatment function and is not provided for elsewhere. (See General Instruction (f)(4).)

660 Operation Supervision and Engineering

This account shall include the cost of labor and expenses incurred in the general supervision and direction of the operation of the transmission and distribution system. Direct supervision of specific activities shall be charged to the appropriate account. (See General Instruction (f)(4).)

661 Storage Facilities Expenses

This account shall include the cost of labor, materials used and expenses incurred in the operation of distribution reservoirs, tanks and standpipes. Items chargeable to this account shall include the following:

Labor:

1. Supervising operation of storage facilities.
2. Routine inspection of storage facilities.
3. Operating and lubricating gates and valves.
4. Adjusting rust-proofing and signal equipment.
5. Keeping records and preparing reports.
6. Care of grounds around storage facilities.
7. Cleaning and flushing of storage facilities.

Materials and Expenses:

8. Operating supplies such as lubricants, waste, meter and gauge charts, etc.
9. Records and report forms.
10. Utility services.
11. Tool expenses.
12. Transportation, meals and incidental expenses.

662 Transmission and Distribution Lines Expenses

This account shall include the cost of labor, materials used and expenses incurred in the operation of transmission and distribution mains, fire mains, service and hydrants. Items chargeable to this account shall include the following:

Labor:

1. Supervising operation of mains, services and hydrants.
2. Routine patrolling.
3. Electrolysis and soil corrosion investigations and tests.
4. Operating and lubricating gates and valves.
5. Observing and recording pressure.
6. Flushing mains and hydrants.
7. Reading and changing charts in master meters.

Materials and Expenses:

8. Operating materials such as lubricants, waste, meter and gauge charts, etc.
9. Tool expense.
10. Transportation, meals and incidental expenses.

663 Meter Expenses

This account shall include the cost of labor, materials used and expenses incurred in the operation of customer meters and associated equipment. Items chargeable to this account shall include the following:

Labor:

1. Supervising meter operation.
2. Removing and resetting, disconnecting and reconnecting, changing and relocating meters and associated equipment, except the cost of the first testing and setting of a meter which shall be charged to utility plant account 334 - Meters and Meter Installations.
3. Turning on and shutting off service even though a meter is not installed or removed (other than shutting off for nonpayment of bills).
4. Inspecting and testing meters on premises or in shops other than that incidental to maintenance.
5. Inspecting and adjusting meter testing equipment.
6. Clerical work on meter records, tests and reports.

Materials and Expenses:

7. Meter seals and miscellaneous meter supplies.
8. Record and report forms and office supplies for the meter department.
9. Utility services for meter department.
10. Tool expense.
11. Transportation, meals and incidental expenses.

664 Customer Installations Expenses

This account shall include the cost of labor, materials used and expenses incurred in work on customer installations and in inspecting premises and in rendering services to customers of the nature of those indicated by the list of items hereunder. Items chargeable to this account shall include the following:

Labor:

1. Supervising customer installations work.
2. Testing, inspecting, adjusting, and repairing customers' plumbing and fixtures.
3. Testing and inspecting services installed by the customer.

4. Investigating and adjusting customers' service complaints.
5. Changing customers house piping for the convenience of the utility.

Materials and Expenses:

6. Materials used in servicing customers' plumbing and fixtures.
7. Tool expense.
8. Transportation, meals and incidental expenses.

Note A: — Amounts billed customers for any work, the cost of which is charged to this account, shall be credited to this account. Any excess over costs shall be transferred to account 471 - Miscellaneous Service Revenues.

Note B: — Do not include in this account expenses incurred in connection with merchandising, jobbing and contract work.

665 Miscellaneous Expenses

This account shall include the cost of labor, materials used and expenses incurred in transmission and distribution system operation not provided for elsewhere. Items chargeable to this account shall include the following:

Labor:

1. Preparing maps and prints.
2. General clerical work, except that chargeable to account 663 - Meter Expenses.
3. Service interruption and trouble records.
4. Operating records, but not plant accounting, covering mains, services, hydrants, valves, and other transmission and distribution facilities. Exclude meter records chargeable to account 663 - Meter Expenses.
5. Building service.
6. Miscellaneous labor not provided for elsewhere.

