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PROPOSED DECISION

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[11/10/16 – Item #10](#)

Decision **PROPOSED DECISION OF COMMISSIONER FLORIO**
(Mailed 10/7/2016)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking on the
Commission's Own Motion to Update and
Revise the Uniform Systems of Accounts
for the Class A Water Utilities and for the
Class B, C and D Water Utilities.

Rulemaking 15-11-014
(Filed November 19, 2015)

**DECISION ADOPTING UPDATED UNIFORM SYSTEMS OF ACCOUNTS FOR
CLASS A AND FOR CLASS B, C, AND D WATER UTILITIES**

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Appendix A - Uniform System of Accounts for Class A Water Utilities

Appendix B - Uniform System of Accounts for Class B, C, and D Water Utilities

DECISION ADOPTING UPDATED UNIFORM SYSTEMS OF ACCOUNTS FOR CLASS A AND FOR CLASS B, C, AND D WATER UTILITIES**Summary**

This Decision updates the 1958 Commission adopted Uniform System of Accounts for Class A water utilities and the 1985 Commission adopted Uniform System of Accounts for Class B, C, and D water utilities. The updates incorporate accounting changes adopted by the Commission in various decisions issued since the respective Uniform System of Accounts was last updated by the Commission and current accounting practices applicable to the water utilities.

The updated Uniform System of Accounts for Class A water utilities shall become effective no later than January 1, 2018. However, earlier adoption is encouraged. The updated Uniform System of Accounts for Class B, C and D water utilities shall become effective on January 1, 2018.

The adoption of these Uniform Systems of Accounts shall not be construed as binding this Commission to approve or to accept any item set out in any account for the purpose of fixing rates or of determining other matters which may come before this Commission.

The Commission's Water Division, or its successor division, shall assess the need to propose updates to the Uniform Systems of Accounts for Commission consideration on a five year cycle beginning 2022.

This proceeding is closed.

1. Background**1.1. History**

The Commission first adopted a "uniform classification of accounts" for all water utilities under its jurisdiction in October 25, 1912.¹ In 1953, the

¹ D. 50185 at 2 (1954).

Commission instituted an investigation (Case No. 5482) to consider adopting a “uniform system of accounts” (USOA) for the water utilities. That investigation resulted in the Commission’s adoption of a USOA for Class A, B, and C Water Utilities and a separate USOA for Class D water utilities, effective July 29, 1954.² Both USOAs were updated in 1958 to specify an accounting method for customers’ deposits, pursuant to Decision (D.) 57578.³ The USOA for Class D water utilities was further updated in 1965, pursuant to D.69950.

On December 5, 1984, the Commission opened an Order Instituting Rulemaking (OIR) for the Class B, C, and D water utilities to address: (1) record keeping requirements; and (2) accounting changes (such as revised income tax regulations and the institution of the Safe Drinking Water Bond Act,) that occurred subsequent to the adoption of the 1954 USOAs, as updated by D.57578 in 1958 and D.69950 in 1965. That OIR resulted in the issuance of D.85-04-076 which changed the method of classifying water utilities to a service connection basis from an average annual revenue basis.⁴ The decision also adopted a revised USOA for Class B, C, and D water utilities, which incorporated the service connection classification method. However, the service connection classification method was not incorporated into the USOA for Class A water utilities.

The 1954 previously adopted USOA for Class A, B, and C water utilities remained in effect for only Class A water utilities. The separate USOA for Class D water utilities previously adopted in 1954, as updated in 1958 and 1965, was

² Water utilities were classified in the Class A category if average annual revenues exceeded \$750,000, Class B if average annual revenues exceeded \$200,000 but less than \$750,000, Class C if average annual revenues exceeded \$50,000 but less than \$200,000, and Class D if average annual revenues were \$50,000 or less.

³ 56 CPUC, 656 (1958).

⁴ Under the service connection basis, a Class A Water Utility must have more than 10,000 service connections, Class B between 2,000 and 10,000 service connections, Class C between 500 and 2,000 service connections, and Class D less than 500 service connections.

further updated and incorporated into a revised USOA for Class B, C, and D water utilities.

Almost 60 years (since 1958) have passed since the USOA for Class A water utilities was updated and more than 30 years (since 1985) have passed since the USOA for Class B, C, and D water utilities was updated. Pursuant to an Industry Standards regulatory best practice action item listed in the Commission's 2010 Water Action Plan,⁵ the Commission instituted a November 19, 2015 rulemaking proceeding to update the USOA for water utilities.

