

Uniform System of Accounts
for
Water Utilities
(Class A, ~~Class B and Class C~~)

Prescribed by the
**PUBLIC UTILITIES COMMISSION OF THE
STATE OF CALIFORNIA**

Effective January 1, 1955



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Price \$4.00

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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ROBERT BATINOVICH, <i>President</i>	<i>Commissioner</i>
VERNON L. STURGEON	<i>Commissioner</i>
WILLIAM SYMONS, Jr.	<i>Commissioner</i>
RICHARD D. GRAVELLE	<i>Commissioner</i>
CLAIRE DEDRICK	<i>Commissioner</i>

PHILLIP E. BLECHER, *Executive Director*

Fifth Floor, California State Building

San Francisco

To All Water Utilities:

Proceeding under the authority conferred upon it by the Public Utilities Code, the Public Utilities Commission of the State of California by its Decision No. 50185, dated June 29, 1954, and modified by Decision No. 57578, dated November 10, 1958, adopted and prescribed, effective January 1, 1955, the uniform system of accounts contained herein.

In adopting and prescribing said system of accounts the Commission does not commit itself to approve or accept any item set out in any account for the purpose of fixing rates or of determining other matters which may come before it. The system is designed to set out the facts in connection with the construction, operation and financing of water utilities and therefrom the Commission will determine, when passing on matters before it, what consideration and weight shall be given to the various items in the several accounts.

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

By WILLIAM R. JOHNSON, *Secretary*

DEFINITIONS

When used in this system of accounts:

1. "Accounts" means the accounts prescribed in this system of accounts.
2. "Actually issued," as applied to securities issued or assumed by the utility, means those which have been sold to *bona fide* purchasers for a valuable consideration (including those issued in exchange for other securities or other property); also securities issued as dividends on stock, and those which have been issued in accordance with contractual requirements direct to trustees in sinking funds.
3. "Actually outstanding," as applied to securities issued or assumed by the utility, means those which have been actually issued and are neither retired nor held by or for the utility; provided, however, that securities held by trustees shall be considered as actually outstanding.
4. "Amortization" means the gradual extinguishment of an amount in an account by prorating 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.
5. A. "Associated companies" means companies or persons that, directly or indirectly, through one or more intermediaries, control, or are controlled by, or are under common control with, the accounting company.
B. "Control" (including the terms "controlling," "controlled by," and "under common control with") means the possession, directly or indirectly, of the power to direct or cause the direction of the management of policies of a company, whether such power is exercised through one or more intermediary companies, or alone, or in conjunction with, or pursuant to an agreement, and whether such power is established through a majority or minority ownership or voting of securities, common directors, officers, or stockholders, voting trusts, holding trusts, associated companies, contract, or any other direct or indirect means.
6. "Book cost" means the amount at which property is recorded in these accounts without deduction of related reserves or other accounts. As applied to utility plant, "book cost" means the amount at which property is included in Account 100-6 or in Accounts 100-1 to 100-4.
7. "Buildings." (See Utility Plant Instruction 10.)
8. "Commission" means the Public Utilities Commission of the State of California.
9. "Construction cost, components of." (See Utility Plant Instruction 5.)

10. "Cost" means the amount of money actually paid for property or services or the cash value at the time of the transaction of any consideration other than money. (See, however, Utility Plant Instruction 3.)

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

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

13. "Depreciation," as applied to depreciable utility plant, means the loss in service value not restored by current maintenance, incurred in connection with the consumption or prospective retirement of utility plant in the course of service from causes which are known to be in current operation and against which the utility is not protected by insurance. Among the causes to be given consideration are: wear and tear, decay, action of the elements, inadequacy, obsolescence, changes in the art, changes in demand and requirements of public authorities.

14. "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.

15. "Equipment." (See Utility Plant Instruction 11.)

16. "Improvements." (See Utility Plant Instruction 10.)

17. "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 capital stock or long-term obligations, or shall not be subject to current settlement.

18. "Land and land rights." (See Utility plant Instruction 9.)

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

20. "Net book cost," when applied to utility plant means the book cost less related depreciation and amortization reserves. When applied to other property, it means book cost less related reserves for loss in value.

21. "Net salvage value" means the salvage value of property retired less the cost of removal. (See definition 28, "Salvage value," and balance sheet Account 131-1, paragraph D.)

22. "Nominally issued," as applied to securities issued or assumed by the utility, means those which have been signed, certified, or otherwise executed and placed with the proper officer for sale and delivery, or

pledged, or otherwise placed in some special fund of the utility, but which have not been sold or issued direct to trustees of sinking funds in accordance with contractual requirements.

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

24. "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.

25. "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.

26. "Property retired," as applied to utility plant, means property which has been removed, sold, abandoned, destroyed, or which for any cause has been withdrawn from service.

27. "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.

28. "Salvage value" means the amount received for property retired, less any expenses incurred in connection with the sale or in preparing the property for sale; or, if retained, the amount at which the material recoverable is chargeable to Account 131, Materials and Supplies, or other appropriate account.

29. "Service value" means the difference between the cost and the net estimated salvage value of utility plant.

30. "Structures." (See Utility Plant Instruction 10.)

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

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

INSTRUCTIONS—GENERAL

1. Classification of Utilities

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

- I. Class A: Utilities having average annual operating revenues, properly includible in Account 501, exceeding \$750,000.
- II. Class B: Utilities having average annual operating revenues, properly includible in Account 501, exceeding \$200,000 but not \$750,000.
- III. Class C: Utilities having average annual operating revenues, properly includible in Account 501, exceeding \$50,000 but not \$200,000.
- IV. Class D: Utilities having average annual operating revenues, properly includible in Account 501, of \$50,000 or less.

B. The class to which a utility belongs shall be determined by the average of its annual water operating revenues for the preceding three years. Utilities engaged in new enterprises, the annual operating revenues of which are not known in advance, shall be classed with a reasonable estimate of their prospective revenues.

C. If a Class B utility desires to keep its accounts and records as prescribed for Class A, or a Class C utility desires to keep its accounts and records as prescribed for Class A or B, it is permitted to do so, provided that having elected to enter a senior class it cannot later, except by permission of the Commission, change to the class to which it belongs.

D. Class A utilities shall keep all the accounts prescribed herein so far as they may be applicable to their affairs. Class B utilities shall keep all the accounts prescribed herein so far as they may be applicable to their affairs, except in regard to operating expenses which are condensed, as shown on pages 92 and 93. Class C utilities shall keep the accounts prescribed herein so far as they may be applicable to their affairs, except in regard to operating expenses which are condensed, as shown on page 94.

E. This system of accounts is applicable in principle to Class A, Class B and Class C utilities.

F. A separate uniform system of accounts is prescribed for use by Class D water utilities.

2. Records

A. Each utility shall so keep its books of account, and such other books, records, and memoranda which support, or are necessary to an understanding of, the entries in such books of account, as to be able

to furnish readily full information as to any item included in any account. Each entry shall be supported by such detailed information as will permit a ready identification, analysis, and verification of all of the facts relevant thereto.

B. The books and records referred to herein include not only accounting records in a limited technical sense but all other records such as minute books, stock books, reports, correspondence, memoranda, and the like, which may be useful in developing the history of or facts regarding any transaction.

C. No utility shall destroy any books or records which support entries to its accounts unless the destruction thereof is permitted by rules and regulations of the Commission.

D. Subdivisions of any account in the system of accounts prescribed herein may be kept, provided that such subdivisions do not impair the integrity of the prescribed accounts. The titles of all such subdivisions or subaccounts shall refer by number or title to the account or accounts of which they are subdivisions.

E. Clearing accounts, in addition to those prescribed, and temporary or experimental accounts may be kept, provided such additional accounts do not impair the integrity of the prescribed accounts.

F. The numbers prefixed to account titles are to be considered as part of the titles. Each utility may place upon its ledger accounts a different system of account numbers; provided, however, that the numbers herein prescribed shall appear in the descriptive headings of said ledger accounts.

3. Accounting Period

Each Class A and Class B 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. Unless otherwise authorized by the Commission, each utility shall close its books at the end of each calendar year.

4. Submission of Questions

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

5. Items List, Interpretation of

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.

6. Delayed Items

A. The term "delayed items" means items of revenue or expense relating to transactions which occurred prior to the current calendar year but which were not recorded in the books of account in the prior year.

B. Delayed items shall be charged or credited to the same accounts which would have been charged or credited if the items had not been delayed; provided, that when the amount of a delayed item is relatively so large that its inclusion in the accounts for a single month would seriously distort the accounts, it may be distributed in equal amounts to the accounts for the current and remaining months of the calendar year; and provided further, that if the amount of any delayed item is relatively so large that its inclusion in the accounts for a single year would seriously distort the accounts, the utility shall distribute the amount to the appropriate surplus account.

7. Unaudited Items

When, at the end of any year or at such other time as a financial statement may be required by the Commission, 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. The utility is not required to anticipate minor items which would not appreciably affect the accounts.

8. Transactions with Associated Companies

Each utility shall so keep its accounts and records as to be able to furnish accurately and expeditiously a statement of all transactions with associated companies. The statement 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, provided, however, that charges by associated companies shall first be entered, if necessary, in Account 901, Charges by Associated Companies—Clearing. Nothing herein contained, however, shall be construed as restraining the utility from subdividing accounts for the purpose of recording separately transactions with associated companies.

9. Depreciation Accounting

Each utility shall record as of the end of each month the estimated amount of depreciation accrued during that month on depreciable utility plant. (See Account 503, Depreciation, Account 250, Reserve for

Depreciation of Utility Plant and Account 265, Contributions in Aid of Construction.)

Note A—Depreciation expense applicable to property included in Account 100-2, Utility Plant Leased to Others, shall be charged to Account 508, Income from Utility Plant Leased to Others.

Note B—Depreciation applicable to transportation equipment shall be charged to Account 903, Transportation Expenses—Clearing, and depreciation on general tools and work equipment used in construction work shall be charged to the work or job benefited. The utility may, at its option, distribute depreciation on the latter items through Account 906, Tools and Work Equipment—Clearing, and it may also, at its option, charge to clearing accounts, insofar as applicable, depreciation on structures and equipment. (See, however, Utility Plant Instruction 5, Item 5.)

10. Distribution of Pay and Expenses of Employees

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

11. Accounting for Other Departments

A. This system of accounts is designed for use by water utilities. If the utility also operates other utility departments such as electric, gas, steam heat, electric railway, and the like, 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. The balance sheet and income accounts contained in this system, where water utility operations represent the predominant character of the business, shall be used as controlling accounts for the water utility and such other utility departments for which this Commission has not prescribed a uniform system of accounts; provided, however, that separate subdivisions shall be maintained for each utility department. It is not intended, however, that proprietary and similar accounts which apply to the utility as a whole shall be departmentalized.

B. When a water utility, in the conduct of its utility operations, renders service through more than one integrated water system, it shall maintain its accounting records in such form as to show separately for each integrated water system the plant investment, depreciation reserve, operating revenues and operating expenses applicable to each.

C. Unless otherwise directed by the Commission, water utilities operating in this state under the jurisdiction of this Commission which also are engaged in the electric and gas business, or either of them, may keep their balance sheet accounts, income accounts, customers' accounting and collection expense accounts, sales promotion accounts, and administrative and general expense accounts in accordance with the uniform system, or systems, of accounts prescribed for electric and gas utilities.

INSTRUCTIONS—BALANCE SHEET ACCOUNTS

1. Purpose of Balance Sheet Accounts

The balance sheet accounts are intended to disclose the financial condition of the utility as of a given date by showing its assets and other debits, and liabilities, capital stock, surplus (or deficit), and other credits.

2. Current and Accrued Assets

A. 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.

B. There shall not be included in the group of accounts designated as Current and Accrued Assets any item, the amount or collectibility of which is not reasonably assured, unless an adequate reserve has been provided therefor. Items of current character but of doubtful value may be written down and for record purposes carried in these accounts at nominal value.

3. Current and Accrued Liabilities

A. Current and accrued liabilities are those obligations which have either matured at the date of the balance sheet or which become due within one year from the date thereof; except, however, bonds, receivers' 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 in the balance sheet as accrued liabilities even though payable more than one year from the balance sheet 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.

B. 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 mentioned in A. above; but, for the purpose of classification in the balance sheet, a debt, except bonds, receivers' certificates, and similar obligations, shall be classified as a current and accrued liability if due within one year from the balance sheet date.

4. Book Cost of Securities Owned

A. Securities of others acquired by the utility shall be recorded in these accounts at cost at the time of acquisition. Cost does not include any amount paid for accrued interest or dividends.

B. The utility may write down the book cost of any security in recognition of a decline in the value thereof. Securities shall be written off or written down to a nominal value if there be no reasonable prospect of substantial value. Fluctuations in market value shall not be recorded, but a permanent impairment in the value of the 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 538, Miscellaneous Income Deductions, or to Account 414, Miscellaneous Debits to Surplus, or to an appropriate reserve account.

5. Discount, Expense and Premium on Capital Stock

A. This system of accounts provides separate accounts for discount, expense, and premium on capital stock. These accounts shall be subdivided for each class and series of capital stock issued by the utility. Expenses applicable to capital stock shall not be added to capital stock discount nor deducted from premium on capital stock.

B. In stating the balance sheet, discount and expense and premium shall not be set off against each other.

C. General levies or assessments against stockholders shall be credited to the premium account for the particular class and series of capital stock so assessed.

D. Discount and expense on capital stock may be charged to Account 414, Miscellaneous Debits to Surplus, in total or in installments, or the amounts thereof may be retained in Accounts 150 and 151 until the stock to which the discount and expense apply is retired.

E. When capital stock which has been actually issued by the utility is reacquired or retired, the difference between the amount paid therefor upon reacquirement by the utility plus expenses incurred in its acquisition and the par value (amount at which included in Account 200, Common Capital Stock, or Account 201, Preferred Capital Stock, in the case of stock without par value) plus the premium or less the discount and expense originally entered in respect thereto and not charged off, shall be debited or credited, as the case may be, to Account 270, Capital Surplus; provided, however, that debits shall be charged to Account 414, Miscellaneous Debits to Surplus, if the amounts thereof exceed the balance in Capital Surplus.

F. A utility which has issued shares of convertible preferred stock shall account for any premium applicable to the issuance of such shares and for the premiums which may arise by reason of the conversion of such shares into shares of common stock, by reclassifying the original premium then on the books on those shares of convertible preferred stock being converted, into premium on common stock and adding thereto any premium realized on the conversion so as to cause the inclusion in premium on common stock of the entire amount of premium which finally results from the transaction.

6. Discount, Expense and Premium on Long-Term Debt

A. 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.

B. In stating the balance sheet, the total of the debit balances remaining in those accounts having debit balances shall be reported under Account 140, Unamortized Debt Discount and Expense, and the total of the credit balances remaining in those accounts having credit balances shall be reported under Account 240, Unamortized Premium on Debt. Accounts with debit balances shall not be set off by accounts with credit balances.

C. The discount, expense, and premium referred to above shall be amortized over the life of the respective issues under such a plan as will equitably distribute the amounts over the life of the securities. The amortization shall be on a monthly basis, and the amounts thereof shall be charged to Account 531, Amortization of Debt Discount and Expense, or credited to Account 532, Amortization of Premium on Debt—Cr., as may be appropriate. The utility may, however, accelerate the writing off of discount and expense by charges to Account 414, Miscellaneous Debits to Surplus.

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 reacquisition and the par or face value plus the unamortized premium or less the unamortized discount and expense, as the case may be, applicable to the debt reacquired or redeemed, shall be debited to Account 414, Miscellaneous Debits to Surplus or credited to Account 401, Miscellaneous Credits to Surplus, as appropriate.

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 date of maturity of the first issue, any unamortized discount, expense or premium on the first issue and any premium paid or discount earned on reacquisition shall be debited or credited, as appropriate, to Account 414, Miscellaneous Debits to Surplus, or Account 401, Miscellaneous Credits to Surplus, provided, however, that 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.

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 utility plant instruction 5.

7. 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 contingent assets and liabilities (including cumulative dividends on preference stock) in its annual report and at such other times as may be requested by the Commission.

8. Nominally Issued Securities

A. Each utility shall maintain, in addition to the capital stock and bond accounts shown in the balance sheet, memorandum debit and credit accounts for securities which have been nominally, but not actually, issued.

B. When non-par stock is nominally issued, the number of shares issued shall be shown in the memorandum accounts.

C. Subdivisions shall be maintained under the memorandum accounts for each class of securities.

BALANCE SHEET ACCOUNTS

ASSETS AND OTHER DEBITS

I. Utility Plant

- 100. Utility Plant
- 107. Utility Plant Adjustments

II. Investment and Fund Accounts

- 110. Other Physical Property
- 111. Investments in Associated Companies
- 112. Other Investments
- 113. Sinking Funds
- 114. Miscellaneous Special Funds

III. Current and Accrued Assets

- 120. Cash
- 121. Special Deposits
- 122. Working Funds
- 123. Temporary Cash Investments
- 124. Notes Receivable
- 125. Accounts Receivable
- 126. Receivables from Associated Companies
- 131. Materials and Supplies
- 132. Prepayments
- 133. Other Current and Accrued Assets

IV. Deferred Debits

- 140. Unamortized Debt Discount and Expense
- 141. Extraordinary Property Losses
- 142. Preliminary Survey and Investigation Charges
- 143. Clearing Accounts
- 145. Other Work in Progress
- 146. Other Deferred Debits

V. Capital Stock Discount and Expense

- 150. Discount on Capital Stock
- 151. Capital Stock Expense

LIABILITIES AND OTHER CREDITS

VI. Capital Stock

- 200. Common Capital Stock
- 201. Preferred Capital Stock
- 202. Stock Liability for Conversion
- 203. Premiums and Assessments on Capital Stock
- 204. Proprietary Capital
- 205. Undistributed Profits of Proprietorship or Partnership

VII. Long-Term Debt

- 210. Bonds
- 211. Receivers' Certificates
- 212. Advances from Associated Companies
- 213. Miscellaneous Long-Term Debt

VIII. Current and Accrued Liabilities

- 220. Notes Payable
- 221. Notes Receivable Discounted
- 222. Accounts Payable
- 223. Payables to Associated Companies
- 224. Dividends Declared
- 225. Matured Long-Term Debt
- 228. Matured Interest
- 227. Customers' Deposits
- 228. Taxes Accrued
- 229. Interest Accrued
- 230. Other Current and Accrued Liabilities

IX. Deferred Credits

- 240. Unamortized Premium on Debt
- 241. Advances for Construction
- 242. Other Deferred Credits

X. Reserves

- 250. Reserve for Depreciation of Utility Plant
- 251. Reserve for Amortization of Limited-Term Utility Investments
- 252. Reserve for Amortization of Utility Plant Acquisition Adjustments
- 253. Reserve for Depreciation and Amortization of Other Property
- 254. Reserve for Uncollectible Accounts
- 255. Insurance Reserve
- 256. Injuries and Damages Reserve
- 257. Employees' Provident Reserve
- 258. Other Reserves

XI. Contributions in Aid of Construction

- 265. Contributions in Aid of Construction

XII. Surplus

- 270. Capital Surplus
- 271. Earned Surplus

BALANCE SHEET ACCOUNTS

I. UTILITY PLANT

100. Utility Plant

There shall be reported by this caption the balances in Accounts 100-1, 100-2, 100-3, 100-4, 100-5 and 100-6.

100-1. UTILITY PLANT IN SERVICE

A. This account shall include the cost of utility plant, included in Accounts 301 to 390, together with the amounts recorded in Accounts 391 and 392, owned and used by the utility in its utility operations, including such property owned by the utility but held by nominees.

B. The cost of additions and betterments of property leased from others shall be recorded in this account, but such cost shall be maintained in subdivisions entirely separate and distinct from those relating to owned property. (See Utility Plant Instruction 7.)

100-2. UTILITY PLANT LEASED TO OTHERS

A. This account shall include the 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 (301 to 392) for utility plant in service (Account 100-1), and this account shall be maintained in such detail as though the property were used by the utility in its utility operations.

100-3. CONSTRUCTION WORK IN PROGRESS

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

Note—If a project, such as a production station or a transmission main 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.

100-4. UTILITY PLANT HELD FOR FUTURE USE

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

B. The property included in this account shall be classified according to the detailed accounts (301 to 392) for utility plant in service and the account shall be maintained in such manner and in such detail as though the property were in service.

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

100-5. 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 amounts distributed to the primary plant accounts, less the amount, or amounts, which may be credited to the depreciation and amortization reserves of the accounting utility at the time of acquisition with respect to such property. The account shall be so subdivided, when practicable, as to show the amounts applicable to utility plant in service, utility plant leased to others, and utility plant held for future use. (See Utility Plant Instructions 2, 3 and 4.)

B. Whenever practicable this account shall be subdivided according to the character of the amounts included herein for each property acquisition.

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

100-6. UTILITY PLANT IN PROCESS OF RECLASSIFICATION

A. There shall be closed to this account the book cost of utility plant (formerly called "fixed capital" in many systems of accounts) as of the effective date hereof. The detail or primary accounts in support of this account employed prior to such date shall be continued pending reclassification into the utility plant accounts herein prescribed (301 to 392), but shall not be used for additions, betterments, or new construction.

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

107. Utility Plant Adjustments

A. This account shall include the difference between the amounts distributed to primary plant and other accounts and the book cost of utility plant, at the effective date of this system of accounts, to the extent that such difference is not properly includible in Account 100-5, Utility Plant Acquisition Adjustments. Write-ups of utility plant prior to the effective date of this system of accounts shall be recorded herein.

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

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

II. INVESTMENT AND FUND ACCOUNTS

110. Other Physical Property

A. This account shall include the cost to the utility of land, structures, and equipment owned by the utility, but not used in utility service and not properly includible in Account 100-4, Utility Plant Held for Future Use.

B. The records supporting the entries to this account shall be so kept that the utility can furnish information as to the nature and cost of each kind of property, from whom it was acquired, its location, and its use.

111. Investments in Associated Companies

There shall be reported by this caption the amounts included in Accounts 111-1 and 111-2.

111-1. INVESTMENTS IN SECURITIES OF ASSOCIATED COMPANIES

A. This account shall include the book cost of the utility's investment in securities issued or assumed by associated companies and held as permanent or long-term investments.

B. The account shall be maintained in such manner as to show each class of investment in each associated company.

Note—Securities 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.

111-2. ADVANCES TO ASSOCIATED COMPANIES

A. This account shall include the amount of investment advances to associated companies and interest accrued on such advances when such interest is not subject to current settlement. (See Account 126, Receivables from Associated Companies.)

B. The account shall be maintained in such manner as to show the advances to each associated company.

Note A—Balances in open accounts with associated companies which are subject to current settlement shall be excluded from this account and included in Account 126-2, Accounts Receivable from Associated Companies.