Materials and Expenses:

7. Map and record supplies.
8. Printing, stationery, supplies and expenses, except that chargeable to account 663 - Meter Expenses.
9. Building service supplies.
10. Utility service.
11. First-aid supplies.

12. Transportation, meals and incidental expenses.

666 Rents

This account shall include all rents of property of others used, occupied or operated in connection with the transmission and distribution system. (See General Instruction (f)(4).)

670 Maintenance Supervision and Engineering

This account shall include the cost of labor and expenses incurred in the general supervision and direction of the maintenance of the transmission and distribution system. Direct supervision of specific jobs shall be charged to the appropriate maintenance account. (See General Instruction (f)(4).)

671 Maintenance of Structures and Improvements

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of structures and improvements, the book cost of which is includible in account 304 - Structures and Improvements and of similar property leased from others. (See General Instructions (f)(4).)

672 Maintenance of Distribution Reservoirs and Standpipes

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of distribution reservoirs, tanks, standpipes, and related facilities, the book cost of which is includible in account 330 - Distribution Reservoirs and Standpipes and of similar property leased from others. (See General Instruction (f)(4).)

673 Maintenance of Transmission and Distribution Mains

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of mains, the book cost of which is includible in account 331 - Transmission and Distribution Mains and of similar property leased from others. (See General Instruction (f)(4).)

674 Maintenance of Fire Mains

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of Fire Mains, the book cost of which is includible in account 331 - Transmission and Distribution Mains and of similar property leased from others. (See General Instruction (f)(4).)

675 Maintenance of Services

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of services, the book cost of which is includible in account 333- Services, and of similar property leased from others. (See General Instruction (f)(4).)

676 Maintenance of Meters

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of meters and meter testing equipment, the book cost of which is includible

in account 334 - Meters and Meter Installations and of similar property leased from others. (See General Instruction (f)(4).)

677 Maintenance of Hydrants

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of fire hydrants and associated equipment, the book cost of which is includible in account 335 - Hydrants, and of similar property leased from others. (See General Instruction (f)(4).)

678 Maintenance of Miscellaneous Equipment

This account shall include the cost of labor, materials used and expenses incurred in maintenance of plant, the book cost of which is includible in account 348 - Other Plant and Miscellaneous Equipment, and of similar property leased from others. (See General Instruction (f)(4).)

901 Supervision

This account shall include the cost of labor and expenses incurred in the general direction and supervision of customer accounting and collecting activities. Direct supervision of a specific activity shall be charged to account 902 - Meter Reading Expenses, or account 903 - Customer Records and Collection Expenses, as appropriate. (See General Instructions (f)(4).)

902 Meter Reading Expenses

This account shall include the cost of labor, materials used and expenses incurred in reading customer meters, and determining consumption when performed by employees engaged in reading meters.

Items chargeable to this account shall include the following:

Labor:

1. Addressing forms for obtaining meter readings by mail.
2. Changing and collecting meter charts used for billing purposes.
3. Checking seals, etc. when performed by meter readers and the work represents a minor activity incidental to regular meter reading routine.
4. Reading meters for billing purposes. Exclude and charge to account 663 - Meter Expenses or to account 903 - Customer Records and Collection Expense, as applicable, the cost of obtaining meter readings, first and final if incidental to the operation of removing or resetting, sealing or locking, and disconnecting or reconnecting meters.

5. Computing consumption from meter reader's book or from reports by mail when done by employees engaged in reading meters.
6. Collecting from prepayment meters when incidental to meter readings.
7. Maintaining records of customers' keys.
8. Computing estimated or average consumption when performed by employees engaged in reading meters.

Materials and Expenses:

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

903 Customer Records and Collection Expenses

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

Labor:

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

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

Materials and Expenses:

21. Address plates and supplies.
22. Cash overages and shortages.
23. Commissions or fees to others for collecting.
24. Payments to credit organizations for investigations and reports.
25. Postage.

26. Transportation expenses, including transportation of customer bills and meter books under centralized billing procedure.

27. Transportation, meals, and incidental expenses.

28. Bank charges, exchange, and other fees for cashing and depositing customers' checks.

29. Forms for recording orders for services, removals, etc.

30. Rent of mechanical equipment.

Note: — The cost of work on meter history and meter location records is chargeable to account 663 - Meter Expenses.