1.2. Proposed Updates

Proposed updates to the USOA for Class A and for Class B, C, and D water utilities were attached to the OIR as Appendix A and B, respectively.⁶ The updates corrected typographical errors⁷ and proposed additional definitions, general accounting instructions, and primary and subaccounts required by the Commission subsequent to the most recently Commission adopted USOAs. Such accounting activities included balancing accounts, memorandum accounts, facilities fees, grant funding and water contamination proceeds. Proposed updates included separate accounting for Class A and Class B, C and D water utilities Subchapter S Corporations.⁸ It also included separate accounting updates for low income discounts and recycled water activities of Class A water utilities.

⁵ A 2010 Water Action Plan was adopted by the Commission on October 28, 2010.

⁶ A redlined version of the USOAs that identified the proposed updates was approved for issuance as an OIR by the Commission at its November 19, 2015 meeting. Because the November 24, 2015 published OIR erroneously excluded redlined markings, the OIR was reissued on December 9, 2015, with appropriate redlined markings to identify proposed updates.

⁷ Typographical errors include spelling errors and correction in account numbers such as Subaccount Materials and Supplies - Other with the same Sub Account Number 131-1 as Subaccount Materials and Supplies - Utility.

⁸ A form of ownership which came into existence subsequent to the most recently adopted USOAs.

1.3. Initial Comments

Class A, B, C and D water utilities (Respondents), the California Water Association (CWA), Office of Ratepayer Advocates (ORA) and other interested parties were invited to file comments on the proposed accounting updates and to suggest additional accounting changes deemed appropriate. Any party that identified additional accounting changes to the USOAs was required to include in its comments: (1) specific language and accounting that should be included in the USOAs, (2) class of water utility the proposed change should apply to, and (3) need for incorporating the proposed change into the USOAs.

Comments to the proposed updates were received from ORA on April 7, 2016, and from CWA on April 8, 2016. ORA concurred with the proposed updates identified in the OIR.

CWA supported updating the USOAs to make them consistent with current accounting practices. However, it contended that some of the proposed updates are unnecessary in that they go beyond what is needed or appropriate for accounting purposes and, in several instances, import language from Commission decisions that are already fully and clearly applicable to regulated water utilities. CWA requested that workshops be held to discuss the proposed updates. CWA's comments also included a summary of its positions and recommended changes to many of the proposed updates, which are addressed in this decision.

Reply comments were received from CWA on April 22, 2016, reiterating its request for workshops to discuss the proposed updates, issuance of a workshop report, opportunity to comment on a workshop report and to reply on workshop report comments.

1.4. Additional Comments and Workshop

In response to CWA's comments, the assigned Administrative Law Judge (ALJ) issued a May 13, 2016 ruling inviting interested parties to file additional comments on June 3, 2016, and set a workshop to discuss separate accounting for Class A water utilities' recycled water activities on June 20, 2016.

1.4.1. Additional Comments

Additional comments were requested on three issues that CWA had requested in its April 8, 2016 comments to be addressed in a workshop environment. They were updates to specific items listed under Class A utility plant accounts to delete obsolete terminology and add current terminology, revisions for consistency of specific plant items between Class A and Class B, C, and D water utilities, and changes to Class B, C, and D water utilities sample accounting entries on income taxes and Safe Drinking Water Bond Act Loans.⁹

CWA, the only party that filed additional comments, limited its comments to the first issue - terminology update of specific items listed under utility plant accounts, as addressed in the Class A discussion of primary accounts.

Because no interested party chose to address the remaining two CWA comments, there is no proposal before us to establish consistent plant items between Class A and Class B, C, and D water utilities or to change the Class B, C, and D water utilities income tax and Safe Drinking Water Bond Act Loan sample accounting entries. Absent any such proposal, we decline to establish consistent plant items between the Class A and Class B, C, and D water utilities and decline to change the Class B, C, and D sample accounting entries.

⁹ The sample accounting entries are located at the end of the USOA for Class B, C, and D water utilities

1.4.2. Workshop

A workshop on separate accounting for recycled water activities of Class A water utilities was held on June 20, 2016, as scheduled. Representatives from CWA, five of the nine Class A water utilities, ORA and the Utility, Audit, Finance & Compliance Branch attended the workshop. Class A water utilities represented at the workshop were: (1) California Water Service Company; (2) Golden State Water Company; (3) San Gabriel Valley Water Company; (4) San Jose Water Company; and (5) Suburban Water Systems.