Note B—Advances made to associated companies without expectation of reimbursement shall be charged to Account 538, Miscellaneous Income Deductions, unless authorized by the Commission to be charged to some other account.

112. Other Investments

A. This account shall include the book cost of the utility's investment in securities issued or assumed by non-associated companies, investment advances to such non-associated companies, and any investment not accounted for elsewhere, including notes receivable and similar evidence

of money due that run longer than one year from the date of issue. Securities held as temporary cash investments shall not be included in this account.

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

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

113. Sinking Funds

This account shall include the assets held in sinking funds. A separate account, with appropriate title, shall be kept for each sinking fund.

Note—Nothing herein contained shall be construed as preventing a utility from transferring applicable sinking or other funds to Account 121-3, Miscellaneous Special Deposits, for the purpose of paying matured sinking fund obligations, or obligations called for redemption but not presented, or the interest thereon.

114. Miscellaneous Special Funds

This account shall include assets which have been segregated in special funds for insurance, employees' pensions, savings, relief, hospital, and other purposes not provided for elsewhere. A separate account, with appropriate title shall be kept for each fund.

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

III. CURRENT AND ACCRUED ASSETS

120. Cash

This account shall include the utility's current cash funds except working funds. (See Account 122, Working Funds.)

121. Special Deposits

There shall be reported by this caption the amounts included in Accounts 121-1, 121-2 and 121-3.

121-1. INTEREST SPECIAL DEPOSITS

Special deposits with fiscal agents or others for the payment of interest may be charged to this account. When so charged and when interest is paid from the deposits, the amount shall be credited to this account and charged to the appropriate accrued interest account.

121-2. DIVIDEND SPECIAL DEPOSITS

Special deposits with fiscal agents and others for the payment of dividends on behalf of the utility may be charged to this account. When so charged and when dividends are paid from these deposits, the amount thereof shall be credited to this account and charged to the appropriate dividends payable account.

121-3. MISCELLANEOUS SPECIAL DEPOSITS

Special deposits with fiscal agents or others for special purposes other than the payment of interest and dividends shall be charged to this account. Such special 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 sold, destroyed, or otherwise disposed of is replaced; and also 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, and the like. When the purposes of such deposits are satisfied and the deposits are released, this account shall be credited with the amount released. Entries to this account shall specify the purpose for which the deposit is made.

Note A—The foregoing special deposit account shall not include any assets available for general purposes.

Note B—Deposits for more than one year not offset by current liabilities shall not be charged to this account but to Account 112, Other Investments.

122. Working Funds

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

123. Temporary Cash Investments

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

B. This account shall be so maintained as to show:

Temporary Cash Investments—Associated Companies.

Temporary Cash Investments—Other.

Note—If any of the temporary investments are pledged, proper record of such pledged investments shall be kept.

124. 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, excepting, however, notes receivable from associated companies. (See Account 123, Temporary Cash Investments, and Account 126, Receivables 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.

125. Accounts Receivable

There shall be reported by this caption the balances in Accounts 125-1 and 125-2.

125-1. ACCOUNTS RECEIVABLE—CUSTOMERS

A. This account shall include amounts due from customers for utility services, including merchandising. This account shall not include amounts due from associated companies.

B. This account shall be kept in such manner as to permit the ascertainment within a reasonable time of the amounts due for each utility service, including merchandising, as a separate service.

125-2. OTHER ACCOUNTS RECEIVABLE

A. This account shall include amounts owing the utility upon accounts with concerns or individuals, other than associated companies, and customers for utility services and for merchandising.

B. This account shall be maintained in such manner as to show separately amounts due on subscriptions to capital stock and from officers and employees, but the account shall not include amounts advanced to officers or others as working funds. (See Account 122, Working Funds.)

126. Receivables from Associated Companies

A. This account shall include the debit balances subject to current settlement in open accounts with associated companies, and notes and drafts upon which associated companies are liable, and which mature and are expected to be paid in full not later than one year from date of issuance, together with interest thereon. Items which do not bear a specified due date but which have been carried for more than 90 days and items which are not paid within 90 days from due date shall be transferred to Account 111, Investments in Associated Companies.

B. This account shall be subdivided as follows:

126-1. Notes Receivable from Associated Companies.

126-2. Accounts Receivable from Associated Companies.

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

Note B—The face amount of notes receivable discounted or sold without releasing the company from liability as endorser thereon shall not be credited to this account, but to Account 221, Notes Receivable Discounted.

131. Materials and Supplies

There shall be reported under this caption the total of the amounts in Accounts 131-1 and 131-2.

131-1. MATERIALS AND SUPPLIES—UTILITY

A. This account shall include the cost of unissued small tools and unapplied materials and supplies (including fuel) held primarily for use in the utility business. The cost shall include, when practicable, the purchase price at the point of free delivery, plus customs duties, excise and other taxes on purchases, insurance, costs of inspection, special tests prior to acceptance, loading and unloading, transportation, and other directly assignable charges.

B. Inward transportation charges for materials as far as practicable shall be included as a part of the cost of the particular material to

which they relate. When not so included, they shall be charged to Account 902, Stores Expenses—Clearing.

C. Cash or other discounts on materials shall be deducted, when practicable, in determining the cost of the particular material, or credited to the account to which the material is charged. Discounts which are not so handled shall be credited to Account 902, Stores Expenses—Clearing.

D. Materials recovered in connection with construction, maintenance or the retirement of property shall be charged to this account as follows:

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 account appropriate for the previous use. (See also utility plant instruction 5, item 5.)

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.

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

E. Inventories of materials, supplies, fuel, and the like, shall be taken at least annually and the necessary adjustments shall be made to bring this account into harmony 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, or included in Account 902, Stores Expenses—Clearing. A reserve account for such purpose may be used if desired.

Note A—Interest on material bills, the payment of which has been delayed, shall be charged to Account 535, Other Interest Charges.

Note B—There shall not be included in this account materials, supplies and equipment held primarily for merchandising. (See Account 131-2.)

131-2. MATERIALS AND SUPPLIES—OTHER

This account shall include the cost of all materials and supplies held primarily for merchandising or for nonutility purposes.

132. Prepayments

This account shall include amounts representing prepayments of insurance, rents, taxes, interest and miscellaneous items, and shall be kept or supported in such manner as to disclose the amount of each class of prepayments.

133. Other Current and Accrued Assets

A. This account shall include current and accrued assets of the general nature defined in Accounts 120 to 132, inclusive, but not properly includible in any of these accounts.

B. The records supporting the entries to this account shall be so kept as to show the nature of each class of assets included herein.

IV. DEFERRED DEBITS

140. Unamortized Debt Discount and Expense

This caption shall include the total of the debit balances, of those accounts having debit balances, of the discount, expense, and premium accounts, for all classes of long-term debt. (See balance sheet instruction 6.)

141. Extraordinary Property Losses

A. This account shall include, when so authorized or directed by the Commission, losses in service value of property abandoned or otherwise retired from service which are not provided for by the depreciation or other reserves and which could not reasonably have been foreseen and provided for. It shall include, also, when so authorized or directed by the Commission, extraordinary losses, such as unforeseen damages to property which could not reasonably have been anticipated and which are not covered by reserves or by insurance.

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

C. This account shall be so maintained that convenient itemization may be made of all amounts included herein.

D. Before making any entries to this account, the utility shall obtain the approval of the Commission. Application for permission to use the account shall be accompanied by a statement or statements giving a complete explanation of the nature and cause of the property loss together with a description of the property, its location, the original cost thereof, classified in accordance with the prescribed utility plant accounts, the cost to the utility, the amount of intangible value carried in the accounts with respect to such property, the amount at which the property is retired or to be retired, the amount, if any, chargeable to the depreciation or other reserves (showing cost thus chargeable, salvage, and cost of removal), the amount it is proposed to include in this account, the period over which and the accounts to which it is proposed

to write off the loss, and a copy of any statement or statements made or planned to be made to a trustee under a mortgage or other indenture with respect to the property.

142. Preliminary Survey and Investigation Charges

A. This account shall be charged with all major expenditures for preliminary surveys, plans, investigations, and the like, made for the purpose of determining the feasibility of projects under contemplation. If construction results, this account shall be credited and the appropriate utility plant account charged. If the work is abandoned, the charge shall be to Account 538, Miscellaneous Income Deductions, or Account 414, Miscellaneous Debits to Surplus, unless otherwise authorized or directed by the Commission.

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 investigations and the nature and respective amounts of the 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.

143. Clearing Accounts

This caption shall include undistributed balances in clearing accounts (see Accounts 901 to 906) at the date of the balance sheet. Balances in clearing accounts shall be substantially cleared not later than the end of the calendar year unless items held therein relate to a future period.

145. Other Work in Progress

This account shall include the total of the balances in open work or job orders for work in progress, other than that includible in Account 100-3, Construction Work in Progress.

146. Other Deferred Debits

A. This account shall include all debits, not elsewhere provided for, the proper final disposition of which is uncertain, and unusual or extraordinary expenses, not included in other accounts, which are in process of amortization.

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 included herein.

V. CAPITAL STOCK DISCOUNT AND EXPENSE

150. Discount on Capital Stock

A. There shall be reported by this caption all balances in the accounts for discount on capital stock.

B. The accounts hereunder shall be kept in such manner as to show separately the discount on each class and series of capital stock. (See balance sheet instruction 5.)

C. The utility may amortize the balance carried in this account by charges to Account 414, Miscellaneous Debits to Surplus.

151. Capital Stock Expense

A. This account shall include all commissions and expenses incurred in connection with the original issuance and sale of capital stock including additional capital stock of a certain class or series as well as first issues.

B. When any issue of capital stock, or portion thereof, has been retired, there shall be credited to this account the balance herein in respect of such retired stock. (See balance sheet instruction 5.)

C. The utility may amortize the balance carried in this account by charges to Account 414, Miscellaneous Debits to Surplus.

Note—There shall not be included in this account expenses in connection with the reacquisition or resale of the utility's capital stock.

VI. CAPITAL STOCK

200. Common Capital Stock

(See Account 201.)

201. Preferred Capital Stock

A. These accounts shall include the par value, 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 and actually outstanding.

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 discount or premium account for the particular class and series.

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

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

Note—When a levy or assessment, except a call for payment on subscriptions, is made against holders of capital stock, the amount collected upon such levy or assessment shall be credited to Account 203, Premiums and Assessments on Capital Stock.

202. Stock Liability for Conversion

A. This account shall include the par value, the stated value of stock without par value if such stock has a stated value, and, if not, the cash value of the consideration for such non-par stock, of capital stock which the utility has agreed to exchange for outstanding securities of 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 therefor capital stock of the accounting utility.

B. When the securities of the other companies have been surrendered, this account shall be charged and Account 200, Common Capital Stock, or Account 201, Preferred Capital Stock, as the case may be, shall be credited.

C. The records shall be so kept as to show separately the stocks of different classes and series for which liability may exist.

203. Premiums and Assessments on Capital Stock

A. This account shall include the excess of the actual cash value of the consideration received over the par or stated value and accrued dividends, of stock issued, together with assessments against stockholders representing payments required in excess of par or stated values.

B. When a utility originally issues convertible preferred stock at a premium and subsequently converts said preferred stock into common stock under a conversion formula which results in an additional premium, the original premium, together with the premium on conversion, shall be classified as premium on common stock.

C. A separate account shall be maintained for premiums and assessments on each class and series of stock.

D. When capital stock is retired and canceled, the amount in this account with respect to the shares of such stock retired and canceled shall be debited hereto. (See balance sheet instruction 5.)

204. Proprietary Capital

A. This account should be restricted to the amount considered by the noncorporate holder of the proprietary interest to be the permanent investment in the business, subject to change only by additional investment or by withdrawals of such amount not representing net income. When so maintained, Account 205, Undistributed Profits of Proprietorship or Partnership, shall also be maintained and the entries therein shall be made in accordance with the text of that account.

B. When Account 205, Undistributed Profits of Proprietorship or Partnership, is not maintained, this account shall be charged with the withdrawals from the business by any holder of proprietary interest and shall be charged or credited, as appropriate, with all items that are includible in Account 271, Earned Surplus, when a company is incorporated.

C. When the company is owned by a partnership, a separate account shall be maintained hereunder with respect to each partner.

Note—Amounts received by any noncorporate holder of a proprietary interest as just and reasonable compensation for services performed, shall be excluded from this account and, for the purpose of this system of accounts, charged to the appropriate capital or expense account.

205. Undistributed Profits of Proprietorship or Partnership

A. This account shall include the amount of undistributed profits of a noncorporate proprietorship when Account 204, Proprietary Capital, is restricted to the amount of the permanent investment in the business.

B. This account shall be charged or credited with all items that are includible in Account 271, Earned Surplus, for an incorporated company.

VII. LONG-TERM DEBT

210. Bonds

A. This account shall include the face value of the actually issued and unmatured bonds, which have not been retired or canceled; also the face value of such bonds issued by others, the payment of which has been assumed by the utility.

B. This account shall be so kept or supported as to show the face value of (1) nominally issued bonds, (2) nominally outstanding bonds and (3) actually outstanding bonds of each class and series.

Note A—For instructions relative to accounting for discount, expense, and premium on long-term debt, see balance sheet instruction 6.

Note B—Matured long-term debt shall be included in Account 225, Matured Long-Term Debt.

211. Receivers' Certificates

A. This account shall include the face value of certificates of indebtedness issued by receivers in possession of the property and acting under the orders of a court.

B. Separate subdivisions shall be maintained for each issue of receivers' certificates.

212. Advances from Associated Companies

A. This account shall include the face value of notes owed to associated companies and the amount of open book accounts representing advances from associated companies.

B. This account shall be subdivided as follows:

212-1. Advances on Notes.

212-2. Advances on Open Accounts.

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

Note B—Notes and open accounts representing indebtedness subject to current settlement shall be included in Account 223, Payables to Associated Companies.

213. Miscellaneous Long-Term Debt

A. This account shall include until maturity, all long-term debt not otherwise provided for. This covers such items as real estate mortgages, executed or assumed, assessments for public improvements, notes and unsecured certificates of indebtedness not owned by associated companies, receipts outstanding for long-term debt, and other obligations maturing more than one year from date of issue or assumption. (See balance sheet instruction 3.)

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

VIII. CURRENT AND ACCRUED LIABILITIES

220. Notes Payable

This account shall include the face value of all notes, drafts, acceptances, or other similar evidences of indebtedness, payable on demand or which by their terms are payable within a time not exceeding one year from the date of issue to other than associated companies. (See balance sheet instruction 3.)

221. Notes Receivable Discounted

This account shall include the face value of notes receivable discounted or sold without releasing the utility from liability as endorser thereon.

222. Accounts Payable

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

223. Payables to Associated Companies

This account shall include amounts owed to associated companies on notes, drafts, acceptances, or other similar evidences of indebtedness, and open accounts payable on demand or not more than one year from date of issue or creation. This account shall be subdivided as follows:

223-1 Notes Payable to Associated Companies.

223-2 Accounts Payable to Associated Companies.

Note—Exclude from this account notes and accounts which are includible in Account 212, Advances from Associated Companies.

224. Dividends Declared

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.

225. 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; it shall also include bonds called for redemption but not presented.

226. 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.

227. Customers' Deposits

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

B. Unclaimed deposits that may lawfully be written off as unrefundable, because of failure to locate the rightful owner or for some other reason, shall be credited to Account 254, Reserve for Uncol-

lectible Accounts, upon the expiration of one year after service has been discontinued, if such a reserve is maintained; otherwise, shall be credited to a subaccount under Account 775, Uncollectible Accounts.

228. Taxes Accrued

A. This account shall be credited during each accounting period with the amount of taxes accrued during the period, corresponding debits being made to the appropriate accounts for tax charges. Such credits may be based upon estimates, but from time to time during the year, as the facts become known, the amount of the periodic credits shall be adjusted so as to include as nearly as can be determined in each year the taxes applicable thereto. Any amount representing a prepayment of taxes applicable to the period subsequent to the date of the balance sheet shall be shown under Account 132, Prepayments.

B. The records supporting the entries to this account shall be so kept that the utility can furnish information as to the amount, by classes, of taxes accrued, the basis for each tax accrual and the accounts to which charged, and the amount, by classes, of taxes paid.

229. Interest Accrued

There shall be reported by this caption the balances included in Accounts 229-1 and 229-2.

229-1. INTEREST ACCRUED ON LONG-TERM DEBT

This account shall include the amount of interest accrued on the long-term debt of the utility except interest on advances from associated companies. This account shall not include any interest which is added to the principal of the debt on which incurred.

229-2. INTEREST ACCRUED ON OTHER LIABILITIES

This account shall include the amount of interest accrued on liabilities of the utility other than long-term liabilities. This account shall not include any interest which is added to the principal of the debt on which incurred.

230. Other Current and Accrued Liabilities

This account shall include the current and accrued liabilities not provided for elsewhere.

IX. DEFERRED CREDITS

240. Unamortized Premium on Debt

This caption shall include the total of the credit balances of the discount, expense and premium accounts, for all classes of long-term debt, including receivers' certificates. (See balance sheet instruction 6.)

241. Advances for Construction

This account shall include such advances for construction made in accordance with the utility's rules and regulations, as are to be refunded either wholly or in part. When refund has been made of the entire amount, according to the agreement or rule under which the advance was made, the balance, if any, remaining in the account shall be transferred to Account 265, Contributions in Aid of Construction.

242. Other Deferred Credits

This account shall include advanced billings and receipts and other deferred credit items, not provided for elsewhere; also amounts which cannot be entirely cleared or disposed of until additional information has been received.

X. RESERVES**250. Reserve for Depreciation of Utility Plant**

A. This account shall be credited with the following:

Amounts charged to Account 503, Depreciation, to Account 508, Income from Utility Plant Leased to Others, to clearing accounts, or to income or other accounts for currently accruing depreciation.

Amounts charged to Account 414, Miscellaneous Debits to Surplus, for past accrued depreciation.

Amounts of depreciation applicable to utility properties acquired as operating units or systems. (See utility plant instruction 4.)

Amounts chargeable upon approval of the Commission to Account 141, Extraordinary Property Losses.

Amounts of depreciation applicable to utility plant donated to the utility.

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 and the cost of removal, and shall be credited with the salvage value and any other amounts recovered, such as insurance.

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

D. When transfers of property are made from one utility plant account to another or from or to nonutility property, the accounting shall be as provided in utility plant instruction 14.

E. This account shall be subdivided as follows:

250-1. Reserve for Depreciation of Utility Plant in Service.

250-2. Reserve for Depreciation of Utility Plant Leased to Others.

250-3. Reserve for Depreciation of Utility Plant Held for Future Use.

F. The utility is restricted in the use of the reserve to the purposes set forth above. It shall not divert any portion of the reserve to surplus or make any other use thereof without the approval of the Commission.

G. See Account 265, Contributions in Aid of Construction, paragraph c, for method of accounting for depreciation accruing on the depreciable portion of properties acquired by donation or constructed through use of funds provided by donations in aid of construction.

251. Reserve for Amortization of Limited-Term Utility Investments

A. This account shall be concurrently credited with amounts charged to Account 504, Amortization of Limited-Term Utility Investments,

or with appropriate amounts charged to Account 508, Income from Utility Plant Leased to Others.

B. This account shall also be credited with such amounts as are necessary to reflect, as of the effective date of this system of accounts, and the expired portion of the life of franchises, licenses, patent rights, and limited-term interests in land and land rights; or other intangible utility property which has a terminable life, the cost of which is included in utility plant. To the extent that provision has not previously been made for amortization of limited-term utility investments, amounts credited to this reserve shall be concurrently debited to Account 414, Miscellaneous Debits to Surplus.

C. When any franchise, license, patent right, limited-term interest in land or land rights expires, 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 proceeds realized at retirement shall be included in the appropriate surplus account.

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

E. This account shall be subdivided as follows:

251-1. Reserve for Amortization of Limited-Term Utility Investments—Utility Plant in Service.

251-2. Reserve for Amortization of Limited-Term Utility Investments—Utility Plant Leased to Others.

251-3. Reserve for Amortization of Limited-Term Utility Investments—Utility Plant Held for Future Use.

252. Reserve for Amortization of Utility Plant Acquisition Adjustments

A. This account shall be credited or debited with amounts which the Commission may approve or direct to be charged or credited to Account 505, Amortization of Utility Plant Acquisition Adjustments, to Account 537, Miscellaneous Amortization, or to surplus for the purpose of providing for the extinguishment of amounts in Account 100-5, Utility Plant Acquisition Adjustments.

253. Reserve for Depreciation and Amortization of Other Property

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

254. Reserve for Uncollectible Accounts

A. This account may be credited each month with amounts reserved 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 775, Uncollectible Accounts, for

amounts applicable to utility operations, and to corresponding accounts for other operations.

B. This account shall be subdivided as follows:

- 254-1. Utility Service.
- 254-2. Merchandising.
- 254-3. Associated Companies.
- 254-4. Officers and Employees.
- 254-5. Other.

C. If the utility maintains this reserve it is restricted in the use thereof to the purposes set forth above. It shall not divert any portion of the reserve to surplus or make any other use thereof without the approval of the Commission.

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

255. 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 amounts charged to Account 793, Property Insurance, or other appropriate accounts to cover such risks shall be 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.

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

Note B—Any excess balance in this reserve built up by charges to construction shall be credited to the appropriate construction account at the time construction is completed.

256. Injuries and Damages Reserve

A. This account shall be credited with amounts charged to Account 794, 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 not owned or 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.

Note A—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.

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

Note C—Any excess balance in this reserve built up by charges to construction shall be credited to the appropriate construction account at the time construction is completed.

257. Employees' Provident Reserve

A. This account shall include provision which has been made by operating expense charges, or by specific appropriations of income or surplus, and by amounts contributed by employees (whether carried in special funds or in the general funds of the utility) for pensions, accident and death benefits, savings, relief, hospital and other provident purposes.

B. This account shall include also the amounts accrued for pensions through charges to Account 795, Employees' Pensions and Benefits. Amounts so credited shall, when actually paid to retired employees or paid into a trust fund irrevocably devoted to the payment of pensions, be charged hereto.

C. Separate accounts shall be kept for each kind of reserve included herein.

258. Other Reserves

A. This account shall include all reserves maintained by the utility which are not provided for elsewhere in this system of accounts.

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

XI. CONTRIBUTIONS IN AID OF CONSTRUCTION

265. Contributions in Aid of Construction

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

B. The 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 shall be segregated between depreciable and nondepreciable property.