904 Uncollectible Accounts

This account shall be charged with amounts sufficient to provide for losses from uncollectible utility revenues. Concurrent credits shall be made to account 143 - Accumulated Provision, for Uncollectible Accounts - Cr. Losses from Uncollectible accounts shall be charged to account 143.

905 Miscellaneous Customer Accounts Expenses

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

Labor:

1. General clerical work.

2. Miscellaneous labor.

Materials and Expenses:

3. Communication service.

4. Miscellaneous office supplies and expenses and stationery and printing other than those specifically provided for in accounts 902 and 903.

910 Sales Expenses

This account shall include the cost of supervising and directing the sales department, salaries and commissions for soliciting business, sales activities.

Note: — Where sales activities of the utility are minor and the expenses are not material, this account need not be maintained, in which event the expenses shall be charged to the administrative and general expense account appropriate for the nature of the expense.

920 Administrative and General Salaries

A. This account shall include the compensation (salaries, bonuses, and other consideration for services but not including directors' fees) of officers, executives,

and other employees of the utility properly chargeable to utility operations and not chargeable directly to a particular operating function.

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

921 Office Supplies and Other Expenses

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

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

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

C. Items chargeable to this account shall include the following:

1. Automobile service including charges through clearing accounts.
2. Bank messenger and service charges.
3. Books, periodicals, bulletins and subscriptions to newspapers, newsletters, tax service, etc.
4. Building service expenses for customer accounts, sales and administrative and general purposes.
5. Communication service.
6. Cost of individual items of office equipment used by general departments which are of small value or short life.
7. Membership fees and dues in trade, technical, and professional associations paid by utility for employees. (Company memberships are includible in account 930.)
8. Office supplies and expenses.
9. Payment of court costs, witness fees, and other expenses of legal department.
10. Postage, printing and stationery.

11. Meals, traveling and incidental expenses.

922 Administrative Expenses Transferred-Cr.

This account shall be credited with administrative expenses recorded in accounts 920 and 921 which are transferred to construction costs or to non-utility accounts.

923 Outside Services Employed

A. This account shall include the fees and expenses of professional consultants and others for general services which are not applicable to a particular operating function or to other accounts. It shall include also the pay and expenses of persons engaged for a special or temporary administrative or general purpose in circumstances where the person so engaged is not considered an employee of the utility.

B. This account shall be so maintained as to permit ready summarization according to the nature of service and the person furnishing the same. Items chargeable to this account shall include the following:

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

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

924 Property Insurance

A. This account shall include the cost of insurance or reserve accruals to protect the utility against losses and damages to owned or leased property used in its utility operations. It shall include also the cost of labor and related supplies and expenses incurred in property insurance activities.

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

C. Records shall be kept so as to show the amount of coverage for each class of insurance carried, the property covered, and the applicable premiums. Any dividends distributed by mutual insurance companies shall be credited to the accounts to which the insurance premiums were charged.

D. Items chargeable to this account shall include the following:

1. Premiums payable to insurance companies for fire, storm, burglary, boiler explosion, lightning, fidelity, riot, and similar insurance.
2. Amounts credited to account 261 - Property Insurance Reserve, for similar protection.
3. Special costs incurred in procuring insurance.
4. Insurance inspection service.
5. Insurance counsel, brokerage fees, and expenses.

Note A: — The cost of insurance or reserve accruals capitalized shall be charged to construction either directly or by transfer to construction work orders from this account.

Note B: — The cost of insurance or reserve accruals for the following classes of property shall be charged as indicated.

- (1) Materials and supplies and stores equipment, to account 161 - Stores Expense, or to appropriate material account.
- (2) Transportation and other general equipment to appropriate clearing accounts that may be maintained.
- (3) Utility plant leased to others to account 413 - Income from Utility Plant Leased to Others.
- (4) Non-utility property to the appropriate non-utility income account.
- (5) Merchandise and jobbing property, to account 416 - Costs and Expenses of Merchandising, Jobbing and Contract Work.