A workshop report prepared by Water Division's Utility, Audit, Finance & Compliance Branch was issued to all parties for review and comment, pursuant to the July 14, 2016 ALJ ruling. Because the workshop did not result in a consensus of whether the Class A water utilities should be required to separately account for recycled water activities, the ALJ invited interested parties to comment and provide reasons why separate accounting for recycled water should or should not be required, as part of their comments on the workshop report. Both CWA and ORA filed comments on the workshop report on July 29, 2016. Although not requested, CWA included recommendations on the treatment of regulatory assets and liabilities, meter removal, and deferred taxes in its workshop comments.

Reply comments were filed on August 12, 2016, by Suburban Water Company (Suburban), CWA and ORA. Suburban solely addressed accounting for deferred income taxes. CWA reiterated its position that the Commission should refrain from requiring separate accounting for recycled water activities and also modified its deferred tax recommendation. Likewise, ORA reiterated its position on separate accounting for recycled water activities. ORA also recommended that the Commission disregard CWA's comments on regulatory

assets and liabilities, meter removal and deferred taxes because those additional comments were not permitted pursuant to the July 14, 2016 ALJ ruling.

1.5. Discussion of Proposed Updates

CWA raised a concern in its initial comments that, if any of the proposed updates to the USOAs trigger a change in accounting methods, certain water companies may have to disclose the change in their financial reports. Moreover, for federal income tax purposes, a change in accounting method cannot be made without first obtaining permission from the Internal Revenue Service (IRS) Commissioner.¹⁰

The IRS defines an accounting method to be a set of rules used to determine when and how income and expenses are reported in Internal Revenue Service Publication 334, of which official notice is taken pursuant to California Evidence Code § 452(c). The accounting methods include the cash method, accrual method and special methods of accounting for items of income and expenses. No party identified any proposed update that could require approval of the IRS Commissioner. This issue is moot because the proposed updates, such as balancing accounts, which could be considered an accounting method change, were previously implemented by the water utilities, continue to be used by the water utilities, ~~are already~~ are already disclosed in their financial reports and should have already been approved by the IRS Commissioner.

Although CWA raised the issue of whether IRS Commissioner approval is needed for the proposed updates, it proposed an accounting method change for meter removal cost, making that proposal subject to approval of the IRS Commissioner. Specifically, CWA seeks the deletion of Note A to Account 347 – Meter Installations, which requires the cost of removing and resetting meters to

¹⁰ April 8, 2016 Comments of California Water Association on Updates and Revisions to the Uniform System of Accounts at 3.

be charged to Account 754 – Meter Expenses. CWA recommends that such removal cost be accounted for as an offset to depreciation reserve, like any other cost of removal. This recommended change shifts the costs of removing and resetting meters from the utilities' income statement, which impacts net income, to the balance sheet. We decline to adopt CWA's proposed change in accounting for the cost of removing and resetting meters because CWA has neither addressed whether this proposed change requires approval of the IRS Commissioner or what impact such a change would have on the utilities' financial statements.

Having resolved any need for the water utilities to first seek approval from the IRS Commissioner to adopt USOA updates, we address the proposed updates and interested parties comments to the USOAs.

2. Class A USOA

The proposed updates and related comments to the Class A water utilities USOA fall under five categories within that USOA. They are: definitions, general accounting instructions, balance sheet accounts instructions, primary accounts and subaccounts.

CWA included a summary of its positions on 44 of the proposed updates under seven categories set forth in Appendix A of the OIR for the Class A water utilities. Twelve of those positions pertain to recycled water and are addressed in the following separate accounting for recycled water activities discussion.

CWA's position of the remaining 32 proposed updates fall under six categories: (1) Definitions; (2) General Accounting Instructions; (3) Balance Sheet Accounts; (4) Utility Plant Accounts; (5) Operating Revenue; and (6) Operating Expense Accounts.

Since the proposed addition of requiring separate accounting for recycled water activities impacts all five categories it should be addressed first.

2.1. Separate Accounting for Recycled Water Activities

The OIR proposed to incorporate 15 primary accounts and ten subaccounts to separately account for recycled water activities in an updated USOA for Class A water utilities.

CWA does not see a need to mandate separate accounting for recycled water activities, which water utilities have provided for decades, because the same categories of plant and expenses are used and incurred for recycled activities as are used and incurred for potable water service. Also, in many instances, the same plant is used and the same expenses are incurred for both types of services. Further, the Commission has already established minimum criteria requirements for proposed recycled water projects and adopted a template for utilities to use when proposing such projects.¹¹

CWA contends that requiring separate accounting for recycled water activities would likely require water utilities to remap their financial systems and general ledgers and could entail additional changes to current systems for reporting and compliance, all at considerable costs.