C. Depreciation accrued on the depreciable portion of properties included in this account shall be charged to this account rather than to Account 503, Depreciation, the charges to this account to continue until such time as the balance in this account applicable to such properties has been completely amortized. (See utility plant instruction 3-F.) The balance in this account applicable to nondepreciable property shall remain unchanged until such time as the property is sold or otherwise retired. At time of retirement of nondepreciable property, which was acquired by donation or through use of donated funds, the costs thereof shall be credited to the appropriate plant account and charged to this account in order to eliminate any credit balance in the donation account applicable thereto.

D. It is intended under the provisions contained in the preceding paragraph that the credit balance in this account will be written off

over a period equal to the actual service life of the property involved. The net salvage realized on the retirement of donated property shall be recorded as a credit to Account 250, Reserve for Depreciation of Utility Plant.

E. That portion of the balance in this account which represents donations on property which was retired prior to the effective date of this system of accounts, plus an amount equal to the estimated depreciation accrued by charges to operating expenses on donated properties still in service, shall not be transferred from this account or otherwise disposed of without first receiving written authorization from this Commission.

Note—There shall not be included in this account advances for construction which are ultimately to be repaid wholly or in part. Such advances shall be credited to Account 241, Advances for Construction.

XII. SURPLUS

270. Capital Surplus

A. This account shall include all surplus not classified herein as earned surplus. It shall include credits from sales by the utility of its reacquired capital stock, surplus arising from the retirement and cancellation of the utility's capital stock, from donations by stockholders of the utility's capital stock, from a reduction of the par or stated value of the utility's capital stock, from the forgiveness of debt of the utility, also surplus recorded at a reorganization or in connection with a re-capitalization.

B. This account shall be maintained in such a manner as to permit a ready analysis of the charges and credits hereto.

271. Earned Surplus

This account shall include the balance, either debit or credit, of unappropriated surplus arising from earnings. It shall not include surplus includible in Account 270, Capital Surplus.

INSTRUCTIONS—UTILITY PLANT ACCOUNTS

1. Purpose of Utility Plant Accounts

A. The summary utility plant accounts are as follows:

- 100. Utility Plant.
 - 100-1. Utility Plant in Service.
 - 100-2. Utility Plant Leased to Others.
 - 100-3. Construction Work in Progress.
 - 100-4. Utility Plant Held for Future Use.
 - 100-5. Utility Plant Acquisition Adjustments.
 - 100-6. Utility Plant in Process of Reclassification.
- 107. Utility Plant Adjustments.

B. Account 100 is a caption by which shall be reported the amounts in Accounts 100-1 to 100-6, inclusive.

C. Accounts 100-1 to 100-4, inclusive, are designed to show the cost of utility plant acquired as operating units or systems by purchase, merger, consolidation, liquidation or otherwise, and the cost to the utility of all other utility plant recorded in these accounts. (See Utility Plant Instructions 2, 3 and 4.)

D. Account 100-5 is designed to show the difference between the cost to the utility of utility plant acquired as operating units or systems by purchase, merger, consolidation, liquidation or otherwise and the amounts distributed to primary plant accounts, due consideration being given to any depreciation or amortization recorded by the accounting utility at the date of acquisition.

E. Account 100-6 is designed to be used as a control account for utility plant at the effective date of this system of accounts pending the distribution thereof in accordance with the accounts prescribed herein.

F. Account 107 is designed to show the amount by which the book cost of utility plant at the effective date of this system of accounts differs from the original cost of the plant when the difference is not properly includible in other accounts. It shall include all write-ups in the books as of the effective date of this system of accounts.

Note—See balance sheet accounts 100 and 107.

2. Classification of Utility Plant at Effective Date of System of Accounts

A. As of the effective date of this system of accounts, the balances in the fixed capital accounts under the old uniform classification of accounts shall be distributed to the plant accounts provided in this new system of accounts.

B. Pending the classification of utility plant as of the effective date of this system of accounts in accordance with the plant accounts prescribed herein, each utility shall maintain its present fixed capital accounts as subaccounts of Account 100-6, Utility Plant in Process of Reclassification.

3. Utility Plant to be Recorded at Cost

A. All amounts included in the accounts for tangible utility plant consisting of plant acquired as an operating unit or system shall be stated in accordance with the provisions of Utility Plant Instruction 4-B. All other tangible utility plant shall be included in the accounts at the cost incurred by the utility.

B. All amounts included in the accounts for intangible utility plant shall likewise be stated on the basis provided in paragraph A above except as otherwise provided in the texts of the intangible accounts.

C. Where the term "cost" is used in the detailed utility plant accounts, it shall have the meaning stated in paragraphs A and B above and shall include not only the materials, supplies, labor, services and other items consumed or employed in the construction and installation of utility plant, but also the cost of preliminary studies, plans, surveys, engineering, supervision, and general expenses, which contribute directly and immediately to utility plant without duplication of such costs.

D. 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.

E. 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.

F. Utility plant contributed to the utility or constructed by it from contributions to it of cash or its equivalent shall be charged to the utility plant accounts at cost of construction. There shall be credited to the depreciation and amortization reserve accounts the estimated amount of depreciation and amortization applicable to the property at the time of its contribution to the utility. The difference between the amounts included in the utility plant accounts and the reserve accounts shall be credited to Account 265, Contributions in Aid of Construction.

Note—Amounts received for construction which are ultimately to be refunded, wholly or in part, shall be credited to Account 241, Advances for Construction. When the amount to be refunded has been finally determined, any credit balance remaining in Account 241 shall be credited to Account 265, Contributions in Aid of Construction.

4. Utility Plant Purchased

A. When utility plant constituting an operating unit or system is acquired by purchase, merger, consolidation, liquidation, or otherwise, after the effective date of this system of accounts, the cost of acquisition, including expenses incidental thereto and properly includible in utility plant, shall be charged to Account 100-1, Utility Plant in Service, subaccount 391, Utility Plant Purchased.

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

(1) Unless otherwise authorized or directed by the Commission, the balances in the utility plant accounts of the transferor shall be credited to Account 100-1, Utility Plant in Service, subaccount 391, Utility Plant Purchased, and concurrently charged to Account 100-1, Utility Plant in Service, Account 100-2, Utility Plant Leased to Others, Account 100-3, Construction Work in Progress, Account 100-4, Utility Plant Held for Future Use, or other accounts as appropriate, and distributed to the detailed accounts which they control.

(2) Unless otherwise authorized or directed, the balances in the depreciation and amortization reserve accounts of the transferor shall be charged to Account 100-1, Utility Plant in Service, subaccount 391, Utility Plant Purchased, and concurrently credited to Account 250, Reserve for Depreciation of Utility Plant, and Account 251, Reserve for Amortization of Limited-Term Utility Investments, or other accounts as appropriate.

(3) The amounts remaining in Account 391, Utility Plant Purchased, shall then be closed to Account 100-5, Utility Plant Acquisition Adjustments.

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

D. 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.

E. In connection with the acquisition of utility plant constituting an operating unit or system, the utility shall procure, if possible, all existing records relating to the property acquired or certified copies thereof, and shall preserve such records in accordance with the rules and regulations of the Commission governing the preservation and destruction of records of Class A, B and C utilities.

5. Components of Construction Cost

The cost of construction properly includible 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. It does not include the cost of work performed by the utility on the project, a part of which is performed by others under contract.

(2) "Labor" includes the pay and expenses of employees of the utility engaged on construction work, and also workmen's compensation insurance, pay roll 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 the purchase price at the point of free delivery plus customs duties, excise taxes, the cost of inspection, 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, \$25 or less) or of short life, including small portable tools and implements, shall not be charged to utility plant accounts unless the correctness of the accounting therefor is verified by current inventories. The cost may 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 the 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 steam shovels, pile drivers, derricks, ditchers, scrapers, material unloaders, and other labor saving machines; also 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 that 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 others for fire protection, and other analogous items of expenditures in connection with construction work.

(8) "Injuries and damages" includes expenditures or losses in connection with construction work on account of injuries to persons and damages to the property of others; also 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 the damages.

(9) "Privileges and permits" includes payments 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 and consents for which see Account 302, Franchises and Consents.

(10) "Rents" includes amounts paid for the use of construction quarters and office space occupied by construction forces and amounts properly includible 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" includes 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. A copy of the agreement or arrangement under which such services are rendered shall be preserved.

(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, injury to or death of persons other than employees, damages to property of

others, defalcation of employees and agents, and the non-performance 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) "Law expenditures" includes the general law expenditures incurred in connection with construction and the court and legal costs directly related thereto, other than law expenses included in "protection," item 7, and in "injuries and damages," item 8.

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

(17) "Interest during construction" includes the net cost of borrowed funds used for construction purposes and a reasonable rate upon the utility's own funds when so used. Interest during construction may be charged to the individual job upon which the funds are expended and, if so charged, shall be credited to Account 536, Interest Charged to Construction—Cr. The period for which interest may be capitalized shall be limited to the period of construction. No interest charges shall be included in these accounts upon expenditures for construction projects which have been abandoned.

Note—When a part only 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 interest thereon as a charge to construction shall cease. Interest 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 for water supplied by new sources of supply during the construction period and sold or used by the utility. Where such water is sold to an independent purchaser before intermingling with water from other sources, the credit shall consist of the selling price of the water. Where the water is delivered to the utility's water system for distribution and sale, or is delivered to an affiliated interest, or is delivered to and used by the utility for purposes other than distribution and sale (for manufacturing or industrial use, for example), the credit shall be the fair value of the water so delivered. Such rate for water so delivered shall have first received the approval of the Commission. The revenues shall also include rentals for lands, buildings, and the like, and miscellaneous receipts not properly includible in other accounts.

(B) The expenses shall consist of the cost of operating the water system, and other costs incident to the delivery of the water for which construction is credited under paragraph (A), above, including the cost of repairs and other expenses (but not includible in item 16,

"taxes") of operating and maintaining lands, buildings, and other property, and other miscellaneous and like expenses not properly includible in other accounts.

6. Overhead Construction Costs

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

B. The instructions contained herein shall not be interpreted as permitting the addition to utility plant accounts of arbitrary percentages or amounts to cover assumed overhead costs, but as requiring the assignment to particular jobs and accounts of actual and reasonable overhead costs.

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 bases of distribution of such costs.

Note—See General Instruction 10, Distribution of Pay and Expenses of Employees.

7. Leased Property, Expenditures on

A. The cost of substantial initial improvements (including repairs, rearrangements, additions and betterments) made in the course of preparing for utility service property leased for a period of more than one year, and the cost of subsequent substantial additions, replacements, or betterments to such property, shall be charged to the utility plant account appropriate for the class of property leased. If the service life of the improvements is terminable by action of the lease, then the cost, less net salvage, of the improvements shall be spread over the life of the lease by charges to Account 504, Amortization of Limited-Term Utility Investments. 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.

8. Temporary Facilities

When property ordinarily having a service life of more than one year is installed for temporary use in utility service, it shall be accounted for in the manner prescribed for utility plant in service.

9. Land and Land Rights

A. "Land and land rights" means 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 rights, diversion rights, submergence rights, rights of way, and other like interests in land.

B. The accounts for land and land rights shall include the first cost, including the amounts of mortgages or other liens assumed, but not rents payable periodically with respect to such rights.

C. 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.

D. The net profit from the sale of timber, cordwood, structures or other property acquired with rights of way or other lands shall be credited to the appropriate land and land rights or clearing land account.

E. Separate entries shall be made for the acquisition, transfer, or retirement of each parcel of land, and each land right, or water right, having a life of more than one year. A record shall be maintained showing the nature of ownership, full legal description, area, map reference, purpose for which used, city, county, and tax district in which situated, from whom purchased or to whom sold, payment given or received, other costs, contract date and number, date of recording 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.

F. 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 charged to Account 414, Miscellaneous Debits to Surplus, or credited to Account 401, Miscellaneous Credits to Surplus, as appropriate, unless a reserve therefor has been authorized and provided. Appropriate adjustments of the accounts shall be made with respect to any structures or improvements located on land sold.

G. Entries to the utility plant accounts for limited-term interests in land shall make specific reference to the lease, contract or arrangement under which each interest is held or used, together with a concise statement of the terms of the lease, contract or assignment.

H. The cost of buildings and other improvements (other than public improvements) shall not be included in the land accounts. If at the time of acquisition of an interest in land such interest extends to buildings or other improvements (other than public improvements), which are then devoted to utility operations, the land and improvements shall be separately appraised and the cost allocated to land and

buildings or improvements on the basis of the appraisals. If the improvements are removed or wrecked without being used in operations, the cost thereof and the cost of removing or wrecking shall be charged and the salvage credited to the account in which the cost of the land is recorded.

I. The cost of land acquired in excess of that used in utility operations shall be included in Account 110, Other Physical Property, or Account 100-4, Utility Plant Held for Future Use, as appropriate.

J. When the purchase of land for utility operations requires the purchase of land not to be used for such purposes, the charge to the land account shall be based upon the cost of the land purchased, less the estimated fair market value of that portion of the land which is not used for utility operations. The fair market value of such land not used for utility operations shall be included in Account 110, Other Physical Property.

K. When the purchase of land for utility operations requires the purchase of land not to be used for such purpose, but held for such purpose, the charge to the land account shall be based upon the estimated cost of only that portion which is used for utility operations, and the cost of the remaining land shall be included in Account 100-4, Utility Plant Held for Future Use.

L. Provision shall be made for amortizing amounts carried in the accounts for limited-term interests in land. The amortization of limited-term interests in land shall be accomplished in such manner as to apportion equitably the cost of each interest over the life thereof and to produce a charge to operating expenses, for each accounting period, of the amount properly chargeable thereto for such period. (See Account 251, Reserve for Amortization of Limited-Term Utility Investments, and Account 504, Amortization of Limited-Term Utility Investments.)

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

Bulkheads, buried, not requiring maintenance or replacements.

Cost, first, of acquisition including mortgages and others liens assumed (but not subsequent interest thereon).

Clearing (first cost) the land of brush, trees, and debris; also tree trimmings (first cost), when not chargeable to other utility plant accounts.

Condemnation proceedings, including court and counsel costs.

Consents and abutting damages, payment for.

Conveyancers' and notaries' fees.

Fees, commissions and salaries to brokers, agents and others in connection with the acquisition of the land or land rights.

Grading the land, except when directly occasioned by the building of a structure.

Leases, cost of voiding upon purchase to secure possession of land.

Removing, relocating, or reconstructing property of others, such as buildings, highways, railroads, bridges, cemeteries, churches, telephone and power lines, and the like, in order to acquire quiet possession.

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.

Surveys in connection with the acquisition.

Taxes assumed, accrued to date of transfer of title.

Title, examining, clearing, insuring, and registering in connection with the acquisition and defending against claims relating to the period prior to the acquisition.

10. Structures and Improvements

A. "Structures and improvements" means all permanent buildings and structures to house, support or safeguard property or persons, and improvements of a permanent character on or to land.

B. "Buildings" means permanent structures 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.

C. "Improvements" means permanent improvements (other than buildings) to land.

D. Items of cost.

(A) Buildings:

Architects' plans.

Ash pits (when located within the building proper).

Boilers, furnaces, piping, wiring, fixtures, and machinery for heating, lighting, signaling, ventilating, and plumbing.

Bulkheads, including dredging, riprap fill, piling, decking, concrete, fenders, and the like, when exposed and subject to maintenance and replacement.

Chimneys.

Commissions and fees to brokers, agents, architects and others.

Conduit (not to be removed) with its contents.

Damages to abutting property during construction.

Door checks and doorstops.

Drainage and sewerage systems.

Elevators, cranes, hoists, and the like, and the machinery for operating them.

Excavation, including shoring, bracing, bridging, refill, and disposal of excess excavated material.

Fire protection systems when forming a part of a structure.

Floor covering (permanently attached).

Foundations and piers for machinery, constructed as a permanent part of a building or other item listed herein.

Fuel bins and bunkers.

Grading and clearing when directly occasioned by the building of a structure.

Leases, voiding upon purchase, to secure possession of structures.

Leased property, expenditures on.

Lighting fixtures.

Painting, first.

Partitions, including movable.

Permits and privileges.

Platforms, railings and gratings when constructed as part of a structure.

Power boards for services to a building.

Refrigerating systems for general use.

Retaining walls.

Scales, connected to and forming a part of a structure.

Screens.

Sprinkling systems.

Stacks—brick, steel, or concrete, when set on foundation forming part of general foundation and steelwork of a building.

Storage facilities constituting a part of a building.

Storm doors and windows.

Subways, areaways, and tunnels, directly connected to and forming part of a structure.

Tunnels, intake and discharge, when constructed as part of a structure.

Vaults constructed as part of a building.

Water supply system for a building.

Window shades and ventilators.

(B) Other structures and improvements:

Docks.

Fences and fence curbs (not including protective fences isolating individual items of equipment, which should be charged to the appropriate equipment account).

Gas and oil supply systems, including pipe lines, holders, boosters, and the like.

Intra-site communication systems, poles, pole fixtures, wires and cables.

Landscaping, lawns, shrubbery, and the like.

Roadways, railroads, bridges, and trestles, intra-site except railroads provided for in equipment accounts.

Sewer systems, for general use.
 Sidewalks, curbs and streets constructed by the utility.
 Water front improvements.
 Water supply piping, hydrants and wells.
 Yard drainage system.
 Yard lighting system.
 Yard surfacing, gravel, concrete, or oil.

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

E. Items not included in buildings.

(1) Do not include in the cost of buildings, lighting, heating, or other fixtures temporarily attached for purposes of display or demonstration.

(2) The cost of specially provided foundations not expected to outlast the machinery or apparatus for which provided, and the cost of angle irons, castings, and the like, installed at the base of an item of equipment, shall be charged to the same account as the cost of the machinery, apparatus, or equipment.

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

11. Equipment

A. "Equipment" as used in this system of accounts, means all tangible utility plant, other than land and structures as herein defined.

B. The cost of equipment, unless otherwise indicated in the text of an equipment account, includes, in addition to the actual price thereof, sales taxes, investigation and inspection expenses necessary to such purchase, expenses of transportation when borne by the utility, labor employed, materials and supplies consumed, and expenses incurred by the utility in unloading and placing the equipment in readiness to operate.

C. Exclude from equipment accounts, hand and other portable tools, which are likely to be lost or stolen or which have relatively small value (\$25 or less) or short life, unless the correctness of the accounting therefor 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 production, transmission, distribution, and the like, or in "Stores," shall be charged to the plant account appropriate for their use.

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

E. The equipment accounts shall include all 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 accounting utility shall furnish the Commission with full particulars of and justification for any test or experimental run extending beyond a period of thirty days.

F. 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, and the like, 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.

12. Additions and Retirements of Utility Plant

A. For the purpose of avoiding undue refinement in accounting for additions to and retirements and replacements of utility plant, all property shall be considered as consisting of (1) units of property and (2) minor items of property.

B. Units of property.

(1) When a unit of property is added to utility plant, the cost thereof shall be added to the appropriate utility plant account, except that when units are acquired in the acquisition of any utility plant constituting an operating system, they shall be accounted for as provided in utility plant instruction 4.

(2) When a unit of property is retired from utility plant, with or without replacement, the book costs 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 unit of property is of a depreciable class the book cost of the unit retired and credited to utility plant shall be charged to the depreciation reserve provided for such property. (See paragraph G, below, and also utility plant instruction 13.)

C. Minor items of property.

(1) When a minor item of property which did not previously exist is added to plant, the cost thereof shall be accounted for in the same manner as for the addition of a unit of property, as set forth in para-

graph B (1). above, if a substantial addition results, otherwise the charge shall be to the appropriate operating expense account.

(2) When a minor item of property is retired and not replaced, the book cost thereof shall be credited to the utility plant account in which it is included; and, in the event the minor item is a part of depreciable plant, the depreciation reserve shall be charged with the book cost and cost of removal and credited with the salvage. If, however, the book cost of the minor item retired and not replaced has been or will be accounted for by its inclusion in the unit of property of which it is a part when such unit is retired, no separate credit to the property account is required when such minor item is retired.

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

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

E. Land retired. 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 reserve therefor which has been authorized and provided) and the sale price of the land (less commissions and other expenses of making the sale) shall be credited to Account 401, Miscellaneous Credits to Surplus, or debited to Account 414, Miscellaneous Debits to Surplus, as appropriate. If the land is not used in utility service but is retained by the utility, the book cost shall be charged to Account 100-4, Utility Plant Held for Future Use, or Account 110, Other Physical Property, as appropriate.

F. Utility plant sold. 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 100-5, Utility Plant Acquisition Adjustments, and the amounts (estimated if not known) carried with respect thereto in the depreciation and amortization reserve accounts and in Account 241, Advances for Construction, and Account 265, Contributions in Aid of Construction, shall be

charged to such reserves and accounts. 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, Miscellaneous Debits to Surplus, or Account 401, Miscellaneous Credits to Surplus, as appropriate. (See Account 392, Utility Plant Sold.)

G. The service value of depreciable utility plant retired shall be charged in its entirety to Account 250, Reserve for Depreciation of Utility Plant. Any amounts which by approval or order of the Commission are charged to Account 141, Extraordinary Property Losses, shall be credited to Account 250, Reserve for Depreciation of Utility Plant.

II. The accounting for the retirement of amounts included in Account 302, Franchises and Consents, and Account 303, Other Intangible Plant, and the items of limited-term interests in land included in the accounts for land and land rights, shall be as provided for in the text of Account 251, Reserve for Amortization of Limited-Term Utility Investments, and Account 504, Amortization of Limited-Term Utility Investments.

I. Additions and retirements of utility plant shall not be netted in the entries or in the posting of the entries.

13. Work Order System Required

A. All changes in utility plant (except the purchase or sale of utility plant constituting an operating unit or system) shall be recorded by means of work orders or job orders. Separate work orders may 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 retirements shall be kept distinctly separate from those relating to construction; and provided further, that any maintenance costs involved in the work shall likewise be kept distinctly separate.

B. Each utility shall keep its work order system in such manner as to show the nature of each addition to or retirement of utility plant, the total cost thereof, the source or sources of costs and the utility plant account or accounts to which charged or credited. Work orders covering jobs of short duration may be cleared monthly.

14. Transfers of Property

A. When property is transferred from one account for utility plant to another, from one utility department to another, such as from water to electric, from one operating division or area to another, to or from Accounts 100-1, Utility Plant in Service, 100-2, Utility Plant Leased to Others, and 100-4, Utility Plant Held for Future Use, the transfer shall be recorded by transferring the book cost thereof from the one account, department or location to the other, and likewise any related amounts carried in the depreciation or amortization reserves and other

accounts shall be transferred in accordance with the segregation of such reserves and other accounts.

15. Common Utility Plant

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

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

C. The utility shall be prepared to show at any time and to report to the Commission annually, or more frequently if required, and by utility plant accounts (301 to 392), 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 depreciation and amortization reserves of the utility shall be so segregated as to show the amount of each reserve applicable to the property classified as common utility plant.