Note C: — The cost of labor and related supplies and expenses of administrative and general employees who are only incidentally engaged in property insurance work may be included in accounts 920 and 921, as appropriate.

925 Injuries and Damages

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

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

C. Items chargeable to this account shall include the following:

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

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

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

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

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

926 Employee Pensions and Benefits

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

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

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

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

E. Items chargeable to this account shall include the following:

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

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

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

927 Franchise Requirements

A. This account shall include payments to municipal or other governmental authorities and the cost of materials, supplies and services furnished such authorities without reimbursement in compliance with franchise, ordinance, or similar requirements; provided, however, that the utility may charge to this

account at regular tariff rates, instead of cost, utility service furnished without charge under provision of franchises.

B. When no direct outlay is involved, concurrent credit for such charges shall be to account 929 - Duplicate Charges-Cr.

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

Note A: — Franchise taxes shall not be charged to this account but to account 408 – Taxes Other Than Income Taxes.

Note B: — Any amount paid as initial consideration for a franchise running for more than one year shall be charged to account 302 - Franchises.

928 Regulatory Commission Expenses

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

B. Amounts of regulatory commission expenses, which by approval or direction of the Commission are to be spread over future periods, shall be charged to account 186 - Miscellaneous Deferred Debits, and amortized by charges to this account.

C. This account shall include the amount of regulatory agency general assessment for purposes of public utility regulation.

D. The utility shall be prepared to report the cost of each formal case.

E. Items chargeable to this account shall include the following:

1. Salaries, fees, retainers, and expenses of counsel, solicitors, attorneys, accountants, engineers, clerks, attendants, witnesses, and others engaged in the protection of or defense against petitions or complaints presented to regulatory bodies or in the valuation of property owned or used by the utility in connection with such cases.

2. Office supplies and expenses, payments to public service or other regulatory commissions, stationery and printing, traveling expenses, and other expenses incurred directly in connection with formal cases before regulatory commissions.

3. Regulatory agency general assessment amounts.

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

Note B: — Do not include in this account amounts includible in account 302 - Franchises, account 181 - Unamortized Debt Discount and Expense, or account 213 - Capital Stock Expense.

929 Duplicate Charges Cr.

This account shall include concurrent credits for charges which may be made to operating expenses or to other accounts of the utility for the use of utility service from its own supply. Include, also, offsetting credits for any other charges made to operating expenses for which there is no direct money outlay.

930 Miscellaneous General Expenses

This account shall include the cost of labor and expenses incurred in connection with the general management of the utility not provided for elsewhere. Items chargeable to this account shall include the following:

Labor:

1. Miscellaneous labor not elsewhere provided for.
2. Industry association dues for company memberships.
3. Contributions for conventions and meetings of the industry.
4. Experimental and general research work for the industry.
5. Communication service not chargeable to other accounts.
6. Trustee, registrar, and transfer agent fees and expenses.
7. Stockholders meeting expenses.
8. Dividend and other financial notices.
9. Printing and mailing dividend checks.
10. Director's fees and expenses.
11. Publishing and distributing annual reports to stockholders.
12. Institutional or goodwill advertising. (See note below.)
13. Public notices of financial, operating, and other data required by regulatory statutes not including, however, notices required in connection with security issues or acquisitions of property.
14. 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.

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

931 General Rents

This account shall include rents properly includible in utility operating expenses for the property of others used, occupied, or operated in connection with the customer accounts, sales and general and administrative functions of the utility. (General Instruction (f)(4).)

950 Maintenance of General Plant

A. This account shall include the cost assignable to customer accounts, sales and administrative and general functions of labor, materials used and expenses incurred in the maintenance of property, the book cost of which is includible in account 304 - Structures and Improvements, account 340 - Office Furniture and Equipment, account 346 - Communication Equipment, and account 348 Miscellaneous Equipment, and of similar property leased from others. Include, also, the cost of repairing for reuse materials which previously were included in those accounts. (See General Instruction (f)(4).)

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

Source of Supply	Account 617
Pumping	Account 633
Water Treatment	Account 652
Transmission and Distribution	Account 678
Merchandise and Jobbing	Account 416
Garages, Shops, etc.	Appropriate clearing account, if used.

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