Class A water utilities represented at the recycled water workshop that recycled water is merely another source of water supply available for all of its customer classes. Since investments and costs are not separated by customer class for accounting or ratemaking purposes it is not necessary to require separate accounting for recycled water activities.

ORA opposes the comingling of recycled water infrastructure investments and operating expenses in the same accounts where potable water activities are

¹¹ D.14-08-058, dated August 24, 2014.

recorded. This is because the comingling limits the ability to assess the reasonableness of recycled water rates and significantly hampers any effort to compare the cost-effectiveness or feasibility of new utility proposals against existing recycled water operations.

ORA points out that Class A water utilities do not currently provide consistent reporting of recycled water activities. For example, some Class A water utilities separately identify recycled water service connections and recycled water infrastructure by individual meter size. Some identify the volume of recycled water purchased for resale. Others separately identify recycled water project costs, and still others use a USOA subaccount to separately track and report revenue from recycled water activities.¹²

ORA concludes that separately recording relevant recycle water costs in the USOA would provide consistent reporting and should present little burden for water utilities because the water utilities already separate and provide such data for other reporting purposes, such as reporting to the State Resources Water Control Board (SRWCB).¹³

While the Class A water utilities have been providing recycled water for decades, it has only been provided as an incidental service until recently. The Commission identified recycled water as an important water resource to reduce the need for potable water and increase available potable water supplies in its 2010 Water Action Plan. The SWRCB released its Recycle Water Policy calling for a significant increase in the use of recycled water and storm water as detailed in the Commission's 2010 Water Action Plan. Recycled water has become an important water source to meet water demands due to increases in population

¹² ORA July 29, 2016 comment of the Office of Ratepayer Advocates on Workshop Report 2 at 3.

¹³ Title 22, CA Code of Regulations Division 4, Environmental Health, Article 5 § 60313.

and the drought years, resulting in a need for the use of recycled water to augment and/or replace local water supplies for approved non-potable and indirect potable reuse. In this regard, the SWRCB adopted recycled water policy establishes a goal of increasing California's use of recycled water over 2002 levels by at least one million acre-feet per year by 2020 and by at least two million acre-feet per year by 2030.¹⁴

To accomplish our goal of increasing the use of recycled water to augment potable water, it is appropriate and necessary to have the Class A water utilities record recycled water activities on a consistent basis. The Class A water utilities shall provide consistent separate accounting for recycled water activities.

Workshop participants identified infrastructure investments needed to provide recycle water to consist of transmission mains, distribution mains, booster pumps and meters. As indicated in CWA's workshop presentation, in many cases, the assets used for the distribution of recycled water are not actually owned by Commission-regulated water utilities. It is common for water utilities to own only the meter and for the agency providing recycled water to own the remainder of the recycled water facilities. Given the scale of potential infrastructure investments being used to provide recycled water, it is appropriate to substantially reduce the number of primary accounts to seven from fifteen. The Class A water utilities shall not be required to maintain subaccounts for their recycled water activities. The following primary recycled water accounts are incorporated into the updated USOA for Class A water utilities.

¹⁴ D.14-08-058, dated August 28, 2014, at 15.

- Account 101 – Recycled Water Utility Plant
- Account 259 – Reserve for Depreciation and Amortization of Recycled Water Utility Plant
- Account 393 – Recycled Water Intangible Plant
- Account 394 – Recycled Water and Land Rights
- Account 395 – Recycled Water Depreciable Plant
- Account 615 – Recycled Water Revenues
- Account 786 – Recycled Water Operations and Maintenance Expenses

2.2. Definitions

CWA recommended changes to all 12 new definitions proposed to be added to the USOA for Class A water utilities. CWA recommended that four of the new definitions be modified and eight deleted. It also recommended an additional definition be incorporated into the USOA.

2.2.1. Modified Definitions

CWA recommended that the proposed Balancing Account, Facilities Fee and Memorandum Account definitions be modified, as set forth in its initial comments. Except for the word “ministerial” in CWA’s proposed change to the Balancing Account definition we adopt CWA’s proposed changes to the Balancing Account, Facilities Fee and Memorandum Account definitions.

CWA also recommends that the proposed Associated Company or Affiliated Company definition be modified. Specifically, CWA recommends that the term “associated company” be changed to “affiliated companies,” a more commonly used term for identifying related companies in the USOAs. We concur with CWA and will change the term Associated Company to Affiliated Companies throughout the USOAs.

CWA further recommends that language incorporated into the Associated Company or Affiliated Company definition and General Accounting Instruction for affiliated company transactions in the USOA from D.12-01-042 should not be adopted because: (1) the proposed language goes beyond accounting definitions and directions; (2) the affiliate company definition is incomplete; (3) the language is already set forth fully and clearly in Commission decisions and rules, water utilities already are fully informed of the requirements with which they must comply; and (4) the language may become obsolete if the affiliated transaction rules are subsequently modified by the Commission.