E. The expenses of operation, maintenance, 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 the same manner as the allocation of the cost of such property.

16. Classification of Mains

For the purpose of this system of accounts:

A. All mains, pipes, aqueducts, canals or other facilities for carrying water shall be classified according to their primary functional use as follows:

Supply Mains.
Transmission and Distribution Mains
Fire Mains

B. "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.

C. "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 to customers for distribution.

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

UTILITY PLANT ACCOUNTS

I. Intangible Plant

- 301. Organization
- 302. Franchises and Consents
- 303. Other Intangible Plant

II. Landed Capital

- 306. Land and Land Rights

III. Source of Supply Plant

- 311. Structures and Improvements
- 312. Collecting and Impounding Reservoirs
- 313. Lake, River and Other Intakes
- 314. Springs and Tunnels
- 315. Wells
- 316. Supply Mains
- 317. Other Source of Supply Plant

IV. Pumping Plant

- 321. Structures and Improvements
- 322. Boiler Plant Equipment
- 323. Other Power Production Equipment
- 324. Pumping Equipment
- 325. Other Pumping Plant

V. Water Treatment Plant

- 331. Structures and Improvements
- 332. Water Treatment Equipment

VI. Transmission and Distribution Plant

- 341. Structures and Improvements
- 342. Reservoirs and Tanks
- 343. Transmission and Distribution Mains
- 344. Fire Mains
- 345. Services
- 346. Meters
- 347. Meter Installations
- 348. Hydrants
- 349. Other Transmission and Distribution Plant

VII. General Plant

- 371. Structures and Improvements
- 372. Office Furniture and Equipment
- 373. Transportation Equipment
- 374. Stores Equipment
- 375. Laboratory Equipment
- 376. Communication Equipment
- 377. Power Operated Equipment
- 378. Tools, Shop and Garage Equipment
- 379. Other General Plant

VIII. Undistributed Items

- 390. Other Tangible Property
- 391. Utility Plant Purchased
- 392. Utility Plant Sold

UTILITY PLANT ACCOUNTS

I. INTANGIBLE PLANT

301. Organization

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

Items

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

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

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

302. Franchises and Consents

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

B. If a franchise, consent or certificate is acquired by assignment, the charge to this account in respect thereof shall not exceed the amount paid therefor by the utility to the assignor, nor shall it exceed the amount paid by the original grantee, plus the expense of acquisition to such grantee. Any excess of the amount actually paid by the utility over the amount above specified shall be charged to Account 538, Miscellaneous Income Deductions.

C. When any franchise has expired, the book cost thereof shall be credited hereto and charged to Account 538, Miscellaneous Income Deductions, or to Account 251-1, Reserve for Amortization of Limited-Term Utility Investments—Utility Plant in Service, as appropriate.

D. This account shall be maintained in such manner as to show separately the amounts included for perpetual franchises and for limited-term franchises.

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

303. Other Intangible Plant

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

B. When any item included in this account is retired or expires, the book cost thereof shall be credited hereto and charged to Account 538, Miscellaneous Income Deductions, or to Account 251-1, Reserve for Amortization of Limited-Term Utility Investments—Utility Plant in Service, as appropriate.

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

II. LANDED CAPITAL

306. Land and Land Rights

This account shall include the cost of land and land rights used in utility operations. (See Utility Plant Instruction 9.)

III. SOURCE OF SUPPLY PLANT

311. Structures and Improvements

This account shall include the cost in place of structures and improvements used in connection with source of water supply not includible in other accounts provided for source of supply plant. (See Utility Plant Instruction 10.)

312. Collecting and Impounding Reservoirs

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

Items

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

313. Lake, River and Other Intakes

This account shall include the cost installed of lake, river and other intakes.

Items

- | | |
|-------------------------------|---|
| 1. Clearing land. | 6. Intake pipes (up to suction header). |
| 2. Conduits. | 7. Intake wells. |
| 3. Cribs. | 8. Lighting systems. |
| 4. Fences. | 9. Screens and racks. |
| 5. Gate houses and equipment. | 10. De-icing equipment. |

314. Springs and Tunnels

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

Items

1. Clearing land.
2. Collecting basins.
3. Conduits.
4. Fencing.
5. Gate houses and equipment.
6. Landscaping.
7. Lighting systems.
8. Overflow spillways and channels.
9. Piping.

315. Wells

This account shall include the cost installed of wells used as a source of water supply. The cost of digging wells which prove to be nonproductive or which produce water which cannot be utilized in the system shall be charged to operating expenses unless this Commission, in writing, authorizes the company to charge such costs to Account 141, Extraordinary Property Losses, and to amortize such amount over a period of years by charges to Account 506, Property Losses Chargeable to Operations.

Items

1. Clearing land.
2. Collecting basins.
3. Fences.
4. Landscaping.
5. Lighting systems.
6. Overflow spillways and channels.
7. Wells, casings and appurtenances (pumps shall be included under the appropriate account for pumping equipment).

316. Supply Mains

This account shall include the cost installed of supply mains, pipes, aqueducts and canals and their appurtenances. (See Utility Plant Instruction 16.)

Items

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

317. Other Source of Supply Plant

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

IV. PUMPING PLANT

321. Structures and Improvements

This account shall include cost in place of structures and improvements used in pumping operations. (See Utility Plant Instruction 10.)

322. Boiler Plant Equipment

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

Items

1. Ash handling equipment, including hoppers, gates, cars, conveyors, hoists, sluicing equipment, including pumps and motors, sluicing water pipe and fittings, sluicing trenches and accessories, and the like, except sluices which are a part of a building.
2. Boiler feed system, including feed water heaters, evaporator condensers, heater drain pumps, heater drainers, denersators and vent condensers, boiler feed pumps, surge tanks, feed water regulators, feed water measuring equipment and all associated drives.
3. Boiler plant cranes and joists and associated drives.
4. Boilers and equipment, including boilers and baffles, economizers, superheaters, soot blowers, foundations and settings, water wells, arches, grates, insulation, blowdown system, drying out of new boilers, also associated motors or other power equipment.
5. Breaching and accessories, including breaching, dampers, soot spouts, hoppers and gates, cinder eliminators, breaching insulation, soot blowers and associated motors.
6. Coal handling and storage equipment, including coal towers, coal lorries, coal cars, locomotives and tracks when devoted principally to the transportation of coal, hoppers, downtakes, unloading and hoisting equipment, skip hoists and conveyors, weighing equipment, magnetic separators, cable ways, housings and supports for coal handling equipment.
7. Draft equipment, including air preheaters and accessories, induced and forced draft fans, air ducts, combustion control mechanisms and associated motors or other power equipment.
8. Gas burning equipment, including holders, burner equipment and piping control equipment, and the like.
9. Instruments and devices, including all measuring, indicating and recording equipment for boiler plant service together with mountings and supports.
10. Lighting systems.
11. Oil burning equipment, including tanks, heaters, pumps with drive, burner equipment and piping, control equipment, and the like.
12. Pulverized fuel equipment, including pulverizers, accessory motors, primary air fans, cyclones and ducts, dryers, pulverized fuel bins, pulverized fuel conveyors and equipment, burners, burner piping, priming equipment, air compressors, motors, and so forth.
13. Stacks, including foundations and supports, stack steel and ladders, stack brick work, stack concrete, stack lining, stack painting (first), when set on separate foundations, independent of substructure or superstructure of building.
14. Station piping, including pipe, valves, fittings, separators, traps, desuperheaters, hangers, excavation, covering, and so forth, for station piping system, including all steam, condensate, boiler feed and water supply piping, and the like.
15. Stoker or equivalent feeding equipment, including stokers and accessory motors, clinker grinders, fans and motors, and the like.
16. Ventilating equipment.
17. Water purification equipment, including softeners and accessories, evaporators and accessories, heat exchangers, filters, tanks for filtered or softened water, pumps, motors, and the like.
18. Water supply systems, including pumps, motors, strainers, raw water storage tanks, boiler wash pumps, intake and discharge pipes and tunnels not a part of a building.
19. Wood fuel equipment, including hoppers, fuel hops and accessories, elevators and conveyors, bins and gates, spouts, measuring equipment and associated drives.

323. Other Power Production Equipment

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

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

324. Pumping Equipment

This account shall include the cost installed of pumping equipment.

Items

1. Engines, motors, turbines or water wheels for driving pumps.
2. Pumps, including setting, gearing, shafting, and belting.
3. Water intake and discharge piping within station, including valves.
4. Auxiliary equipment for engines, motors, turbines, waterwheels, and pumps such as oiling systems, cooling systems, condensers, and the like.
5. Steam lines and valves.
6. Regulating, recording and measuring devices.
7. Foundations, frames and bed plates.
8. Ladders, stairs and platforms if a part of pumping unit.
9. Airlift compressor and pump.
10. Alarm system.
11. Electric power lines and switching apparatus.
12. Oil supply lines and accessories.

325. Other Pumping Plant

This account shall include cost of other plant used in pumping operations not properly includible in Account 324.

V. WATER TREATMENT PLANT**331. Structures and Improvements**

This account shall include the cost in place of structures and improvements used in connection with the operation of the water treatment plant. (See Utility Plant Instruction 10.)

332. Water Treatment Equipment

This account shall include the cost installed of apparatus, equipment and other facilities used for the treatment of water, including filtering, softening, purification and chlorination of the water supply.

Note.—Devices used for eliminating sand from the water, such as settling basins which do not provide large storage, and pressure vessels which do not serve primarily as hydropneumatic tanks, may be included in this account. (See Account 325, Other Pumping Plant, for mechanical sand traps.)

Items

- Aerators (when installed as an integral part of the Water Treatment Plant):
1. Air compressor.
 2. Piping system, including valves.
 3. Spray nozzles.
 4. Substructures.
 5. Superstructures.

Chemical Treating Plant:

1. Agitating equipment.
2. Ammonia machines.
3. Carbonating equipment.
4. Chemical manufacturing plants.
5. Chemical pumps.
6. Chlorine machines.
7. Coke.
8. Dry feed machines.
9. Dry storage bins.
10. Electrolytic cell.

Chemical Treating Plant—Continued

11. Elevator (when not part of building).
12. Fluoridation equipment.
13. Gauges.
14. Gravity feed or pump feed apparatus.
15. Motors.
16. Piping system, including valves.
17. Rate controllers.
18. Sludge pumps.
19. Softening equipment.
20. Solution feed equipment.
21. Solution tanks.
22. Switchboards.
23. Weighing equipment.
24. Chemical handling equipment.

3. Piping system, including valves
4. Substructures.

Filter Plant:

1. Air blower and compressor.
2. Filters.
3. Gauges.
4. Piping system.
5. Rate controllers.
6. Sand, gravel or other filtering media.

Mixing Chambers:

1. Piping system, including valves.

Sand Traps or Settling Basins:

1. Pressure vessels.
2. Basins.
3. Piping system, including valves.

Sedimentation or Coagulation Basin:

1. Basins.
2. Coagulant storage tanks.
3. Feeder equipment.
4. Industrial railroad.

Softening Plant:

1. Clear water basins.
2. Gauges.
3. Gravel.
4. Meters.
5. Mixing tanks and chambers.
6. Permanent chemical softening agents.
7. Piping system, including valves.
8. Salt solution or brine tanks and appurtenances.

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

VI. TRANSMISSION AND DISTRIBUTION PLANT**341. Structures and Improvements**

This account shall include the cost in place of structures and improvements, other than reservoirs and standpipes, used in connection with transmission and distribution operations. (See Utility Plant Instruction 10.)

342. Reservoirs and Tanks

This account shall include the cost in place of reservoirs, tanks, standpipes, hydropneumatic tanks, and appurtenances used in storing water for distribution. (See Utility Plant Instruction 10.)

7. Substructures.
8. Surface work equipment.
9. Valve control tables.
10. Valve operating mechanism.
11. Valves.
12. Wash troughs.
13. Wash water pumps.
14. Wash water tanks.
2. Chambers.
3. Mechanical mixers.
4. Baffles and screens.
5. Sand removal apparatus.
6. Substructures and supports.
5. Mechanical mixers.
6. Orifice devices.
7. Piping system, including valves.
8. Screens and hoists.
9. Sludge removal apparatus.
9. Salt solution pumps.
10. Salt storage bins.
11. Sedimentation or coagulation basins.
12. Substructures.
13. Underdrain systems.
14. Wash water controllers.
15. Carbonating chambers and equipment.

Items

1. Aerators.
2. Bridges and culverts.
3. Clearing land.
4. Dams.
5. Embankments.
6. Fences.
7. Foundations.
8. Gates and gate houses.
9. Hydro pneumatic tanks.
10. Landscaping.
11. Lighting systems.
12. Piping system installed as an integral part of reservoirs and tanks.
13. Retaining walls.
14. Roads and paths.
15. Rust-proofing apparatus.
16. Sewers.
17. Spillways and channels.
18. Standpipes.
19. Superstructures.
20. Tanks.
21. Towers.
22. Valves and appurtenances.
23. Valve vaults and houses.
24. Water level control apparatus.

Note—See Account 312, Collecting and Impounding Reservoirs.

343. Transmission and Distribution Mains

A. This account shall include the cost installed of transmission and distribution mains and appurtenances. (See Utility Plant Instruction 16 and Notes to Account 761, Maintenance of Transmission and Distribution Mains.)

B. Class A, B and C utilities shall maintain records supporting this account to show separately the cost of mains of different sizes and types and of each tunnel, bridge, or river crossing.

Items

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

344. Fire Mains

This account shall include the cost installed of mains and appurtenances used exclusively for fire protection purposes. For items includible in this account see Account 343. (See Utility Plant Instruction 16.)

345. Services

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

B. A complete service begins with the connection on the main and extends to the customer's premises, including a curb stop or shut-off valve and the connection with the meter, if any. A stub service extends from the main to the property line, or the curb stop.

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.
12. Tapping main.

Note—At its option the utility may include in this account the expenditures provided for in Account 347. (See Note B under Account 347.)

346. Meters

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

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

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

Items

1. Meters, including badging and initial testing.

Note A—At its option the utility may include in this account the expenditures provided for in Account 347. (See Note B under Account 347.)

Note B—The cost of testing meters for accuracy (except initial testing of new meters), repairing, replacing internal parts, and reconditioning for further service shall be charged to Account 764, Maintenance of Meters.

347. Meter Installations

A. This account shall include the cost of labor employed, materials used and expenses incurred in connection with the original installation of meters.

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

Items

1. Meter yokes.
2. Meter fittings, connections and shelves.
3. Meter vaults or boxes.
4. Stops.

Note A—The cost of removing and resetting meters shall be charged to Account 754, Meter Expenses.

Note B—At its option the utility may include in Account 345 or in Account 346 the expenditures provided for in this account. If the utility exercises either of the options herein authorized it may not, without first securing authorization from the Commission, thereafter alter its procedure in regard thereto.

348. Hydrants

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

B. Class A, B and C utilities shall maintain records to show number, size (nominal diameter of bottom connection), number and size of hose connections, diameter of main to which attached and type of hydrants classified as to public use and private use.

Items

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

349. Other Transmission and Distribution Plant

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

Items

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

VII. GENERAL PLANT

371. Structures and Improvements

This account shall include the cost in place of structures and improvements used for water utility purposes, the cost of which is not properly includible in other structures and improvements accounts. (See Utility Plant Instruction 10.)

372. Office Furniture and Equipment

A. This account shall include the cost of office furniture and equipment owned by the utility and devoted to water 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. Articles of slight value or short life acquired subsequent to the commencement of operations shall be charged to the appropriate operating expense account and not to this account.

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

Items

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

373. Transportation Equipment

This account shall include the cost of transportation vehicles.

Items

1. Airplanes.
2. Automobiles.
3. Bicycles.
4. Drays.
5. Electrical vehicles.
6. Horses, wagons and harness.
7. Motor trucks.
8. Motorcycles.
9. Repair cars or trucks.
10. Tractors.
11. Trailers.
12. Other transportation vehicles.

374. 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.

Items

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.

375. Laboratory Equipment

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

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

Items

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.

376. Communication Equipment

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

Items

1. Antennae.
2. Booths.
3. Cables.
4. Distribution boards.
5. Extension cords.
6. Gongs.
7. Hand sets, 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. Sending keys.
15. Storage batteries.
16. Switchboards.
17. Tautograph circuit connections.
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.

377. Power Operated Equipment

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

Items

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

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

378. 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—not includible in other accounts.

Items

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 equipment in this account and not expected to outlast the equipment for which provided.
16. Gas producers.
17. Gasoline pumps, oil pumps and storage tanks.
18. Greasing tools and equipment.
19. Hoists.
20. Ladders.
21. Lathes.
22. Leak detecting equipment.
23. Machine tools.
24. Motor driven tools.
25. Motors.
26. Pipe locating equipment.
27. Pipe threading and cutting tools.
28. Pneumatic tools.
29. Pumps.
30. Riveters.
31. Smithing equipment.
32. Tapping machines.
33. Tool racks.
34. Vises.
35. Welding apparatus.
36. Work benches, and the like.
37. Worm or other interior type cleaning equipment.

379. Other General Plant

This account shall include the cost of equipment, apparatus, and the like, used and useful in water operations, and which is not includible in any other account.

Items

1. Hospital and infirmary equipment.
2. Kitchen equipment.
3. Miscellaneous recreation equipment.
4. Radios.
5. Restaurant equipment.
6. Soda fountains.
7. Operators' cottage furnishings.
8. Other miscellaneous equipment.

VIII. UNDISTRIBUTED ITEMS**390. Other Tangible Property**

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

391. Utility Plant Purchased

A. This account shall include the cost of utility plant acquired as an operating unit or system by purchase, merger, consolidation, liquidation or otherwise, pending the distribution thereof to the appropriate accounts in accordance with Utility Plant Instruction 4.

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

392. Utility Plant Sold

A. This account shall be credited temporarily with the selling price of utility plant, constituting an operating unit or system, sold, conveyed or transferred to another through sale, merger, consolidation, or otherwise, pending the completion of the accounting for the transaction as provided in Utility Plant Instruction 12.

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

INSTRUCTIONS—EARNED SURPLUS ACCOUNTS

Purpose of Earned Surplus Account

The earned surplus account is the collective title for a group of accounts which form the connecting link between the income account and the balance sheet. The several accounts thereof (400 to 414) are designed to show the changes in earned surplus or deficit during each calendar year resulting from (a) the operations and other transactions during the period as reflected in the income accounts, (b) appropriations or other reservations of earned surplus for specific purposes, (c) accounting adjustments not properly attributable to the period, (d) miscellaneous gains and losses not accounted for elsewhere, and (e) appropriations for dividends.

EARNED SURPLUS ACCOUNTS

Credits

- 400. Credit Balance Transferred from Income Account
- 401. Miscellaneous Credits to Surplus

Debits

- 410. Debit Balance Transferred from Income Account
- 411. Dividend Appropriations—Preferred Stock
- 412. Dividend Appropriations—Common Stock
- 413. Miscellaneous Reservations of Surplus
- 414. Miscellaneous Debits to Surplus

EARNED SURPLUS ACCOUNTS

CREDITS

400. Credit Balance Transferred from Income Account

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

401. Miscellaneous Credits to Surplus

A. This account shall include all credits affecting the earned surplus or deficit but not provided for elsewhere. Among the items which shall be credited to this account are:

Credits for amounts previously written off through charges to earned surplus.

Delayed credits to income, operating revenue and operating expense accounts as provided in General Instruction 6.

Profits on retirements of the utility's debt securities. (See Balance Sheet Instruction 6.)

B. All items included in this account shall be sufficiently described in the entries relating thereto as to identify them with all accounts affected, and if the credits relate to prior years the amount applicable to each fiscal year shall be shown.

DEBITS

410. Debit Balance Transferred from Income Account

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

411. Dividend Appropriations—Preferred Stock

A. This account shall include amounts declared payable out of surplus or earnings as dividends on actually outstanding preferred or prior lien capital stock issued by the utility, or the amounts credited to a reserve for dividends.

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

C. This account shall be maintained or supported in such manner as to show separately the dividends on each class and series of preferred stock.

412. Dividend Appropriations—Common Stock

A. This account shall include amounts declared payable out of surplus or earnings as dividends on actually outstanding common capital stock issued by the utility, or the amounts credited to a reserve for dividends.

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

C. This account shall be maintained or supported in such manner as to show separately the dividends on each class and series of common stock.

413. Miscellaneous Reservations of Surplus

A. This account shall include the reservations or appropriations of earned surplus for purposes not provided for elsewhere in this system of accounts.

B. The entries to this account shall show the nature of each reservation of earned surplus.

414. Miscellaneous Debits to Surplus

A. This account shall include amounts chargeable to earned surplus but not provided for elsewhere. Among the items which shall be charged hereto are:

Amounts charged to earned surplus to cover past accrued depreciation and amortization not provided for.

Decline in value of investments. (See Balance Sheet Instruction 4.)

Delayed debits to income, operating revenue, and operating expense accounts as provided in General Instruction 6.

Payments of amounts previously credited to earned surplus.

Losses on retirements of utility's debt securities. (See Balance Sheet Instruction 6.)

Losses which are not properly chargeable to operating expenses or income and for which reserves have not been provided.

B. All items included in this account shall be sufficiently described in the entries relating thereto as to identify them with all accounts affected, and if the charges relate to prior years the amount applicable to each fiscal year shall be shown.

INSTRUCTIONS—INCOME ACCOUNTS

1. Purpose of Income Accounts

The income accounts (501 to 540) are designed to show for each month and each calendar year the operating revenues and expenses, the other income, and income deductions, the net income, the miscellaneous reservations of net income and the amount of income or loss remaining for transfer to earned surplus.

2. Records for Other Income

The records supporting the other income shall be so kept that the utility can furnish detailed statements of the revenues from each source and the expenses and other deductions related to such revenues.

3. Income from Sinking and Other Funds

A. Interest and other revenues derived from funds carried in Account 113, Sinking Funds, and Account 114, Miscellaneous Special Funds shall be credited to Account 525, Revenues from Sinking and Other Funds.

B. When the income is required by a mortgage or other provisions to be held in the fund from which the income arises, an amount equal to the income shall be added to the fund to which it is applicable.

C. When income derived from sinking funds and other special funds is required to be retained in the fund and the fund is represented by a reserve, the amount of such income accretions to the fund shall be credited to the appropriate reserve account and charged to Account 540, Miscellaneous Reservations of Net Income, or Account 413, Miscellaneous Reservations of Surplus, as appropriate.