Given that the term Affiliated Companies has been and will continue to be used in specific accounts¹⁵ it is appropriate to define that term to be consistent with D.12-01-042. We will modify the proposed definition of Affiliated Company to “any entity whose outstanding voting securities are more than 10 percent owned, controlled, directly or indirectly, by a utility, by its parent company, or by any subsidiary of either that exerts substantial operational control.”¹⁶ Parent company is an entity, including a holding company or corporation, that owns, or has substantial operational control of the regulated utility.

We also concur with CWA that the proposed General Accounting Instruction for affiliated company transactions extends beyond an accounting instruction and will not adopt that General Accounting Instruction.

2.2.2. Deleted Definitions

CWA recommended that the five definitions applicable to recycled water activities not be adopted because there is no need for separate accounting for

¹⁵ For example, see Class A water utility Accounts 111 – Investments in Affiliated Companies, 126 – Receivables from Affiliated Companies and 223 – Payables to Affiliated Companies. See also, Class B, C and D water utilities Accounts 123 – Investments in Affiliated Companies, 142 – Receivables from Affiliated Companies and 230 – Payables to Affiliated Companies.

¹⁶ D.12-01-042 (correcting errors in D.11-10-034), dated January 30, 2012, at A - 2.

recycled water. For the reasons addressed in our prior discussion of separate accounting for recycled water activities we concur with CWA to not adopt the proposed Disinfected Secondary – 2.2 Regulated Recycled Water, Disinfected Secondary 23 Recycled Water, Disinfected Tertiary Recycled Water, and Undisinfected Secondary Recycled Water definitions. For the same reasons addressed in the prior separate accounting for recycled water activities we adopt the proposed Recycled Water definition.

The remaining definitions CWA recommends not be adopted are Net Proceeds, Regulatory Assets and Liabilities and Non-Tariffed Products and Services (NTP&S). We concur with CWA and will not adopt the Net Proceeds, Regulatory Assets and Liabilities and NTPS definitions because they are either not being used in the updated USOA or treatment may vary by water utility resulting in inconsistent treatment.

2.2.3. Additional Definition

CWA proposed adding a definition for Connection Fees, which would be applicable to Class A water utilities' districts that serve 2,000 or fewer connections, [or as otherwise authorized by the Commission](#). We shall adopt this unopposed definition.

2.3. General Accounting Instructions

The OIR proposed to update the USOA for Class A water utilities with 10 new instructions, nine of which CWA either opposed or requested modification. CWA recommended that general accounting instructions for Affiliated Company Transactions, Balancing Account, Memorandum Account, Recycled Water and Water Use Violation Fees not be incorporated into the updated USOA.

CWA contends that the proposed accounting instructions for Affiliated Company Transactions, Balancing Accounts and Memorandum Account not be

adopted because they do not provide accounting instructions. In regards to the accounting instructions for Affiliated Company Transactions, we concur with CWA and shall not incorporate those definitions in the updated USOA for Class A water utilities. Contrary to CWA's position on the accounting instruction for Balancing Accounts and Memorandum Account, those instructions do provide general accounting instructions and shall be incorporated into the updated USOA for Class A water utilities.

We reject CWA's recommendation to delete the recycled water instruction for the reasons addressed in our prior discussion of recycled water activities. However, we concur with CWA that the general accounting instruction for water use violation fees should not be adopted because Commission Resolution W-4976 provides for water utilities to record these monies into a memorandum account.

CWA also recommended modifications to instructions for submitting accounting questions, facilities fees and government loan funds. We concur with each of these and shall incorporate them into the updated USOA for Class A water utilities.

Lastly, we reject CWA's recommendation that the words "if Ordered by the Commission" be added to the Water Contamination Proceeds general accounting instruction. Although CWA contends that its proposed language is necessary to reflect that the Commission makes a fact-specific determination as to the disposition of contamination proceeds, D.10-10-018, as modified by D.10-12-058, adopted rules for the accounting of water contamination proceeds, and it specifically requires "all" water contamination proceeds to be recorded.¹⁷

¹⁷ Appendix C of D.10-10-018, dated March 12, 2009 and Appendices A, B, and C of D.10-12-058, dated December 16, 2010.