4. Rents Includible in Income Accounts

A. Rents which the utility receives from others for utility operating property, the investment in which is properly includible in Account 100-2, Utility Plant Leased to Others, shall be recorded in Account 508, Income from Utility Plant Leased to Others. Rentals from utility property owned by the utility and properly includible in Account 100-1, Utility Plant in Service, shall be credited to Account 612, Rent from Water Property.

B. All expenses, including the provision for depreciation and amortization, if any, applicable to property, the income from which is included in Account 508, Income from Utility Plant Leased to Others, shall be charged to that account.

INCOME ACCOUNTS

I. Utility Operating Income

- 501. Operating Revenues
- 502. Operating Expenses
- 503. Depreciation
- 504. Amortization of Limited-Term Utility Investments
- 505. Amortization of Utility Plant Acquisition Adjustments
- 506. Property Losses Chargeable to Operations
- 507. Taxes
- 508. Income from Utility Plant Leased to Others
- 510. Rent for Lease of Utility Plant

II. Other Income

- 521. Income from Nonutility Operations
- 522. Revenues from Lease of Other Physical Property
- 523. Dividend Revenues
- 524. Interest Revenues
- 525. Revenues from Sinking and Other Funds
- 526. Miscellaneous Nonoperating Revenues
- 527. Nonoperating Revenue Deductions

III. Income Deductions

- 530. Interest on Long-Term Debt
- 531. Amortization of Debt Discount and Expense
- 532. Amortization of Premium on Debt—Cr.
- 533. Taxes Assumed on Interest
- 534. Interest on Debt to Associated Companies
- 535. Other Interest Charges
- 536. Interest Charged to Construction—Cr.
- 537. Miscellaneous Amortization
- 538. Miscellaneous Income Deductions

IV. Disposition of Net Income

- 540. Miscellaneous Reservations of Net Income

B. Amounts recorded in this account shall be concurrently debited or credited, as the case may be, to Account 252, Reserve for Amortization of Utility Plant Acquisition Adjustments.

506. Property Losses Chargeable to Operations

This account shall be charged with amounts credited to Account 141, Extraordinary Property Losses, when the Commission has authorized the amount in the latter account to be amortized by charges to operations.

507. Taxes

A. This account shall include the amount of federal, state, county, municipal and other taxes, which are properly chargeable to utility operations. (See Account 228.)

B. This account shall be charged each month with the amount of taxes which are applicable thereto, and concurrent credits shall be made to Account 228, Taxes Accrued. When it is necessary to apportion taxes to utility operations, full details as to the method of and facts considered in the apportionment shall be recorded.

C. When it is not possible to determine the exact amount of taxes, the amount shall be estimated and the estimate for the period charged to this account, and adjustments shall be made as the actual tax levies become known.

D. Taxes assumed by the utility on property leased from others for use in utility operations shall be charged to this account.

E. The charges to this account shall be made or supported so as to show the amount of each kind of tax, and the basis upon which each charge is made.

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

Note B—Taxes assumed by the utility on interest shall be charged to Account 533, Taxes Assumed on Interest.

Note C—Taxes on nonoperating property the income from which is included in Account 521, Income from Nonutility Operations, shall be charged to that account, and taxes on property the income from which is included in Account 522, Revenues from Lease of Other Physical Property, shall be charged to Account 527, Nonoperating Revenue Deductions.

Note D—Taxes on property leased to others, the revenue from which is included in Account 508, Income from Utility Plant Leased to Others, shall be charged to that account.

Note E—For taxes chargeable to clearing accounts, see Accounts 901 to 906.

Note F—Amounts payable annually or more frequently under the terms of franchises shall be included in Account 796, Franchise Requirements.

Note G—Special assessments for street and similar improvements shall be included in the utility plant account in which the property with which the taxes are identified is included.

Note H—Taxes applicable to construction shall be charged to Account 100-3, Construction Work in Progress.

Note I—Amounts payable to federal or state governments under the provisions of the Federal Social Security Act and corresponding State Unemployment Compensation Acts on employees' pay roll shall be included in this account, except that any portion thereof which may be applicable to construction pay roll or nonoperating pay roll shall be distributed to the appropriate construction or nonoperating accounts.

Note J—Income taxes on noncorporate proprietors shall not be charged to utility operations.

INCOME ACCOUNTS

I. UTILITY OPERATING INCOME

501. Operating Revenues

Under this caption shall be included the total operating revenues shown in the primary revenue accounts 601 to 614, derived by the utility from its utility operations during the period covered by the income account.

502. Operating Expenses

Under this caption shall be included the total expenses shown in accounts 701 to 813, incurred by the utility in its utility operations during the period covered by the income account.

503. Depreciation

A. This account shall include such amounts as the utility may determine to be equitably chargeable to each month's operations, and which, together with such other credits as may be necessary under this system of accounts, will provide a reserve sufficient to protect the service value of the utility's depreciable operating property against any loss from the causes of depreciation hereinbefore defined. (See Account 250, Reserve for Depreciation of Utility Plant and Account 265, Contributions in Aid of Construction.)

B. The amounts charged to this account including the interest component of an accrual computed under the sinking fund method, and credited to Account 250, Reserve for Depreciation of Utility Plant, shall be in addition to the necessary costs of keeping said plant in a high state of efficiency through charges to the regular maintenance accounts.

504. Amortization of Limited-Term Utility Investments

This account shall include the amount of amortization expenses for the period covered by the income account applicable to the amounts included in utility plant accounts for limited-term franchises, licenses, patent rights, and limited-term interests in land. The charges to this account shall be such as to distribute the book cost of each investment as evenly as may be over the period of its benefit to the utility. (See Account 251, Reserve for Amortization of Limited-Term Utility Investments.)

505. Amortization of Utility Plant Acquisition Adjustments

A. This account shall be debited or credited, as the case may be, with amounts includible in operating revenue deductions for the purpose of providing for the extinguishment of the amount in Account 100-5, Utility Plant Acquisition Adjustments, pursuant to approval or order of the Commission.

508. Income from Utility Plant Leased to Others

A. This account shall include the rental income from utility property constituting a distinct operating unit or system leased by the utility to others, and which property is properly includible in Account 100-2, Utility Plant Leased to Others.

B. This account shall be subdivided as follows:

508-1. Revenues from Plant Leased to Others.

508-2. Expenses of Plant Leased to Others.

C. This account shall be so kept or supported as to show separately the following for each lease:

Rentals.

Expenses.

Depreciation and amortization.

Taxes.

Uncollectible rents.

510. Rent for Lease of Utility Plant

This account shall include rents payable for utility plant consisting of a distinct operating unit or system leased from others for use in operations when the utility has exclusive possession and it is impracticable to allocate the lease rentals to the appropriate rent accounts in operating expenses. (See Operating Expense Instruction 5.)

II. OTHER INCOME**521. Income from Nonutility Operations**

A. This account shall include the revenues from and the expenses incurred in nonutility operations.

B. The expenses shall include every element of cost incurred in such operations, including depreciation, rents, taxes and insurance.

522. Revenues from Lease of Other Physical Property

A. This account shall include all rent revenues from land, buildings or other property not devoted to utility operations.

B. All expenses, such as repairs, depreciation, taxes, noncollectible rents, and the like, incurred in connection with the property leased, shall be charged to Account 527, Nonoperating Revenue Deductions.

523. Dividend Revenues

This account shall include the revenues derived by the utility from dividends on stocks of other companies.

Note A—No amount representing dividends receivable shall be included in this account unless the dividends have been declared or guaranteed.

Note B—No dividends on reacquired securities issued or assumed by the utility shall be included in this account.

Note C—Dividend revenues from securities held in sinking or other special funds shall not be credited to this account but to Account 525, Revenues from Sinking and Other Funds.

524. Interest Revenues

Report by this caption the amounts included in Accounts 524-1 and 524-2.

524-1. INTEREST ON SECURITIES OWNED

This account shall include interest revenues on investments in securities of other companies.

Note A—Interest accrued shall not be credited to this account unless its payment is reasonably assured.

Note B—Interest upon reacquired securities issued or assumed by the utility shall not be credited to this account.

Note C—Interest on securities held in sinking or other special funds shall not be included in this account but in Account 525, Revenues from Sinking and Other Funds.

Note D—This account may include for each month the applicable amount requisite to extinguish (during the interval between the date of acquisition and the date of maturity) the difference between the cost to the utility and the par value of securities on which the interest is received. Amounts thus credited or charged shall be concurrently included in the accounts in which the securities are carried. (See Balance Sheet Instruction 4.)

524-2. OTHER INTEREST REVENUES

This account shall include interest revenues on loans, notes, advances, special deposits, and all other interest bearing assets except as provided in Account 524-1.

Note—Interest accrued shall not be credited to this account unless its payment is reasonably assured.

525. Revenues from Sinking and Other Funds

A. This account shall include all revenues (whether interest or dividends) accrued on cash, securities or other assets held in Account 113, Sinking Funds, and Account 114, Miscellaneous Special Funds.

B. This account may include for each month the applicable amount requisite to extinguish (during the interval between the date of acquisition and the date of maturity) the difference between the cost to the utility and the par value of debt securities held in sinking or other funds. Amounts thus credited or charged shall be concurrently included in the accounts in which the securities are carried. (See Balance Sheet Instruction 4.)

C. This account covers all revenues from sinking and other funds carried in accounts 113 and 114, whether or not such revenues are required to be retained in the funds. If the revenues are required to be retained in a special fund and the fund is represented by a reserve, the amount of such accretions to the fund shall be concurrently credited to the appropriate reserve account and charged to Account 540, Miscellaneous Reservations of Net Income, or Account 413, Miscellaneous Reservations of Surplus, as appropriate.

526. Miscellaneous Nonoperating Revenues

This account shall include all revenue items, properly includible in the income account and not provided for elsewhere.

Items

Fees collected in connection with the exchange of coupon bonds for registered bonds. Profits from operations of others realized by the utility under contracts.

527. Nonoperating Revenue Deductions

A. This account shall include the expenses, taxes and uncollectible bills applicable to the period covered by the income account which are associated or incurred in connection with the revenues which are includible in accounts 522 to 526, inclusive.

B. This account shall be maintained or supported in such manner as to disclose the expenses or deductions applicable to each nonoperating revenue account.

III. INCOME DEDUCTIONS**530. Interest on Long-Term Debt**

A. This account shall include in each accounting period the amount of interest applicable thereto on outstanding long-term debt issued or assumed by the utility, the liability for which is included in Account 210, Bonds, Account 211, Receivers' Certificates, or Account 213, Miscellaneous Long-Term Debt.

B. The amount charged to this account shall be credited concurrently to Account 229-1, Interest Accrued on Long-Term Debt.

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

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

531. 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.

B. The amount of unamortized debt discount and expense chargeable to each accounting period shall be determined in accordance with Balance Sheet Instruction 6.

C. Amounts charged to this account shall be credited concurrently to Account 140, Unamortized Debt Discount and Expense.

532. Amortization of Premium on Debt—Cr.

A. This account shall include in each accounting period the portion of unamortized premium on outstanding long-term debt which is applicable to such period.

B. The amount of unamortized premium on debt includible in each accounting period shall be determined in accordance with Balance Sheet Instruction 6.

C. Amounts credited to this account shall be charged concurrently to Account 240, Unamortized Premium on Debt.

533. Taxes Assumed on Interest

This account shall include amounts paid to holders of the bonds or other indebtedness of the utility, or amounts paid to governmental agencies in their behalf in respect to income and other taxes levied against the income from such debt or levied as a tax on ownership of the debt, where such taxes are assumed by the utility.

534. Interest on Debt to Associated Companies

There shall be reported by this caption the amounts included in accounts 534-1 and 534-2.

534-1. INTEREST ON ADVANCES FROM ASSOCIATED COMPANIES
A. This account shall include interest accrued on amounts included in Account 212, Advances from Associated Companies.

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

534-2. INTEREST ON OTHER DEBT TO ASSOCIATED COMPANIES
A. This account shall include interest accrued on amounts recorded in Account 223-1, Notes Payable to Associated Companies, on amounts recorded in Account 223-2, Accounts Payable to Associated Companies, and on any other obligation to associated companies, except advances from such associated companies, the interest on which is includible in Account 534-1.

B. The records supporting the entries to this account shall be so kept as to show to whom the interest is to be paid, the period covered by the accrual, the rate of interest, the nature of the obligation on which accrued, and the account or accounts credited with the accrual.

535. Other Interest Charges

A. This account shall include all interest charges not provided for elsewhere.

B. A list of some of the items of indebtedness, the interest on which is chargeable to this account, follows:

Assessments for public improvements past due.

Claims and judgments.

Customers' deposits.

Notes payable on demand or maturing one year or less from date, except notes payable to associated companies.

Open accounts, except with associated companies.

Tax assessments past due.

C. Interest accrued on the balance in the depreciation reserve and credited to such reserve account under the sinking fund theory of depreciation shall be charged to Account 503, Depreciation.

536. Interest Charged to Construction—Cr.

This account shall include concurrent credits for interest charged to construction in accordance with Utility Plant Instruction 5 (17).

537. Miscellaneous Amortization

This account shall include amortization expenses not elsewhere provided for in this system of accounts, and also such amounts as the Commission may, by order require to be included herein, such as amortization of amounts in Account 100-5, Utility Plant Acquisition Adjustments.

538. Miscellaneous Income Deductions

This account shall include miscellaneous debits to income, not provided for elsewhere.

Items

Annual or periodic fees paid to trustees and fiscal agents for duties performed in connection with the utility's mortgages and funded debt. (Note: At option of utility this type of expense may be charged to Account 799, Miscellaneous General Expenses).
 Decline in value of investments. (See Balance Sheet Instruction 4.)
 Donations and contributions for charitable, social or community welfare purposes, and for other purposes, unless specifically authorized by the Commission as properly includible in Account 799, Miscellaneous General Expenses.
 Expenditures for associated companies for which the utility will not be reimbursed. (See note B, Account 111-2.)

IV. DISPOSITION OF NET INCOME

540. Miscellaneous Reservations of Net Income

A. This account shall include reservations of net income, such as may be required under the terms of mortgages, deeds of trust, orders of courts, contracts, or other agreements, and other reservations of net income.

B. Amounts charged to this account shall be credited concurrently to the appropriate reserve account.

C. The entries in this account shall show the nature of each reservation of income.

INSTRUCTIONS—OPERATING REVENUE ACCOUNTS

1. Purpose of Operating Revenue Accounts

The operating revenue accounts (601 to 614) are designed to show the amounts of money which the utility becomes entitled to receive from furnishing water utility service and from service incidental thereto, including amounts for services rendered but not yet billed, where the utility exercises its option and records on its books such accrued water revenue.

2. Basis of Credits to Operating Revenue Accounts

A. Credits to the operating revenue accounts shall be made on the basis of the amount charged. Corrections of overcharges and overcollections theretofore credited, authorized abatements and allowances, and other corrections shall be charged to the revenue accounts to which they relate.

B. Separate subdivisions shall be maintained under each revenue account, as appropriate, for revenues derived from sales of water.

C. In the segregation of sales to the several classifications of revenue accounts, the following definitions will serve as a guide:

1. *Commercial sales* comprise revenues from water service rendered for residential and business purposes.
2. *Residential sales* comprise revenues from water service rendered for domestic household purposes, including water used for sprinkling or irrigating lawns, gardens and shrubbery; watering livestock; washing vehicles; and other similar and customary purposes pertaining to single or multiple family dwellings; but excluding apartments, hotels, motels, automobile trailer parks or courts, and the like, operated primarily for profit.
3. *Business sales* comprise revenues from water service rendered to premises devoted primarily to operations for profit including offices, stores, markets, apartments, hotels, motels, automobile trailer parks or courts, service stations and the like, but excluding industries.
4. *Industrial sales* comprise revenues from water service rendered to premises where the water is used primarily in manufacturing or processing activities, such as steam generating plants, food processing plants, refineries, irrigation of plants and crops for sale, and the like.
5. *Sales to public authorities* comprise revenues from water service rendered to municipalities and other political subdivisions for use on premises devoted to public use, such as city halls, courthouses, schools, libraries, hospitals and the like.
6. *Sales to irrigation customers* comprise revenues for water supplied for irrigation purposes and billed under distinct irrigation rates.

3. Water Supplied Without Direct Charge

Water supplied to municipalities, or to other governmental units, without charge, in accordance with franchise and similar requirements, shall be charged to Account 796, Franchise Requirements, and credited concurrently to Account 813, Duplicate Charges—Cr.

4. Water Used by Utility

A. If the utility desires to charge the appropriate account in any of its water operations with the cost of water used from its own supply, the credit therefor shall not be made to operating revenue accounts, but to Account 813, Duplicate Charges—Cr.

B. Water supplied by the utility from its own supply to other departments shall be accounted for in the following manner: If the water is supplied under a definite arrangement whereby the actual costs, by accounts, are allocated between or among the departments using the water, the credit in the accounts of the water department shall be made to the appropriate joint expense credit account or accounts, except that the amount of any return or interest, and the amount of depreciation and taxes charged against the other departments shall be credited to Account 613, Interdepartmental Rents. If the charges are at specified rates or at tariff rates for the water supplied, then the entire amount charged shall be credited to Account 608, Interdepartmental Sales.

5. Supporting Records

Each utility shall so keep the records supporting the entries to each water operating revenue account that it can furnish (1) the name of each customer, (2) in the case of metered sales, the quantity of water furnished to each customer, (3) the amount charged for water furnished each customer, and (4) the rate schedule or schedules under which the charge is made. Each utility shall also be prepared to report, upon request, within a reasonable time, for each month or other billing period and for each year, the quantity of water sold and the charges therefor, by rate schedules.

6. Segregation of Sales to Associated Companies

The utility shall keep its records in such manner as to be able to report the amount of sales by rate schedules, and the gallons or cubic feet of water sold to each associated company.

OPERATING REVENUE ACCOUNTS

I. Water Service Revenues

- 601. Metered Sales to General Customers
- 602. Unmetered Sales to General Customers
- 603. Sales to Irrigation Customers
- 604. Private Fire Protection Service
- 605. Public Fire Protection Service
- 606. Sales to Other Water Utilities for Resale
- 607. Sales to Governmental Agencies by Contracts
- 608. Interdepartmental Sales
- 609. Other Sales or Service

II. Other Water Revenues

- 611. Miscellaneous Service Revenues
- 612. Rent from Water Property
- 613. Interdepartmental Rents
- 614. Other Water Revenues

meter or flat rate tariff schedules. 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.

B. This account shall be subdivided as follows:

- 603.1. Metered Sales
- 603.2. Flat Rate Sales

601. Metered Sales to General Customers

A. This account shall include all billings for measured water supplied for residential, commercial and industrial purposes and also to public authorities where the total charge is, or may be, in any way dependent on the quantity of water delivered through measuring devices. Records shall be maintained so that the quantity of water sold and the amount of revenue under each rate schedule shall be readily available.

B. This account shall be subdivided as follows:

- 601.1. Commercial Sales
- 601.2. Industrial Sales
- 601.3. Sales to Public Authorities

C. When water supplied through a single meter is used for more than one purpose, the total revenue shall be included in the appropriate account according to the principal use.

Note—At its option the utility may further subdivide subaccount 601.1 as follows:

- 601.11. Residential Sales
- 601.12. Business Sales

602. Unmetered Sales to General Customers

A. This account shall include all billings for water supplied for residential, commercial and industrial purposes and sales to public authorities where the charge is not dependent in any way on the quantity of water delivered through measuring devices but is based on diameter of service pipe, feet of frontage, type and number of facilities served, or other similar unit. Records shall be maintained so that the estimated quantity of water sold and the amount of revenue under each rate schedule shall be readily available.

B. This account shall be subdivided as follows:

- 602.1. Commercial Sales
- 602.2. Industrial Sales
- 602.3. Sales to Public Authorities

C. When water supplied through a single meter is used for more than one purpose, the total revenue shall be included in the appropriate account according to the principal use.

Note—At its option the utility may further subdivide subaccount 602.1 as follows:

- 602.11. Residential Sales
- 602.12. Business Sales

603. Sales to Irrigation Customers

A. This account shall include all billings for water supplied for irrigation purposes, under distinct irrigation rates, billed under either

604. Private Fire Protection Service

This account shall include all billings for water service supplied for fire protection purposes to customers other than public authorities and billed under distinct private fire protection service schedules.

605. Public Fire Protection Service

A. This account shall include all billings to municipalities or other political subdivisions for water service rendered to hydrants or other facilities and for water delivered in connection therewith for general fire protection.

B. Where the charges for fire protection service include the use of water for street sprinkling, sewer flushing or similar purposes, and such water is not separately metered, the total revenue may be included in this account.

Note—The records supporting this account shall be so kept as to show for each political subdivision the number, size (nominal diameter of bottom connection) and type of hydrants and the diameter of the main to which they are connected, the rate per hydrant or other fire protection charge and the total revenue.

606. Sales to Other Water Utilities for Resale

This account shall include all billings for water supplied (including standby service) to other water utilities or to public authorities for resale purposes. Records shall be maintained so that the quantity (estimated if not metered) of water sold and the amount of revenue received under each rate schedule shall be readily available.

Note—Where the contract is reciprocal, i.e., where either party thereto may take water from the other, the total amount receivable for water supplied to the other party shall be included herein and the total amount payable for water received from the other party shall be charged to Account 704, Purchased Water.

607. Sales to Governmental Agencies by Contracts

This account shall include all billings for water supplied to municipalities, or other political subdivisions, under special contracts, agreements or rate schedules applicable only to public authorities.

Note—Do not include herein revenues from water supplied for public fire protection or for redistribution. (See accounts 605 and 606.)

608. Interdepartmental Sales

This account shall include all amounts charged by the water department for water supplied by it to other departments of the utility, whether such charges are at tariff or other specified rates. Records shall be maintained so that the quantity of water supplied each other department and the charge therefor shall be readily available. (See operating revenue instruction 4 and Account 613, Interdepartmental Rents.)

609. Other Sales or Service

This account shall include all charges for sales of water or for water service rendered which are not properly includible in the revenue accounts 601 to 608, inclusive.

II. OTHER WATER REVENUES**611. 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.

Items

1. Fees for changing, or reconnecting service.
2. Maintenance of appliances, piping or other installations on customers' premises.
3. Net credit or debit (cost less net salvage and less payment from customers) on closing of work order for plant installed for temporary service of less than one year. (See Account 145, Other Work in Progress.)
4. Recovery of expenses in connection with the fraudulent use of water service (billing for the water used shall be included in the appropriate water revenue account).

Note—The expenses incurred in the activities for which charges to customers are made and included in this account shall be charged to Account 755, Customer Installations Expenses.

612. Rent 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 return or in reimbursement of taxes or depreciation on the property shall be credited to this account.

Note—Do not include in this account rents from property constituting an operating unit or system. (See Account 608, Income from Utility Plant Leased to Others.)

613. Interdepartmental Rents

A. This account shall include rents credited to the water department on account of rental charges made against other departments of the utility (gas, electric, and so forth).

B. In the case of property operated under a definite arrangement to allocate the cost among the departments using the property, any reimbursement to the water department representing interest or return and depreciation and taxes shall be credited to this account.

Note—Charges for water supplied other departments (gas, electric, and so forth) at tariff or other specified rates shall not be included in this account, but in Account 608, Interdepartmental Sales.

614. Other Water Revenues

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

Items

1. Commissions on sales or distribution of water of others when sold under rates filed by such others.
2. Minor or incidental management or supervision fees charged to others.
3. Profit or loss on sale of material and supplies not ordinarily purchased for resale.
4. Sale of steam, but not including sales made by a steamheating department or transfers of steam under joint facility operations.

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 5.

INSTRUCTIONS—OPERATING EXPENSE ACCOUNTS

1. Purpose of Operating Expense Accounts

The operating expense accounts (701 to 813) are designed to show in detail the cost (except depreciation, amortization, certain property losses and taxes) of furnishing water utility service. (See General Instructions 6 and 7.)

2. Maintenance, Cost of

A. The cost of maintenance chargeable to the various operating expense accounts and to clearing accounts includes labor, materials, overhead and other expenses incurred in maintenance work, such as:

Associated costs of local plant supervision.

Cost of transportation, shop and stores expense, and use of tools and implements.

Cutting and replacing pavement, pavement base, and sidewalks in connection with repairs.

Inspecting and testing after repairs have been made.

Inspecting, testing (except routine tests of meters and the like), and reporting on the condition of utility plant in service specifically to determine the need for repairs, minor replacements, rearrangements and changes.

Replacing minor items of plant. (See Utility Plant Instruction 12, C.)

Rearranging and changing the location of property not retired.

Repairing materials for re-use.

Restoring the condition of property damaged by storms, breakage, floods, fire, accident, or other casualties (see paragraph B, below).

Restoring the condition of property damaged by wear and tear, decay, or action of the elements (see paragraph B, below).

Routine work (see paragraph B, below) to prevent trouble.

Testing for, locating, and clearing trouble, including stopping leaks.

Training employees for maintenance work.

B. The cost of maintenance does not include the cost of replacing items of property designated as "units of property." (See Utility Plant Instruction 12.)

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

D. If the book cost of any property is carried in Account 391, Utility Plant Purchased, the cost of maintaining such property shall be charged to the accounts for maintenance of property of the same

3. Salvage and Insurance

A. Salvage and insurance recovered in connection with maintenance jobs shall be credited to the appropriate maintenance accounts.

B. If the amount of insurance recovered is relatively large, and is received before the repairs have been completed, a disproportionate credit to operating expenses may be avoided by crediting the amount of the insurance recovered to a suspense account, to which the cost of repairs shall then be charged to the extent covered by insurance.

C. Insurance recovered in connection with personal injuries charged to Account 794, Injuries and Damages, shall be credited to that account.

D. Dividends distributed by mutual insurance companies shall be credited to the accounts to which the insurance premiums were charged.

E. Recoveries under fidelity bonds shall be credited to the account charged with the loss.

4. Supervision and Engineering

The supervision and engineering includible in the operating expense accounts shall consist of the pay and expenses (company and railroad transportation, lodging, meals, taxi and car fares and other traveling and incidental expenses) of superintendents, engineers, clerks, other employees and consultants engaged in supervising and directing the operations and maintenance of each utility function; also office supplies and expenses, including the maintenance of office furniture and equipment. 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 preserved.

5. Operating Rents

A. Account 811 shall be charged with all rents paid for property used in utility operations.

B. Rents paid for property devoted to operations for which clearing accounts are used shall be charged to the appropriate clearing account.

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

D. Taxes paid by the lessee upon leased property shall be charged to Account 507, Taxes.

E. When the lessee is responsible for the replacement of utility plant leased from others, the cost of replacements shall be charged to rent expense or clearing account, unless a reserve therefor has been provided, in which event the charge shall be to the reserve. (See Utility Plant Instruction 7.)

F. When a portion of property or equipment rented from others for use in connection with water operations is subleased, the revenue derived from such subleasing shall be credited to Account 612, Rent from Water Property; provided, however, that in case the rent was charged to a clearing account, amounts received from subleasing the property shall be credited to such clearing account.

G. Property operated jointly by the utility and another or others under a definite arrangement whereby the actual segregated costs are shared between or among the parties shall be considered for the purpose of this system of accounts as a joint facility, and the accounting in connection therewith shall be handled as provided in operating expense instruction 6, following.

6. Joint Facility Rents and Expenses

A. A joint facility for the purpose of this system of accounts is defined as any property occupied or used jointly by the utility and another or others under a definite arrangement whereby the actual segregated costs are shared between or among the parties. Property of the utility occupied or used under a similar definite arrangement between the water department and a coordinate department or departments shall likewise be considered as a joint facility. (See Operating Revenue Instruction 4.)

B. Where the utility owns the joint facility, any amount received or transferred as reimbursement of operating or maintenance expenses shall be credited to the appropriate "joint expense—credit" or clearing account. Amounts received or transferred covering depreciation, taxes and interest or return, shall be credited, in the case of another or others, to Account 612, Rent from Water Property, and in the case of coordinate departments to Account 613, Interdepartmental Rents.

C. Any amount paid by or transferred to the utility for occupancy or use of a joint facility shall be charged to the appropriate "joint expense—debit" or clearing account or accounts.

D. In the event that joint facilities are used by either party in connection with construction work, credits for the full amount received and charges for the full amount paid, as the case may be, shall be made direct to the construction accounts affected.

E. These instructions are not intended to cover cases of joint ownership of property where each joint owner bears the cost of operating and maintaining its own property. In such cases the cost of operation and maintenance shall be recorded in the appropriate operating expense accounts other than the "joint expense" debit or credit accounts even though one of the joint owners operates or maintains the property and bills against other owners for all or a portion of the expenses incurred.

F. Water supplied by the utility from its own supply to a coordinate department shall be accounted for as provided in operating revenue instruction 4. If the utility desires to charge the appropriate accounts

in any of its water operations with the cost of water used from its own supply, credit therefor shall not be made to joint expense accounts but to Account 813, Duplicate Charges—Cr.

G. If the arrangement regarding use of facilities does not provide for the allocation of actual segregated costs, the facilities shall not be considered as joint.

OPERATING EXPENSE ACCOUNTS

FOR CLASS A WATER UTILITIES

I. Source of Supply Expense

OPERATION

- 701. Operation Supervision and Engineering
 - 702. Operation Labor and Expenses
 - 703. Miscellaneous Expenses
 - 704. Purchased Water
- ##### MAINTENANCE
- 706. Maintenance Supervision and Engineering
 - 707. Maintenance of Structures and Improvements
 - 708. Maintenance of Collecting and Impounding Reservoirs
 - 709. Maintenance of Lake, River and Other Intakes
 - 710. Maintenance of Springs and Tunnels
 - 711. Maintenance of Wells
 - 712. Maintenance of Supply Mains
 - 713. Maintenance of Other Source of Supply Plant

II. Pumping Expenses

OPERATION

- 721. Operation Supervision and Engineering
- 722. Power Production Labor and Expenses
- 723. Fuel for Power Production
- 724. Pumping Labor and Expenses
- 725. Miscellaneous Expenses
- 726. Fuel or Power Purchased for Pumping

MAINTENANCE

- 729. Maintenance Supervision and Engineering
- 730. Maintenance of Structures and Improvements
- 731. Maintenance of Power Production Equipment
- 732. Maintenance of Pumping Equipment
- 733. Maintenance of Other Pumping Plant

III. Water Treatment Expenses

OPERATION

- 741. Operation Supervision and Engineering
- 742. Operation Labor and Expenses
- 743. Miscellaneous Expenses
- 744. Chemicals and Filtering Materials

MAINTENANCE

- 746. Maintenance Supervision and Engineering
- 747. Maintenance of Structures and Improvements
- 748. Maintenance of Water Treatment Equipment

IV. Transmission and Distribution Expenses

OPERATION

- 751. Operation Supervision and Engineering
- 752. Storage Facilities Expenses
- 753. Transmission and Distribution Lines Expenses
- 754. Meter Expenses
- 755. Customer Installations Expenses
- 756. Miscellaneous Expenses

MAINTENANCE

- 758. Maintenance Supervision and Engineering
- 759. Maintenance of Structures and Improvements
- 760. Maintenance of Reservoirs and Tanks
- 761. Maintenance of Transmission and Distribution Mains
- 762. Maintenance of Fire Mains
- 763. Maintenance of Services
- 764. Maintenance of Meters
- 765. Maintenance of Hydrants
- 766. Maintenance of Miscellaneous Plant

V. Customer Account Expenses

OPERATION

- 771. Supervision
- 772. Meter Reading Expenses
- 773. Customer Records and Collection Expenses
- 774. Miscellaneous Customer Accounts Expenses
- 775. Uncollectible Accounts

VI. Sales Expenses

OPERATION

- 781. Supervision
- 782. Demonstrating and Selling Expenses
- 783. Advertising Expenses
- 784. Miscellaneous Sales Expenses
- 785. Merchandising, Jobbing and Contract Work

VII. Administrative and General Expenses

OPERATION

- 791. Administrative and General Salaries
- 792. Office Supplies and Other Expenses
- 793. Property Insurance
- 794. Injuries and Damages
- 795. Employees' Pensions and Benefits
- 796. Franchise Requirements
- 797. Regulatory Commission Expenses
- 798. Outside Services Employed
- 799. Miscellaneous General Expenses

MAINTENANCE

- 805. Maintenance of General Plant

VIII. Miscellaneous

- 811. Rents
- 812. Administrative Expenses Transferred—Cr.
- 813. Duplicate Charges—Cr.

OPERATING EXPENSE ACCOUNTS

FOR CLASS B WATER UTILITIES

Class B water utilities may consolidate their operating expense accounts as follows:

I. Source of Supply Expenses

*Comparable Accounts
Provided For Class
A Companies*

OPERATION	
701. Operation Supervision and Engineering	701
702. Operation Labor and Expenses	702, 703
704. Purchased Water	704
MAINTENANCE	
706. Maintenance Supervision and Engineering	706
707. Maintenance of Structures and Improvements	707
708. Maintenance of Source of Supply Facilities	708-712
713. Maintenance of Other Source of Supply Plant	713

II. Pumping Expenses

OPERATION	
721. Operation Supervision and Engineering	721
722. Power Production Labor, Expenses and Fuel	722, 723
724. Pumping Labor and Expenses	724, 725
726. Fuel or Power Purchased for Pumping	726
MAINTENANCE	
729. Maintenance Supervision and Engineering	729
730. Maintenance of Structures and Improvements	730
731. Maintenance of Power Production Equipment	731
732. Maintenance of Pumping Equipment	732
733. Maintenance of Other Pumping Plant	733

III. Water Treatment Expenses

OPERATION	
741. Operation Supervision and Engineering	741
742. Operation Labor and Expenses	742, 743
744. Chemicals and Filtering Materials	744
MAINTENANCE	
746. Maintenance Supervision and Engineering	746
747. Maintenance of Structures and Improvements	747
748. Maintenance of Water Treatment Equipment	748

IV. Transmission and Distribution Expenses

OPERATION	
751. Operation Supervision and Engineering	751
752. Operation Labor and Expenses	752-756
MAINTENANCE	
758. Maintenance Supervision and Engineering	758
759. Maintenance of Structures and Improvements	759
760. Maintenance of Reservoirs and Tanks	760
761. Maintenance of Mains	761, 762
763. Maintenance of Other Transmission and Distribution Plant	763-766

V. Customer Accounts Expenses

*Comparable Accounts
Provided For Class
A Companies*

771. Supervision	771
772. Meter Reading Expenses	772
773. Customer Records and Accounts Expenses	773, 774
775. Uncollectible Accounts	775

VI. Sales Expenses

781. Sales Expenses	781-785
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VII. Administrative and General Expenses

OPERATION

791. Administrative and General Salaries	791
792. Office Supplies and Other Expenses	792
793. Property Insurance, Injuries and Damages	793, 794
795. Employees' Pensions and Benefits	795
796. Franchise Requirements	796
797. Regulatory Commission Expenses	797
798. Miscellaneous Other General Expenses	798, 799

MAINTENANCE

805. Maintenance of General Plant	805
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VIII. Miscellaneous

811. Rents	811
812. Administrative Expenses Transferred—Cr.	812
813. Duplicate Charges—Cr.	813

OPERATING EXPENSE ACCOUNTS

FOR CLASS C WATER UTILITIES

Class C water utilities may consolidate their operating expense accounts as follows:

Comparable Accounts Provided For Class A Companies

I. Source of Supply Expenses

701. Operation Supervision, Labor and Expenses	701-703
704. Purchased Water	704
706. Maintenance of Structures and Facilities	706-713

II. Pumping Expenses

721. Operation Supervision, Labor and Expenses	721-725
726. Fuel or Power Purchased for Pumping	726
729. Maintenance of Structures and Equipment	729-733

III. Water Treatment Expenses

741. Operation Supervision, Labor and Expenses	741-744
746. Maintenance of Structures and Equipment	746-748

IV. Transmission and Distribution Expenses

751. Operation Supervision, Labor and Expenses	751-756
758. Maintenance of Structures and Plant	758-766

V. Customer Accounts Expenses

771. Supervision, Meter Reading and Other Customer Accounts Expenses	771-774
775. Uncollectible Accounts	775

VI. Sales Expenses

781. Sales Expenses	781-785
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VII. Administrative and General Expenses

791. Administrative and General Salaries	791
792. Office Supplies and Other Expenses	792
793. Property Insurance, Injuries and Damages	793, 794
795. Employees' Pensions and Benefits	795
796. Franchise Requirements	796
797. Regulatory Commission Expenses	797
798. Miscellaneous Other General Operation Expenses	798, 799
805. Maintenance of General Plant	805

VIII. Miscellaneous

811. Rents	811
812. Administrative Expenses Transferred—Cr.	812
813. Duplicate Charges—Cr.	813

OPERATING EXPENSE ACCOUNTS

I. SOURCE OF SUPPLY EXPENSES

OPERATION

701. 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 should be charged to the appropriate functional account.

Items

Labor:

1. Establishing organizational setup of department and executing changes therein.
2. Formulating and reviewing routines of department and executing changes therein.
3. Preparing instructions relating to source of supply operations.
4. Preparing or reviewing budgets, estimates, and drawings relating to source of supply operation, for department approval.
5. General 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.
6. Review and analysis of operating results.
7. Special tests to determine efficiency of equipment operation.
8. Secretarial work for supervisory personnel but not general clerical and stenographic work chargeable to other accounts.

Expenses:

9. Consultants fees and expenses.
10. Transportation, meals and incidental expenses.

702. Operation Labor and Expenses

This account shall include the cost of labor and of material used and expenses incurred in the operation of the source of supply plant.

Items

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.

703. Miscellaneous Expenses

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

Items

- Labor:**
1. General clerical and stenographic work at source of supply offices.
 2. Preparing maps.
 3. Building service.
 4. Care of grounds including snow removal, cutting grass and the like.
- Materials and Expenses:**
5. Building service supplies.
 6. First aid supplies and safety equipment.
 7. Map record supplies.
 8. Miscellaneous office supplies and expenses, printing and stationery.
 9. Utility service.

704. Purchased Water

- A. This account shall include the cost at the point of delivery of water purchased for resale. This includes charges for readiness to serve and the portion applicable to each accounting period of annual or more frequent payments for the right to divert water at the source of supply.
- B. The records supporting this account shall be so kept as to show for each supplier from which water is purchased, point of delivery, quantity purchased, basis of charges, and the cost of water purchased. (See note to Account 606, Sales to Other Water Utilities for Resale.)

MAINTENANCE**706. 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 functional maintenance account.

Items

- Labor:**
1. Establishing organizational setup of department and executing changes therein.
 2. Formulating and reviewing routines of department and executing changes therein.
 3. Preparing instructions for maintenance work.
 4. Preparing or reviewing budgets, estimates, and drawings relating to maintenance, for department approval.
 5. General engineering and estimating work for maintenance projects.
 6. General 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.
 7. Secretarial work for supervisory personnel but not general clerical and stenographic work chargeable to other accounts.

Expenses:

8. Consultants' fees and expenses.
9. Transportation, meals and incidental expenses.

707. Maintenance of Structures and Improvements

This account shall include the cost of labor and of materials used and expenses incurred in the maintenance of structures and improvements, the book cost of which is includible in Account 311, Structures and Improvements, and of similar property leased from others.

Items

1. Direct field supervision of structure maintenance.
2. Inspecting, testing, and reporting on the condition of structures specifically to determine the need for repairs, replacements, rearrangements and changes.
3. Inspecting and testing the adequacy of repairs which have been made.
4. Work performed specifically for the purpose of preventing failure, restoring serviceability or maintaining life of structures.
5. Testing for, locating, and clearing trouble.
6. Net cost of installing, maintaining, and removing temporary facilities to prevent interruptions in service.
7. Restoring the condition of structures damaged by wear and tear, decay, or action of the elements, providing replacement does not constitute a retirement unit. (See Utility Plant Instruction 12.)
8. Restoring the condition of structures damaged by storms, breakage, floods, fire, accident, or other casualties, providing replacement does not constitute a retirement unit. (See Utility Plant Instruction 12.)
9. Rearranging and changing the location of plant not retired.
10. Replacing or adding minor items of plant which do not constitute a retirement unit. (See Utility Plant Instruction 12.)

708. Maintenance of Collecting and Impounding Reservoirs

This account shall include the cost of labor and of materials used and expenses incurred in the maintenance of collecting and impounding reservoirs, the book cost of which is includible in Account 312, Collecting and Impounding Reservoirs, and of similar property leased from others.

Items

1. Direct field supervision of collecting and impounding reservoirs maintenance.
2. Inspecting, testing and reporting on the condition of collecting and impounding reservoirs specifically to determine the need for repairs, replacements, rearrangements and changes.
3. Inspecting and testing the adequacy of repairs which have been made.
4. Work performed specifically for the purpose of preventing failure, restoring serviceability or maintaining life of reservoirs.
5. Testing for, locating and clearing trouble.
6. Restoring the condition of reservoirs damaged by storms, floods or other casualties, providing replacement does not constitute a retirement unit. (See Utility Plant Instruction 12.)
7. Restoring the condition of reservoirs damaged by wear and tear, decay, or action of the elements, providing replacement does not constitute a retirement unit. (See Utility Plant Instruction 12.)
8. Rearranging and changing the location of plant not retired.
9. Replacing or adding minor items of plant which do not constitute a retirement unit. (See Utility Plant Instruction 12.)

709. Maintenance of Lake, River and Other Intakes

This account shall include the cost of labor and of materials used and expenses incurred in the maintenance of lake, river and other intakes, the book cost of which is includible in Account 313, Lake, River and Other Intakes, and of similar property leased from others.

Items

1. Direct field supervision of lake, river and other intakes maintenance.
2. Inspecting, testing, and reporting on the condition of intakes specifically to determine the need for repairs, replacements, rearrangements and changes.
3. Inspecting and testing the adequacy of repairs which have been made.
4. Work performed specifically for the purpose of preventing failure, restoring serviceability or maintaining life of intakes.
5. Testing for, locating, and clearing trouble.
6. Net cost of installing, maintaining and removing temporary facilities to prevent interruptions in service.
7. Restoring the condition of intakes damaged by storms, floods or other casualties providing replacement does not constitute a retirement unit. (See Utility Plant Instruction 12.)
8. Restoring the condition of intakes damaged by wear and tear, decay, or action of the elements, providing replacement does not constitute a retirement unit. (See Utility Plant Instruction 12.)
9. Rearranging and changing the location of plant not retired.
10. Replacing or adding minor items of plant which do not constitute a retirement unit. (See Utility Plant Instruction 12.)

710. Maintenance of Springs and Tunnels

This account shall include the cost of labor and of materials used and of expenses incurred in the maintenance of infiltration galleries and tunnels, the book cost of which is includible in Account 314, Springs and Tunnels, and of similar property leased from others.

Items

1. Direct field supervision of springs and tunnels maintenance.
2. Inspecting, testing and reporting on the condition of springs and tunnels specifically to determine the need for repairs, replacements, rearrangements and changes.
3. Inspecting and testing the adequacy of repairs which have been made.
4. Work performed specifically for the purpose of preventing failure, restoring serviceability or maintaining life of plant.
5. Testing for, locating and clearing trouble.
6. Net cost of installing, maintaining, and removing temporary facilities to prevent interruptions in service.
7. Restoring the condition of plant damaged by storms, breakage, floods, accident, or other casualties, providing replacement does not constitute a retirement unit. (See Utility Plant Instruction 12.)
8. Restoring the condition of plant damaged by wear and tear, decay, or action of the elements, providing replacement does not constitute a retirement unit. (See Utility Plant Instruction 12.)
9. Rearranging and changing the location of plant not retired.
10. Replacing or adding minor items of plant which do not constitute a retirement unit. (See Utility Plant Instruction 12.)

711. Maintenance of Wells

This account shall include the cost of labor and of materials used and expenses incurred in the maintenance of wells and springs, the book cost of which is includible in Account 315, Wells, and of similar property leased from others.

Items

1. Direct field supervision of well maintenance.
2. Inspecting, testing, and reporting on the condition of wells specifically to determine the need for repairs, replacements and changes.
3. Inspecting and testing the adequacy of repairs which have been made.
4. Work performed specifically for the purpose of preventing failure, restoring serviceability or maintaining life of wells.
5. Testing for, locating and clearing trouble.

6. Restoring the condition of wells damaged by storms, floods and other casualties, providing replacement does not constitute a retirement unit. (See Utility Plant Instruction 12.)
7. Restoring the condition of wells and springs damaged by wear and tear, decay, or action of the elements, providing replacement does not constitute a retirement unit. (See Utility Plant Instruction 12.)
8. Replacing or adding minor items of plant which do not constitute a retirement unit. (See Utility Plant Instruction 12.)

712. Maintenance of Supply Mains

This account shall include the cost of labor and of materials used and expenses incurred in the maintenance of mains and appurtenances, and the book cost of which is includible in Account 316, Supply Mains, and of similar property leased from others.