2.4. Balance Sheets Accounts Instructions

Although the OIR did not propose any updates to the balance sheet accounts instructions, CWA recommended two updates. The first recommended update consisted of minor language change under Section 2 - Current and Accrued Assets. CWA recommended changing the word “amount” with recoverability and the words “reasonably assured” with probable for consistency with generally accepted accounting principles. We concur and shall adopt CWA’s recommended language into Section 2 – Current and Accrued Assets.

CWA’s second recommendation is the addition of federal income taxes to the balance sheet accounts instructions. CWA pointed out in its workshop report comments that both the current USOA and proposed updates to the USOA omitted reference to deferred income taxes. In its workshop report comments, CWA initially recommended that the updated USOA include detailed deferred tax instructions which incorporate three new primary and eight new subaccounts for recording deferred income taxes

Suburban also pointed out in its workshop report reply comments that neither the current or proposed USOA for Class A water utilities has any accounting for deferred income taxes, which has become a fundamental element of utility accounting since 1955. For the Commission’s consideration, Suburban included deferred income tax draft language to be incorporated into the updated USOA. The draft language was based on the National Association of Regulatory Utility Commissioners Uniform System of Accounts for Class A Water Utilities, similar to the deferred tax proposal in CWA’s comments.

CWA modified its deferred income tax proposal in its workshop report reply comments. CWA instead recommended that the Commission modify the USOA simply to provide guidance for reporting deferred taxes. As to recording

deferred income taxes, CWA suggests that the Commission may want to recommend that the utilities use existing accounts, such as Account 146 - Other Deferred Debits, Account 242 - Other Deferred Credits or Account 258 - Other Reserves, for deferred taxes, or it may wish to establish specific subaccounts.

We concur with CWA and Suburban that the updated USOA should include accounting instructions for deferred income taxes, an accounting method that came into existence subsequent to the last Class A USOA update. Such accounting instructions are already incorporated into the current USOA for Class B, C, and D water utilities and have been in use since 1985. Rather than reinventing the wheel, we will adopt the accounting instructions for federal income taxes set forth in the current adopted USOA for Class B, C, and D water utilities [as modified by CWA's comments filed on the proposed decision in this proceeding. We adopt similar language for the Class B, C, and D water utilities' USOA.](#)

Since the USOA for Class B, C, and D water utilities have a different numbering sequence, it will be necessary to establish new accounts for the Class A water utilities. Therefore, four new primary accounts associated with deferred income taxes will be adopted. The adopted deferred income tax accounts shall be Account 147 - Accumulated Deferred Income Taxes, Account 266 - Accumulated Deferred Income Taxes - Accelerated Tax Depreciation, Account 267 - Accumulated Deferred Income Taxes - Other, and Account 268 - Accumulated Deferred Income Tax Credits.

2.5. Primary Accounts

CWA opposed the addition of new accounts on the basis that the proposed level of specificity is generally not necessary or helpful for the utilities or the Commission. It contends that utilities may be required to use different accounts

based on directions in Commission decisions or company practices, which would conflict with the USOA. Further, the addition of new accounts may require utilities to remap their financial systems and general ledgers to the new account numbers in the USOA and require software changes to utilities' general ledger accounting system. CWA concludes that the utilities may have to implement additional changes to their ratemaking systems, work papers, and general reports which could result in significant expenses for the water utilities since these expenses are not currently provided for in rates and are significant additional regulatory burdens for the Commission.

To address CWA's concerns of adding new primary accounts to the USOA for Class A water utilities, recycled water workshop participants were asked for estimates of their costs and time spent on implementing the seven contamination subaccounts ordered by the Commission in 2010, pursuant to D.10-10-018. None of the workshop participants were able to provide any estimates.

Contrary to its stated position on the potential operational and financial impact of adding new accounts to the USOAs, CWA, itself, recommended adding six new primary and six new subaccounts to separately account for deferred income taxes in its comments on the workshop report. CWA subsequently modified its recommended deferred income tax primary and subaccounts to let the Commission either provide guidance for reporting deferred taxes or establish specific subaccounts. CWA was silent of the impact its proposed additional primary and subaccounts would have on the utilities' work papers, general reports and costs.

We are not ignoring CWA's operational and financial concerns of requiring the utilities to add new primary accounts. The purpose of the USOAs is to have the utilities provide financial transparency of their water operations on a

consistent basis. We shall add such primary accounts (and subaccounts) to the USOAs, to the extent that additional primary accounts (and subaccounts) are appropriate to provide that transparency.

The OIR proposed to update the USOA for Class A water utilities with 20 primary accounts. Fifteen of those primary accounts proposed for recycled water activities have been reduced to seven, as addressed in our prior recycled water activities discussion and two primary accounts for regulatory assets and liabilities are not being adopted, as addressed in our definition discussion of regulatory assets and liabilities. The remaining three primary accounts are applicable to owner's equity, surcharge and surcredit. In addition, CWA proposed terminology updates to specific items listed under the utility plant accounts.