Items

1. Direct field supervision of maintenance of mains.
2. Inspecting, testing, and reporting on the condition of mains specifically to determine the need for repairs, replacements, rearrangements and changes.
3. Inspecting and testing the adequacy of repairs which have been made.
4. Work performed specifically for the purpose of preventing failure, restoring serviceability or maintaining life of mains.
5. Testing for, locating, and clearing trouble, including stopping leaks.
6. Net cost of installing, maintaining and removing temporary facilities to prevent interruptions in service.
7. Restoring the condition of mains damaged by storms, breakage, floods, fire, accident, or other casualties, providing replacement does not constitute a retirement unit. (See Utility Plant Instruction 12.)
8. Restoring the condition of mains damaged by wear and tear, decay or action of the elements, providing the replacement does not constitute a retirement unit. (See Utility Plant Instruction 12.)
9. Rearranging and changing the location of mains not retired. (See Notes to Account 701, Maintenance of Transmission and Distribution Mains.)
10. Replacing or adding minor items of plant which do not constitute a retirement unit. (See Utility Plant Instruction 12.)
11. Repairing materials salvaged from plant retired and which are reusable.

713. Maintenance of Other Source of Supply Plant

This account shall include the cost of labor and of materials used and expenses incurred in the maintenance of other source of supply plant, the book cost of which is includible in Account 317, Other Source of Supply Plant, and any general or other plant the maintenance of which is assignable to the source of supply function and is not provided for elsewhere.

Items

1. Direct field supervision of maintenance.
2. Inspecting, testing and reporting on the condition of plant specifically to determine the need for repairs, replacements, rearrangements and changes.
3. Inspecting and testing the adequacy of repairs which have been made.
4. Work performed specifically for the purpose of preventing failure, restoring serviceability or maintaining life of plant.
5. Testing for, locating and clearing trouble.
6. Net cost of installing, maintaining, and removing temporary facilities to prevent interruptions in service.
7. Restoring the condition of plant damaged by storms, breakage, floods, accident, or other casualties, providing replacement does not constitute a retirement unit. (See Utility Plant Instruction 12.)
8. Restoring the condition of plant damaged by wear and tear, decay, or action of the elements, providing replacement does not constitute a retirement unit. (See Utility Plant Instruction 12.)

9. Rearranging and changing the location of plant not retired.
10. Replacing or adding minor items of plant which do not constitute a retirement unit. (See Utility Plant Instruction 12.)
11. Maintenance of office furniture and equipment.

II. PUMPING EXPENSES

OPERATION

721. 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, and the like, should be charged to the appropriate account.

Items

Labor:

1. Establishing organizational setup of department and executing changes therein.
2. Formulating and reviewing routines of department and executing changes therein.
3. Preparing instructions for pumping operations.
4. Preparing or reviewing budgets, estimates, and drawings relating to pumping operation for departmental approval.
5. General 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.
6. Review and analysis of operating results.
7. Special tests to determine efficiency of equipment operation.
8. Secretarial work for supervisory personnel, but not general clerical and stenographic work chargeable to other accounts.

Expenses:

9. Consultants' fees and expenses.
10. Transportation, meals and incidental expenses.

722. Power Production Labor and Expenses

This account shall include the cost of labor and of 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, and the like, and all expense involved in disposal of fuel residuals.

Items

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.
6. Operating other power production equipment.
7. Keeping power production log and records and preparing reports 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. Cleaning 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.
14. Residual disposal expense less any proceeds from sales of residuals.

723. 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 131.1, Materials and Supplies—Utility and cleared to this account on the basis of the fuel used.

724. Pumping Labor and Expenses

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

Items

Labor:

1. Direct supervision of pumping operations.
2. Operating pumps, turbines, and engines.
3. Operating condensers, circulating water systems and other auxiliary apparatus.
4. Operating lubrication and oil control systems, including oil purification.
5. Operating control and protective equipment.
6. Operating valves to point where 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, and the like, 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, and the like.
11. Transportation, meals and incidental expenses.

725. Miscellaneous Expenses

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

Items

Labor:

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

Materials and Expenses:

6. General operating supplies, such as tools, gaskets, packing waste, gauge glasses, hose, indicating lamps, record and report forms, and the like.
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.

726. Fuel or Power Purchased for Pumping

A. This account shall include the cost of fuel or power purchased which is 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 131.1, Materials and Supplies—Utility, and cleared to this account on the basis of the fuel used.

Items

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

MAINTENANCE**729. 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.

Items**Labor:**

1. Establishing organizational setup of department and executing changes therein.
2. Formulating and reviewing maintenance routines and executing changes therein.
3. Preparing instructions for maintenance work.
4. Preparing or reviewing budgets, estimates and drawings relating to maintenance for department approval.
5. General engineering and estimating work for maintenance projects.
6. General training and instruction of employees by supervisors whose pay is chargeable hereto. Specific instruction in a particular job is chargeable to the appropriate functional account.
7. Secretarial work for supervisory personnel, but not general clerical and stenographic work chargeable to other accounts.

Expenses:

8. Consultants' fees and expenses.
9. Transportation, meals and incidental expenses.

730. Maintenance of Structures and Improvements

This account shall include the cost of labor and of materials used and expenses incurred in the maintenance of structures and improvements used in connection with pumping, the book cost of which is includible in Account 321, Structures and Improvements, and of similar property leased from others.

Items

1. Direct field supervision of structure maintenance.
2. Inspecting, testing, and reporting on the condition of structures specifically to determine the need for repairs, replacements, rearrangements and changes.
3. Inspecting and testing the adequacy of repairs which have been made.
4. Work performed specifically for the purpose of preventing failure, restoring serviceability or maintaining life of structures.

5. Testing for, locating, and clearing trouble.
6. Net cost of installing, maintaining, and removing temporary facilities to prevent interruptions in service.
7. Restoring the condition of structures damaged by storms, breakage, floods, fire, accident, or other casualties, providing replacement does not constitute a retirement unit. (See Utility Plant Instruction 12.)
8. Restoring the condition of structures damaged by wear and tear, decay, or action of the elements, providing replacement does not constitute a retirement unit. (See Utility Plant Instruction 12.)
9. Rearranging and changing the location of plant not retired.
10. Replacement or adding minor items of plant which do not constitute a retirement unit. (See Utility Plant Instruction 12.)

731. Maintenance of Power Production Equipment

A. This account shall include the cost of labor and of 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 Accounts 322, Boiler Plant Equipment, and 323, Other Power Production Equipment, and of similar equipment leased from others.

B. For the purpose of making charges hereto and to Account 732, Maintenance of Pumping Equipment, the point at which power production plant is distinguished from pumping equipment is defined as follows:

- a. Inlet flange of throttle valve on prime mover.
- b. Flange of all steam extraction lines on prime mover.
- c. Hotwell pump outlet on condensate lines.
- d. Inlet flange of all turbine room auxiliaries.
- e. Connection to line side of motor starter for all boiler plant equipment.
- f. Connection of electric power transmission lines to pump equipment controls.

Items

1. Direct field supervision of power production equipment maintenance.
2. Inspecting, testing and reporting on the condition of equipment specifically to determine the need for repairs, replacements, rearrangements and changes.
3. Inspecting and testing the adequacy of repairs which have been made.
4. Work performed specifically for the purpose of preventing failure, restoring serviceability or maintaining the life of plant.
5. Rearranging and changing the location of plant not retired.
6. Testing for, locating and clearing trouble.
7. Net cost of installing, maintaining, and removing temporary facilities to prevent interruptions in service.
8. Restoring the condition of power production equipment damaged by storms, breakage, floods, fire, accident, or other casualties, providing replacement does not constitute a retirement unit. (See Utility Plant Instruction 12.)
9. Restoring the condition of power production equipment damaged by wear and tear, decay, or action of the elements, providing replacement does not constitute a retirement unit. (See Utility Plant Instruction 12.)
10. Replacing or adding minor items of plant which do not constitute a retirement unit. (See Utility Plant Instruction 12.)

732. Maintenance of Pumping Equipment

A. This account shall include the cost of labor and of materials used and expenses incurred in the maintenance of pumping equipment, the book cost of which is includible in Account 324, Pumping Equipment

B. For the purpose of making charges hereto and to Account 731, Maintenance of Power Production Equipment, the point at which steam plant is distinguished from steam pumping equipment is defined as follows:

- a. Inlet flange of throttle valve on prime mover.
- b. Flange of all steam extraction lines on prime mover.
- c. Hotwell pump outlet on condensate lines.
- d. Inlet flange of all turbine room auxiliaries.
- e. Connection to line side of motor starter for all boiler plant equipment.
- f. Connection of electric power transmission lines to pump equipment controls.

Items

1. Direct field supervision of pumping equipment maintenance.
2. Inspecting, testing and reporting on the condition of equipment specifically to determine the need for repairs, replacements, rearrangements and changes.
3. Inspecting and testing the adequacy of repairs which have been made.
4. Work performed specifically for the purpose of preventing failure, restoring serviceability or maintaining the life of plant.
5. Rearranging and changing the location of plant.
6. Testing for, locating and clearing trouble.
7. Net cost of installing, maintaining, and removing temporary facilities to prevent interruptions in service.
8. Restoring the condition of pumping equipment damaged by storms, breakage, floods, fire, accident, or other casualties, providing replacement does not constitute a retirement unit. (See Utility Plant Instruction 12.)
9. Restoring the condition of pumping equipment damaged by wear and tear, decay, or action of the elements, providing replacement does not constitute a retirement unit. (See Utility Plant Instruction 12.)
10. Replacing or adding minor items of plant which do not constitute a retirement unit. (See Utility Plant Instruction 12.)

733. Maintenance of Other Pumping Plant

This account shall include the cost of labor and materials used and expenses incurred in the maintenance of other pumping plant, the book cost of which is includible in Account 325, Other Pumping Plant.

III. WATER TREATMENT EXPENSES

OPERATION

741. 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 should be charged to the appropriate functional account.

Items

- Labor:
1. Establishing organizational setup of department and executing changes therein.
 2. Formulating and reviewing routines of department and executing changes therein.
 3. Preparing instructions relating to water treatment operations.
 4. Preparing or reviewing budgets, estimates and drawings relating to water treatment operation, for department approval.
 5. General 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.

6. Review and analysis of operating results.
7. Special tests to determine efficiency of equipment operation.
8. Secretarial work for supervisory personnel but not general clerical or stenographic work chargeable to other accounts.

Expenses:

9. Consultants' fees and expenses.
10. Transportation, meals and incidental expenses.

742. Operation Labor and Expenses

This account shall include the cost of labor and of materials (except those included in Account 744) used and expenses incurred in the operation of the water treatment plant.

Items

Labor:

1. Chemicals, application of.
 2. Cleaning basins.
 3. Filters, operating.
 4. Ice, removal of.
 5. Sediment, removal of.
 6. Washing filters.
 7. Water softening plant, operation of.
 8. Fluoridation plant, operation of.
 9. Laboratory technicians.
- #### Materials and Expenses:
10. Charts, recording.
 11. Lubricants, waste, and the like.
 12. Shop and laboratory expenses.
 13. Transportation, meals and incidental expenses.
 14. Utility service.

743. Miscellaneous Expenses

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

Items

Labor:

1. General clerical and stenographic work.
2. Guarding and patrolling.
3. Building service.
4. Care of grounds including snow removal, cutting grass, and the like.
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.

744. Chemicals and Filtering Materials

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

Items

1. Activated Carbon.
2. Ammonia.
3. Caustic Soda.
4. Chlorine.
5. Copper Sulphate.
6. Fluorine Compound.
7. High Test Hypochlorite.
8. Iron Sulphate.
9. Lime.
10. Soda Ash.
11. Sodium Chlorite.
12. Sulphate of Alumina.
13. Sulphuric Acid.
14. Other Chemicals.

MAINTENANCE

746. 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 functional maintenance account.

Items

Labor:

1. Establishing organizational setup of department and executing changes therein.
2. Formulating and reviewing routines of department and executing changes therein.
3. Preparing instructions for maintenance work.
4. Preparing or reviewing budgets, estimates, and drawings relating to maintenance, for department approval.
5. General engineering and estimating work for maintenance projects.
6. General training and instruction of employees by supervisors whose pay is chargeable hereto. Specific instructions and training in a particular type of work is chargeable to the appropriate functional account.
7. Secretarial work for supervisory personnel but not general clerical and stenographic work chargeable to other accounts.

Expenses:

8. Consultants' fees and expenses.
9. Transportation, meals and incidental expenses.

747. Maintenance of Structures and Improvements

This account shall include the cost of labor and of materials used and expenses incurred in the maintenance of structures and improvements, the book cost of which is includible in Account 331, Structures and Improvements, and of similar property leased from others.

Items

1. Direct field supervision of structure maintenance.
2. Inspecting, testing and reporting on the condition of structures specifically to determine the need for repairs, replacements, rearrangements and changes.
3. Inspecting and testing the adequacy of repairs which have been made.
4. Work performed specifically for the purpose of preventing failure, restoring serviceability or maintaining life of structures.
5. Testing for, locating and clearing trouble.
6. Net cost of installing, maintaining and removing temporary facilities to prevent interruptions in service.
7. Restoring the condition of structures damaged by storms, breakage, floods, fire, accident or other casualties, providing replacement does not constitute a retirement unit. (See Utility Plant Instruction 12.)

8. Restoring the condition of structures damaged by wear and tear, decay or action of the elements, providing replacement does not constitute a retirement unit. (See Utility Plant Instruction 12.)
9. Rearranging and changing the location of plant not retired.
10. Replacing or adding minor items of plant which do not constitute a retirement unit. (See Utility Plant Instruction 12.)

748. Maintenance of Water Treatment Equipment

This account shall include the cost of labor and of materials used and expenses incurred in the maintenance of water treatment equipment, the book cost of which is includible in Account 332, 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.

Items

1. Direct field supervision of water treatment equipment maintenance.
2. Inspecting, testing and reporting on the condition of water treatment equipment specifically to determine the need for repairs, replacements, rearrangements and changes.
3. Inspecting and testing the adequacy of repairs which have been made.
4. Work performed specifically for the purpose of preventing failure, restoring serviceability or maintaining life of water treatment plant.
5. Testing for, locating and clearing trouble.
6. Net cost of installing, maintaining and removing temporary facilities to prevent interruptions in service.
7. Restoring the condition of water treatment equipment damaged by storms, breakage, floods, accident, or other casualties, providing replacement does not constitute a retirement unit. (See Utility Plant Instruction 12.)
8. Restoring the condition of water treatment equipment damaged by wear and tear, decay, or action of the elements, providing replacement does not constitute a retirement unit. (See Utility Plant Instruction 12.)
9. Rearranging and changing location of plant not retired.
10. Replacing or adding minor items of plant which do not constitute a retirement unit. (See Utility Plant Instruction 12.)

IV. TRANSMISSION AND DISTRIBUTION EXPENSES

OPERATION

751. 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 should be charged to the appropriate functional operation account.

Items

Labor:

1. Establishing organizational setup of department and executing changes therein.
2. Formulating and reviewing routines of department and executing changes therein.
3. Preparing instructions relating to transmission and distribution operations.
4. Preparing or reviewing budgets, estimates, and drawings relating to transmission and distribution operation, for department approval.
5. General 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.
6. Secretarial work for supervisory personnel but not general clerical and stenographic work chargeable to other accounts.

Expenses:

7. Consultants' fees and expenses.
8. Transportation, meals and incidental expenses.

752. Storage Facilities Expenses

This account shall include the cost of labor and of materials used and expenses incurred in the operation of distribution reservoirs, tanks and standpipes.

Items**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, and the like.
9. Records and report forms.
10. Utility services.
11. Tool expense.
12. Transportation, meals and incidental expenses.

753. Transmission and Distribution Lines Expenses

This account shall include the cost of labor and of materials used and expenses incurred in the operation of transmission and distribution mains, fire mains, services and hydrants.

Items**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, and the like.
9. Tool expense.
10. Transportation, meals and incidental expenses.

754. Meter Expenses

This account shall include the cost of labor and of materials used and expenses incurred in the operation of customer meters and associated equipment.

Items**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 346, Meters, and 347, 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. See Account 773,

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 history record cards, test cards 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.

755. Customer Installations Expenses

This account shall include the cost of labor and of 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**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—Billings to customers for work, the cost of which is includible herein, shall be credited to Account 611, Miscellaneous Service Revenues.
- Note B—Do not include in this account expenses incurred in connection with merchandising, jobbing and contract work.

756. Miscellaneous Expenses

This account shall include the cost of labor and of materials used and expenses incurred in transmission and distribution system operation not provided for elsewhere.

Items**Labor:**

1. Preparing maps and prints.
2. General clerical and stenographic work, except that chargeable to Account 754, Meter Expenses.
3. Service interruption and trouble cards.
4. Operating records, but not plant accounting, covering mains, services, hydrants, valves, and other transmission and distribution facilities. Exclude meter records chargeable to Account 754, 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 754, Meter Expenses.
9. Building service supplies.
10. Utility services.
11. First-aid supplies.
12. Transportation, meals and incidental expenses.

MAINTENANCE

758. 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 functional maintenance account.

Items**Labor:**

1. Establishing organization setup of department and executing changes therein.
2. Formulating and reviewing routines of department and executing changes therein.
3. Preparing instructions relating to maintenance.
4. Preparing or reviewing budgets, estimates, and drawings relating to maintenance, for department approval.
5. General engineering and estimating work for maintenance projects.
6. General 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.
7. Secretarial work for supervisory personnel but not general clerical and stenographic work chargeable to other accounts.

Expenses:

8. Consultants' fees and expenses.
9. Transportation, meals and incidental expenses.

759. Maintenance of Structures and Improvements

This account shall include the cost of labor and of materials used and expenses incurred in the maintenance of structures and improvements, the book cost of which is includible in Account 341, Structures and Improvements, and of similar property leased from others.

Items

1. Direct field supervision of structure maintenance.
2. Inspecting, testing, and reporting on the condition of structures specifically to determine the need for repairs, replacements, rearrangements and changes.
3. Inspecting and testing the adequacy of repairs which have been made.
4. Work performed specifically for the purpose of preventing failure, restoring serviceability or maintaining life of structures.
5. Testing for, locating, and clearing trouble.
6. Net cost of installing, maintaining and removing temporary facilities to prevent interruptions in service.
7. Restoring the condition of structures damaged by storms, breakage, floods, fire, accident, or other casualties, providing replacement does not constitute a retirement unit. (See Utility Plant Instruction 12.)
8. Restoring the condition of structures damaged by wear and tear, decay, or action of the elements, providing replacement does not constitute a retirement unit. (See Utility Plant Instruction 12.)
9. Rearranging and changing the location of plant not retired.
10. Replacing or adding minor items of plant which do not constitute a retirement unit. (See Utility Plant Instruction 12.)

760. Maintenance of Reservoirs and Tanks

This account shall include the cost of labor and of 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 342, Reservoirs and Tanks, and of similar property leased from others.

Items

1. Direct field supervision of maintenance work on storage facilities.
2. Inspecting, testing, and reporting on the condition of storage facilities specifically to determine the need for repairs, replacements, rearrangements and changes.
3. Inspecting and testing the adequacy of repairs which have been made.
4. Work performed specifically for the purpose of preventing failure, restoring serviceability or maintaining life of storage facilities.
5. Testing for, locating, and clearing trouble, including stopping leaks.
6. Net cost of installing, maintaining and removing temporary facilities to prevent interruptions in service.
7. Restoring the condition of storage facilities damaged by storms, breakage, floods, fire, accident, or other casualties, providing replacement does not constitute a retirement unit. (See Utility Plant Instruction 12.)
8. Restoring the condition of storage facilities damaged by wear and tear, decay, or action of the elements, providing replacement does not constitute a retirement unit. (See Utility Plant Instruction 12.)
9. Rearranging and changing the location of plant not retired.
10. Replacing or adding minor items of plant which do not constitute a retirement unit. (See Utility Plant Instruction 12.)
11. Repairing materials salvaged from plant retired and which are reusable.

761. Maintenance of Transmission and Distribution Mains

This account shall include the cost of labor and of materials used and expenses incurred in the maintenance of mains, the book cost of which is includible in Account 343, Transmission and Distribution Mains, and of similar property leased from others. (See operating expense instruction 2.)

Note A—When it becomes necessary to lower the level of an existing main, the excavation cost to the original depth of the main shall be charged to this account, and the additional cost to reach the final depth of the main shall be charged to utility plant.

Note B—When the level of an existing main is raised all costs of the project shall be charged to this account.

Note C—When the existing main is relocated (using the original pipe) requiring the digging of two trenches, one for removal and one for reinstallation, the original cost of the main being relocated shall be credited to utility plant and charged to the depreciation reserve provided for such property. The original material cost of the main shall be charged to materials and supplies and credited to such depreciation reserve. The original material cost of the main shall then be recharged to utility plant together with the total cost of installing the main in its new location.

762. Maintenance of Fire Mains

This account shall include the cost of labor and of materials used and expenses incurred in the maintenance of Fire Mains, the book cost of which is includible in Account 344, Fire Mains, and of similar property leased from others. (See operating expense instruction 2 and Account 761.)

763. Maintenance of Services

This account shall include the cost of labor and of materials used and expenses incurred in the maintenance of services, the book cost of which is includible in Account 345, Services, and of similar property leased from others.

Items

1. Direct field supervision of maintenance of services.
2. Inspecting, testing, and reporting on the condition of services specifically to determine the need for repairs, replacements, rearrangements and changes.

3. Inspecting and testing the adequacy of repairs which have been made.
4. Work performed specifically for the purpose of preventing failure, restoring serviceability or maintaining life of services.
5. Testing for, locating, and clearing trouble, including stopping leaks.
6. Net cost of installing, maintaining and removing temporary facilities to prevent interruptions in service.
7. Restoring the condition of services damaged by storms, breakage, floods, accident, or other casualties, providing replacement does not constitute a retirement unit. (See Utility Plant Instruction 12.)
8. Restoring the condition of services damaged by wear and tear, decay, or action of the elements, providing replacement does not constitute a retirement unit. (See Utility Plant Instruction 12.)
9. Rearranging and changing the location of services not retired.
10. Replacing or adding minor items of plant which do not constitute a retirement unit. (See Utility Plant Instruction 12.)
11. Repairing materials salvaged from plant retired and which are reusable.

764. Maintenance of Meters

This account shall include the cost of labor and of materials used and expenses incurred in the maintenance of meters and associated equipment, the book cost of which is includible in Account 346, Meters, and Account 347, Meter Installations, and of similar property leased from others.

Items

1. Direct field supervision of meter maintenance.
2. Inspecting and testing meters on customers' premises or in shops specifically to determine the need for repairs, replacements, and changes.
3. Inspecting and testing the adequacy of repairs which have been made.
4. Restoring the condition of meters damaged by breakage, floods, fire, accident, or other casualties, providing replacement does not constitute a retirement unit. (See Utility Plant Instruction 12.)
5. Restoring the condition of meters damaged by wear and tear, decay or action of the elements, providing replacement does not constitute a retirement unit. (See Utility Plant Instruction 12.)
6. Repairing meter testing equipment.
7. Replacing or adding meter fittings or minor items of plant which do not constitute a retirement unit. (See Utility Plant Instruction 12.)