Although the OIR also proposed to have water utilities record fines for non-volumetric, non-essential, and unauthorized use infractions in Account 611 – Miscellaneous Service Revenues, we decline to adopt this proposal. This is because, as pointed out by CWA, Commission Resolution W-4976 provides for the utilities to record these monies into a memorandum account.

2.5.1. Owner's Equity

A new owner's equity account, Account 206 – Subchapter S Corporation¹⁸ Accumulated Adjustment Account is proposed for Subchapter S Corporations, a type of corporation which came into existence subsequent to the adoption of the USOAs for water utilities. Subchapter S Corporations use an "Accumulated Adjustment Account" for accounting and tax purpose instead of the traditional paid in capital and retained earnings account used by other corporations.

¹⁸ A Subchapter S Corporation is a corporation created under state law that elects to be treated as a pass-through entity (similar to a sole proprietorship) for tax purposes.

CWA contends that the proposed equity account is unnecessary and should not be adopted because the election to be treated as an S Corporation is strictly for tax purposes and has no bearing or impact on ratemaking. CWA further asserts that an entity that has elected S Corporation status can terminate the election (intentionally or inadvertently) which would result in the entity reverting to a non-S Corporation accounts, resulting in inconsistent reporting.

However, the current USOAs do not designate where a Subchapter S Corporations is to record and track paid in capital and retained earnings. Absent designated accounts for Subchapter S Corporations, such transactions must be comingled into other owner's equity accounts and can result in inconsistent treatment by Subchapter S Corporation water utilities. We shall incorporate Account 206 – Subchapter S Corporation into the updated USOA for Class A water utilities to ensure consistent treatment and disclosure of Subchapter S Corporations owners' equity.

2.5.2. Surcharge and Surcredit

The OIR proposed to add Account 610 – Customer Surcharges and Account 810 – Customer Surcredits for recording customer surcharges and surcredits. CWA opposed the addition of these accounts because many of the water utilities would need to make time-consuming and costly changes to their current accounting systems.

Surcharges and surcredits have become an increasing part of a water utility's operations and as such should be separately identifiable and tracked in the accounting systems for Class A water utilities. While we will include these accounts in the updated USOA for Class A water utilities we will modify the account descriptions to provide for water utilities to record each type of surcharge and surcredit approved by the Commission in the respective account

unless otherwise authorized or directed by the Commission. This is because the Commission has, on occasion, directed surcharges and surcredits to be recorded in balancing accounts.

2.5.3. Terminology Updates

Although CWA originally requested that specific items listed under Class A utility plant accounts should be updated in a workshop environment, it subsequently recommended modest revisions to remove obsolete plant references and add new plant items to reflect current terminology.

ORA filed reply comments on June 17, 2016, opposing only CWA's recommended "Computer Software" costs to be added as an item to Plant Account 372 - Office Furniture and Equipment. ORA asserted that the addition of computer software to Plant Account 372 is problematic because not all computer software is a capital item. Consistent with the American Institute of Certified Public Accountants, ORA contends that in order to capitalize computer software expenditures it must be probable that those expenditures will result in additional functionality. For example, the purchase of a software license that simply extends usage for an additional period of time would more appropriately be expensed in the year of use. The ORA recommended that CWA's suggested term "Computer Software" be replaced with a less encompassing term "Certain Computer Software."

ORA also recommended that Certain Computer Software expenditures be recorded in Plant Account 303 - Other Intangible Plant instead of CWA's suggested Plant Account 372. This is because it aligns with the USOA's description of Account 303, which provides for the inclusion of the costs of patent rights, licenses, privileges and other intangible property necessary or valuable in

the conduct of the utility's water operations and (unlike Account 372) would not be subjected to ad valorem tax.

As addressed in its subsequent July 29, 2016 comments on workshop report and related issues, CWA believes that ORA's suggested computer software changes are not necessary. CWA also believes that these exceptions to the USOA could be addressed in individual rate cases, to the extent that specialized accounting treatment is justified in certain instances.

We concur with ORA that not all computer software expenditures should be capitalized and that in order to capitalize computer software expenditures it must be probable that those expenditures will result in additional functionality. Hence, we shall modify CWA's recommendation.