765. Maintenance of Hydrants

This account shall include the cost of labor and of materials used and expenses incurred in the maintenance of fire hydrants and associated equipment, the book cost of which is includible in Account 348, Hydrants, and of similar property leased from others.

Items

1. Direct field supervision of hydrant maintenance.
2. Inspecting, testing, and reporting on the condition of hydrants, specifically to determine the need for repairs, replacements, rearrangements and changes.
3. Inspecting and testing the adequacy of repairs which have been made.
4. Work performed specifically for the purpose of preventing failure, restoring serviceability or maintaining life of hydrants.
5. Testing for, locating, and clearing trouble, including stopping leaks.
6. Net cost of installing, maintaining and removing temporary facilities to prevent interruptions in service.
7. Restoring the condition of hydrants damaged by storms, breakage, floods, accident, or other casualties, providing replacement does not constitute a retirement unit. (See Utility Plant Instruction 12.)
8. Restoring the condition of hydrants damaged by wear and tear, decay, or action of the elements, providing replacement does not constitute a retirement unit. (See Utility Plant Instruction 12.)

9. Rearranging and changing the location of hydrants not retired.
10. Replacing or adding minor items of plant which do not constitute a retirement unit. (See Utility Plant Instruction 12.)
11. Repairing materials salvaged from plant retired and which are reusable.

766. Maintenance of Miscellaneous Plant

This account shall include the cost of labor and of materials used and expenses incurred in maintenance of plant, the book cost of which is includible in Account 349, Other Transmission and Distribution Plant, and any general or other plant the maintenance of which is assignable to the transmission and distribution function and is not provided for elsewhere.

Items

1. Direct field supervision of maintenance includible herein.
2. Maintenance of office furniture and equipment, tools and work equipment, and the like.
3. Replacing or adding items not constituting a retirement unit. (See Utility Plant Instruction 12.)

V. CUSTOMER ACCOUNTS EXPENSES

OPERATION

771. 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 should be charged to Account 772, Meter Reading Expenses, or Account 773, Customer Records and Collection Expenses, as appropriate.

Items

Labor:

1. Planning organizational setup of department and making changes therein.
2. Formulating and reviewing routines of department and executing changes therein.
3. Supervising, directing and observing the execution of work in operation of department.
4. Secretarial work for supervisory personnel, but not general clerical and stenographic work.
5. Training and instruction of employees and preparation of instruction manuals by supervisors whose pay is chargeable hereto. Training by other employees should be charged to the appropriate functional account.

Expenses:

6. Consultants' fees and expenses.
7. Transportation, meals, and incidental expenses.

772. Meter Reading Expenses

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

Items

Labor:

1. Addressing forms for obtaining meter readings by mail.
2. Changing and collection of meter charts used for billing purposes.
3. Checking seals, and the like, when performed by meter readers and the quantity thereof is a minor part of meter reading activities.

4. Reading meters for billing purposes.
5. Computing consumption from meter reader's book or from reports by mail when done by employees engaged in reading meters.
6. Collections from prepayment meters when incidental to meter reading.
7. Maintaining record of customers' keys.
8. Computing estimated or average consumption when performed by employees engaged in reading meters.

Materials and Expenses:

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

773. Customer Records and Collection Expenses

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

Labor: Items

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 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. Preparation of billing data.
7. Operation: billing and bookkeeping machines.
8. Verification of 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 customers' accounts and extending unpaid balances.
13. Balancing customers' 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. Disconnection and reconnection of 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 analyses for sales department, rate department, or other general purposes, unless incidental to regular customer accounting routines.
19. Cost of 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 when written off.

24. Payments to credit organizations for investigations and records.
 25. Postage.
 26. Transportation expenses, including transportation of customers' 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, and the like.
 30. Rent for mechanical equipment.
- Note.—The cost of work on meter history and meter location records is chargeable to Account 754, Meter Expenses.

774. Miscellaneous Customer Accounts Expenses

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

Labor: Items

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

Materials and Expenses:

3. Miscellaneous office supplies and expenses and stationery and printing other than those specifically provided for in Accounts 772 and 773.
4. Utility services.

775. Uncollectible Accounts

If the utility elects to maintain Account 254, Reserve for Uncollectible Accounts it shall charge to this account amounts sufficient to provide for losses from uncollectible utility revenues. Concurrent credits shall be made to Account 254, Reserve for Uncollectible Accounts. Losses from uncollectible accounts under reserve accounting shall be charged to Account 254. If a reserve is not maintained the losses on account of uncollectibles shall be charged to this account as incurred.

VI. SALES EXPENSES

OPERATION

781. Supervision

This account shall include the cost of labor and expenses incurred in the general direction and supervision of sales activities, except merchandising. Direct supervision of a specific activity, such as demonstrating, selling, or advertising should be charged to the account wherein the costs of such activity are included.

Labor: Items

1. Planning sales organization and planning and making changes therein.
2. Planning and executing sales campaigns designed to promote, retain and develop business.
3. Studying results of sales efforts and formulating changes therein.
4. General instruction and training of employees by supervisors whose pay is chargeable hereto. (Specific instruction and training in a particular type of work may be charged to the appropriate functional account.)
5. Supervising, directing, and observing the execution of work in operation of the department.
6. Secretarial work for supervisory personnel, but not general clerical and stenographic work.

Expenses:

7. Consultants' fees and expenses for sales promotion advice and assistance.
8. Transportation, meals, and incidental expenses of supervisory employees.

782. Demonstrating and Selling Expenses

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

Items**Labor:**

1. Demonstrating uses of utility services.
2. Exhibitions, displays, lectures, and other programs designed to promote use of utility services.
3. Experimental and development work in connection with new and improved appliances and equipment, prior to general public acceptance.
4. Solicitation of new customers or of additional business from old customers, including commissions paid employees.
5. Engineering and technical advice to present or prospective customers in connection with promoting and retaining the use of utility services.
6. Preparation of formal contracts for service which may result from sales effort.
7. Cost of special customer canvasses when their primary purpose is the retention of business or the promotion of new business.

Materials and Expenses:

8. Supplies and expenses pertaining to demonstration, and experimental and development activities.
9. Booth and temporary space rental.
10. Loss in value on equipment and appliances used for demonstration purposes.
11. Transportation, meals, and incidental expenses.

783. Advertising Expenses

This account shall include the cost of labor and of materials used and expenses incurred in advertising designed to promote or retain the use of the utility service, except advertising the sale of merchandise by the utility.

Items**Labor:**

1. Direct supervision of department.
2. Preparation of advertising material for newspapers, periodicals, billboards, and the like, and preparing and conducting motion pictures and radio programs.
3. Preparation of booklets, bulletins, and the like, used in direct mail advertising.
4. Preparation of window and other displays.
5. Clerical and stenographic work.
6. Investigation of advertising agencies and media and negotiations in connection with the placement and subject matter of sales advertising.

Materials and Expenses:

7. Advertising in newspapers, periodicals, billboards, radio, and the like, for sales promotion purposes, but not including institutional or goodwill advertising includible in Account 789, Miscellaneous General Expenses.
8. Materials and services given as prizes or otherwise in connection with guessing contests, bazaars, and the like, in order to publicize and promote the use of utility services.
9. Fees and expenses of advertising agencies and commercial artists.
10. Novelties for general distribution.
11. Postage on direct mail advertising.
12. Premiums distributed generally, such as recipe books, and the like, when not offered as inducement to purchase appliances.

13. Printing booklets, dodgers, bulletins, and the like.
14. Publications distributed to customers.
15. Supplies and expenses in preparing advertising material.
16. Office supplies and expenses.

Note A—The cost of advertisements which set forth the value or advantages of utility service without reference to specific appliances, or, if reference is made to appliances, invites the reader to purchase appliances from his dealer, or refer to appliances not carried for sale by the utility, shall be considered sales promotion advertising and charged to this account. However, advertisements which are limited to specific makes of appliances sold by the utility and prices, terms, and so forth, thereof, without referring to the value or advantages of utility service, shall be considered as merchandise advertising and the cost shall be charged to Account 785, Merchandising, Jobbing and Contract Work.

Note B—Advertisements which substantially mention or refer to the value or advantages of utility service, together with specific reference to makes of appliances sold by the utility and the price, terms, and so forth, thereof, and designed for the joint purpose of increasing the use of utility service and the sales of appliances, shall be considered as a combination advertisement and the cost shall be distributed between this account and Account 785, Merchandising, Jobbing and Contract Work, as appropriate, on the basis of the estimated space used for each purpose.

Note C—Exclude from this account and charge to Account 799, Miscellaneous General Expenses, the cost of publication of stockholders' reports, dividend notices, bond redemption notices, financial statements, and other notices of general corporate character. Exclude also all institutional or goodwill advertising. (See Account 799, Miscellaneous General Expenses, and the note thereunder.)

784. Miscellaneous Sales Expenses

This account shall include the cost of labor and of materials used and expenses incurred in connection with sales activities, except merchandising, which are not includible in other sales expense accounts.

Items**Labor:**

1. General clerical and stenographic work not assigned to specific functions.
2. Special analysis of customer accounts and other statistical work for sales purposes not a part of the regular customers' accounting and billing routine.
3. Miscellaneous labor.

Materials and Expenses:

4. Printing, postage, and office supplies and expenses applicable to sales activities, except those chargeable to Account 783, Advertising Expenses.
5. Utility services.

785. Merchandising, Jobbing and Contract Work

A. This account shall include all revenues derived from and all expenses incurred in the sale of merchandise and jobbing or contract work, including any profit or commission accruing to the utility on jobbing work performed by it as agent under agency contracts, whereunder it undertakes to do jobbing work for another for a stipulated profit or commission.

B. The account shall be subdivided as follows:

- 785-1. Revenues from Merchandising, Jobbing and Contract Work.
- 785-2. Cost and Expenses of Merchandising, Jobbing and Contract Work.

These subaccounts shall be maintained so as to permit ready summarization of revenues, costs and expenses by such major items as are feasible.

Items

Account 785-1:

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

Account 785-2:

1. Canvassing and demonstrating appliances in homes and other places for the purpose of selling appliances.
2. Demonstration and sales activities in sales rooms.
3. Installation of appliances on customers' premises where such work is done only for purchases of appliances from the utility.
4. Installation of piping, or other property work on a jobbing or contract basis.
5. Preparation of advertising materials for appliances sales purposes.
6. Receiving and handling customers' orders for merchandise or for jobbing services.
7. Cleaning and tidying sales rooms.
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 and jobbing activities.
12. Supervision of merchandise and jobbing operations.

Materials and Expenses:

13. Advertising in newspapers, periodicals, radio, and so forth.
14. Cost of merchandise sold and of 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, dodgers, and other advertising data.
18. Premiums given as 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 in delivery and pick-up of appliances by utility's facilities or by others.
23. Stationery and office supplies and expenses.
24. Taxes directly assignable to merchandise and jobbing operations, including income taxes on net income derived therefrom.
25. Losses from uncollectible merchandise and jobbing accounts.

VII. ADMINISTRATIVE AND GENERAL EXPENSES OPERATION

791. 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 the utility's administrative organization, such as executive, accounting, treasury, legal, and the like.

792. 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 791.

B. Office expenses which are clearly applicable to any group of operating expenses other than the administrative and general group should 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 should be included in Account 799, Miscellaneous General Expenses.

C. This account may be subdivided in accordance with the utility's administrative organization, such as executive, accounting, treasury, legal, and the like.

Items

1. Automobile service, including charges through clearing Account 903, Transportation Expenses—Clearing.
2. Bank messenger and service charges.
3. Books, periodicals, bulletins and subscriptions to newspapers, newsletters, tax services, and the like.
4. Building service expenses (not including rent) for customer accounts, sales and administrative and general purposes.
5. Cost of individual items of office equipment used by general departments which are of small value or short life.
6. Membership fees and dues in trade, technical, and professional associations paid by utility for employees. (Company memberships are includible in Account 799.)
7. Office supplies and expenses.
8. Payment of court costs, witness fees, and other expenses of legal department.
9. Postage, printing and stationery.
10. Transportation, meals and incidental expenses.
11. Utility services.

793. 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 accrued depreciation.

C. The utility shall keep its records 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.

Items

1. Premiums payable to insurance companies for fire, storm, burglary, boiler explosion, lightning, fidelity, riot, and similar insurance.
2. Amounts credited to Account 255, 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:

Materials and supplies and stores equipment, to Account 902, Stores Expenses—Clearing, or appropriate material account.

Transportation and garage equipment, to Account 903, Transportation Expenses—Clearing.

Shop equipment, to Account 905, Shop Expenses—Clearing.

Utility plant leased to others, to Account 508, Income from Utility Plant Leased to Others.

Nonutility property, to the appropriate nonutility income account.

Merchandise and jobbing property, to Account 785.

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 791 and 792, as appropriate.

794. 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.

Items

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, and so forth, and amounts credited to Account 256, 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. (See Note A.)
8. Cost of safety, accident prevention and similar educational activities.

Note A—Payments to or in behalf of employees for accident or death benefits, hospital expenses, medical supplies or for salaries while incapacitated for service or on leave of absence beyond periods normally allowed, when not the result of occupational injuries, shall be charged to Account 795, Employees' Pensions and Benefits.

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

Note C—Exclude herefrom the time and expenses of employees (except those engaged in injuries and damages activities) spent in attendance at safety and accident prevention 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 791 and 792 as appropriate.

795. Employees' Pensions and Benefits

A. This account shall include pensions paid to or on behalf of retired employees, or accruals to provide for pensions, or payments for the purchase of annuities for the purpose, when the utility has committed itself to a pension plan under which the pension funds are irrevocably devoted to pension purposes, and payment for employees' accident, sickness, hospital, and death benefits, or insurance therefor. Include, also, expenses incurred in educational or recreational activities for the benefit of employees and administrative expenses in connection with employees' 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 purposes to create a pension fund and a copy of the declaration of trust or resolution under which the pension plan is established.

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

D. This account shall be subdivided as follows:

795-1. Pensions

795-2. Benefits

795-3. Administrative expenses

795-4. Pensions and benefits transferred—Cr.

Items

1. Payment of pensions under a nonaccrual or nonrefunded 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 employees' pension and benefit activities may be included in Account 791 and 792, as appropriate.

Note B—Salaries paid to employees for nonoccupational sickness during periods provided by statute or by company plan may be charged to the appropriate labor account rather than to employees' benefits.

796. 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, service furnished without charge under provisions of franchises.

B. When no direct outlay is involved, concurrent credit for such charges shall be to Account 813, Duplicate Charges—Cr.

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

Note A—Franchise taxes shall not be charged to this account but to Account 507.
 Note B—Any amount paid as initial consideration for a franchise running for more than one year shall be charged to Account 302, Franchises and Consents.

797. Regulatory Commission Expenses

A. This account shall include all expenses (except pay of regular employees only incidentally engaged in such work) properly includible in 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 accounting 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 146, Other Deferred Debits, and amortized by charges to this account.

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

Items

1. Salaries, fees, retainers, and expenses of counsel, solicitors, attorneys, accountants, engineers, clerks, attendants, witnesses, and others engaged in the prosecution of, or defense against petitions or complaints presented to regulatory bodies, or in the valuation of property owned or used by the utility in connection with such cases.
2. Expenses: Engineering supplies, office 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.

Note A—Exclude from this account and include in other appropriate operating expense accounts, expenses incurred in the improvement of service, additional inspections, 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 and Consents, Account 140, Unamortized Debt Discount and Expense, or Account 151, Capital Stock Expense.

798. Outside Services Employed

A. This account shall include the fees and expenses of professional consultants and others for general services which are not applicable to a particular operating function nor to other accounts. Include also the

pay and expenses of persons engaged for a special or temporary administrative or general purpose in circumstances where the person so engaged is not considered as an employee of the utility.

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

Items

Fees, pay and expenses of:

1. Accountants and auditors.
2. Actuaries.
3. Appraisers.
4. Attorneys.
5. Engineering consultants.
6. Management consultants.
7. Negotiators.
8. Public relations counsel.
9. Tax consultants.
10. 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.

799. 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

Labor:

1. Miscellaneous labor not elsewhere provided for.

Expenses:

2. Association dues for company memberships.
3. Contributions for conventions and meetings of the industry.
4. Experimental and general research work for the industry.
5. Utility services not chargeable to other accounts.
6. Institutional or goodwill advertising. (See note below.)
7. 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.
8. Trustee, registrar, and transfer agents' fees and expenses. (At the option of the utility this type of expense may be charged to Account 538.)
9. Stockholders meeting expenses.
10. Dividend and other financial notices.
11. Printing and mailing dividend checks.
12. Directors' fees and expenses.
13. Publishing and distributing annual reports to stockholders.

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 538, Miscellaneous Income Deductions.

MAINTENANCE**805. Maintenance of General Plant**

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

the book cost of which is includible in Account 371, Structures and Improvements, Account 372, Office Furniture and Equipment, Account 376, Communication Equipment, and Account 379, Other General Plant, and of similar property leased from others. Include, also, the cost of repairing for reuse materials which previously were included in those accounts.

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

Source of Supply	Account 713
Pumping	Account 732
Water Treatment	Account 748
Transmission and Distribution	Account 761
Merchandise and Jobbing	Account 785
Garages, shops, and the like	Appropriate clearing account

VIII. MISCELLANEOUS

811. Rents

This account shall include rents properly includible in utility operating expenses for the property of others used, occupied, or operated except (a) minor amounts paid for occasional or infrequent use of any property or equipment and (b) rents chargeable to clearing accounts. (See operating expense instruction 5).

812. Administrative Expenses Transferred—Cr.

This account shall be credited with administrative expenses recorded in Accounts 791 and 792 which are transferred to construction costs or to nonutility operation accounts.

813. 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 operation expenses for which there is not direct money outlay.

CLEARING ACCOUNTS

- 901. Charges by Associated Companies—Clearing
- 902. Stores Expenses—Clearing
- 903. Transportation Expenses—Clearing
- 905. Shop Expenses—Clearing
- 906. Tools and Work Equipment—Clearing

901. Charges by Associated Companies—Clearing

A. This account shall include all charges made by associated companies against the utility for any purpose whatsoever, except interest, including charges for management, supervision, purchasing, construction, accounting, engineering, legal, financial, rent, advertising, materials and supplies, equipment and other property, commissions, taxes and other items.

B. This account shall be cleared by charging the appropriate accounts with the expenditures applicable thereto.

C. The records supporting this account shall be so kept as to show the nature of each charge together with the account or accounts to which each charge is cleared.

Note—The mandatory use of this account may be suspended upon order of the Commission if equivalent information is readily obtainable from other records of the utility.

902. Stores Expenses—Clearing

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

B. Cash discounts shall be credited hereto when such discounts cannot be applied to the cost of particular materials.

C. This account shall be cleared by adding to the cost of materials and supplies a suitable loading charge which will distribute the expenses equitably over stores issues.

Items

Adjustments of inventories of materials and supplies.

Books, stationery, and office supplies.

Building service.

Collecting and handling scrap materials in stores.

Communication service.

Discount on materials when not assignable to specific items.

Freight, express, etc., when not assignable to specific items.

Heat, light and power for storerooms and stores offices.

Injuries and damages.

Inspecting and testing materials and supplies, when not assignable to specific items.

Insurance on materials and supplies and on stores equipment.

Losses due to breakage, leakage, evaporation, fire and other causes.

Credit any amounts received from insurance, transportation companies or others in compensation of such losses.

Maintenance of stores equipment.

Pay and expenses of purchasing agents, storekeepers, clerks, and others employed in purchasing department, in storerooms or in store offices.

Rents.
Taxes, direct.

Transporting materials into storehouse, when not assignable to specific items.

Note A—Large differences in the accounts disclosed by inventories, which can readily 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, or included in Account 902, Stores Expenses—Clearing. If the utility so desires, it may maintain a reserve for inventory shrinkage as a subdivision of Account 258, Other Reserves, and credits to the reserve may be obtained by an equitable loading charge to stores issues.

Note B—Transportation charges on materials recovered from retirements of utility plant shall be charged to the account to which the cost of removal was charged.

903. Transportation Expenses—Clearing

A. This account shall include the cost of supervision, labor and expenses incurred in the operation and maintenance of the general transportation equipment of the utility including direct taxes and depreciation on transportation equipment.

B. This account shall be cleared by apportionment to operating expenses, utility plant or other accounts on a basis which will distribute the expenses equitably. Credits to this account shall be made in such details as to permit ready analysis thereof.

Items

Books and stationery.
Building service.
Communication service.
Depreciation of transportation equipment.
Feed and bedding for horses and mules.
Fuel and lubricants for vehicles (including sales and excise taxes thereon).
Freight, express, drayage, etc., on fuel, repair parts, etc.
Heat, light, and power for garage and garage office.
Injuries and damages.
Insurance on garage equipment, and transportation equipment, including public liability and property damage.
License fees for vehicles and drivers.
Office supplies, postage, etc.
Operation of garages and stables.
Pay and expenses of drivers, mechanics, etc., where same cannot be conveniently charged to the particular accounts affected by the duties in which they are engaged.
Rent of garage buildings and grounds.
Maintenance of transportation and garage equipment.
Rent of vehicles and other rents.
Taxes, direct.
Tires, tubes and chains.

905. Shop Expenses—Clearing (The use of this account is optional)

A. This account shall include the cost of supervision, labor and expenses incurred in the operation and maintenance of the general shops of the utility.

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

Items

Books and stationery.
Building service.
Collecting and handling scrap materials.
Communication service.
Heat, light and power.
Injuries and damages.
Repairs to shop equipment.
Rents.
Pay and expenses of superintendents, machinists and other employees in shops.
Taxes, direct.

906. Tools and Work Equipment—Clearing (The use of this account is optional)

A. This account shall include the cost of supervision, labor and expenses incurred in the operation and maintenance of the general tools and work equipment of the utility including direct taxes and depreciation on such equipment.

B. This account shall be cleared by an apportionment to operating expenses, utility plant, or other appropriate accounts on a basis which will distribute the expenses equitably according to the use of the equipment. Credits to this account shall be made in such detail as to permit ready analysis thereof.

Items

Books and stationery.
Building service.
Communication service.
Depreciation to tools and work equipment.
Fuel and lubricants for equipment, including sales and excise taxes thereon.
Injuries to persons and damage to property of others in the operation of tools and work equipment.
Insurance.
License fees for equipment.
Pay and expenses of operators, mechanics, and the like.
Rent of tools and work equipment.
Repairs to tools and work equipment.
Shop expenses.
Taxes, direct.

Note—The use of this account is optional. If not used, maintenance of the equipment, to the extent applicable to operating expenses, shall be charged to Account 805.