A comparison of allowable expenditures to be included in Class A Account 372 - Office Furniture and Equipment¹⁹ and Account 303 - Other Intangible Plant²⁰ substantiates that Account 303 - Other Intangible Plant is the appropriate account to record capitalized computer software. CWA's recommended plant item updates set forth in its June 3, 2016 additional comments as modified by ORA's computer software proposal is adopted and incorporated into the USOA for Class A water utilities.

As requested by CWA in its April 8, 2016 comments, we also modify Item D of Utility Plant Accounts Instruction #10 - Structures and Improvements language to clarify that structures and improvements cost is not limited to the listed items.

¹⁹ Cost of office furniture and equipment owned by the utility and devoted to water service.

²⁰ Cost of intangible property necessary or valuable in the conduct of the utility's water operations.

2.6. Subaccounts

CWA, consistent with its opposition of adding new primary accounts that may require substantial operational and financial efforts to implement and maintain, opposes the addition of new subaccounts on the basis that the proposed level of specificity is generally not necessary or helpful for the utilities or Commission. We are well aware of CWA's operational and financial concerns and take them into consideration in requiring only new subaccounts that are needed for the utilities to provide financial transparency of their water operations on a consistent basis.

The OIR proposed to update the USOA for Class A water utilities with 27 subaccounts. Eight subaccounts were proposed for Account 265 – Contributions in Aid of Construction, 10 applicable to recycled water activities, five to deferred accounts, and four applicable to water service revenues. Of these 27 proposed subaccounts, CWA recommended all but six for Account 265 – Contributions in Aid of Construction Subaccounts established by D.10-10-018 not be adopted. The 10 subaccounts associated with recycled water activities shall not be incorporated into the updated USOA for Class A water utilities for the reasons discussed in our prior discussion of separate accounting for recycled water activities.

2.6.1. Contributions in Aid of Construction

CWA contends that two of the eight proposed contributions in aid of construction subaccounts, subaccounts 265.7 and 265.8, are not needed and should be deleted, absent a generally applicable Commission decision. As to Subaccount 265.7 we concur with CWA and shall withdraw that proposed update. However, absent the inclusion of an "Other - Contributions in Aid of Construction" Subaccount, the total of all Contributions in Aid of Construction Subaccounts will not equal the amount recorded in the primary Account 265 –

Contributions in Aid of Construction Account. This is because current existing contributions provided by developers applicable to the construction of new track homes that are not associated with grant funding or contamination proceeds are excluded from all existing subaccounts. This also leaves a void for the utilities to record future contributions not associated with government grants and contamination proceeds by individuals and contractors. It is appropriate to include an “Other” Contributions in Aid of Construction Subaccount. Having deleted the above identified Subaccount 265.7 the Other - Contributions in Aid of Construction Subaccount shall be identified as Subaccount 265.7.

CWA recommended that the words “if Ordered by the Commission” be added to Subaccount 265.3 Damage Award Contamination Proceeds to reflect that the Commission needs to make a fact-specific determination as to the disposition of contamination proceed. However, a review of the adopted rules for the accounting of water contamination proceeds specifically requires “all” water contamination proceeds to be recorded in Subaccount 265.3 – Damage Award Contamination Proceeds.²¹ The existing Subaccount 265.3 language was established by D.10-10-013 after extensive hearings and should be included in the updated USOA absent a Commission decision modifying D.10-10-013.

2.6.2. Deferred Accounts

CWA recommended that the three proposed subaccounts for Account 146 – Other Deferred Debits and two for Account 242 – Other Deferred Credits Accounts not be adopted absent a need for the proposed level of specificity.

We acknowledge that the USOA already requires the utilities to maintain complete information for each item in the Other Deferred Debits and Other Deferred Credits Accounts. As long as the utilities continue to maintain such

²¹ Appendix C of D.10-10-018, dated March 12, 2009.

complete information, it is not necessary to require an additional level of detailed support. The proposed subaccounts for the Other Deferred Debits and Deferred Credits Accounts are not necessary at this time and shall not be adopted.

2.6.3. Water Service Revenues

The OIR proposed to update the USOA for Class A water utilities with two metered sales (Account 601 series) and two unmetered sales subaccounts (Account 602 series) to separately account for residential sales from commercial sales and to establish subaccounts to separately record residential low income discounts. Subaccounts 601.1 and 602.2, currently identified as commercial sales, would be split into separate subaccounts to separately record residential sales from commercial sales. Residential low income discounts would be recorded in a subcategory of metered sales subaccount 601.1 and subcategory of unmetered sales subaccount 602.1. Metered and unmetered sales subaccounts would be renumbered as follows to include the separation of residential and commercial sales and inclusion of low income discounts.

Account 601 -Metered Sales	Account 602 - Unmetered Sales
601-1.1 Residential Sales	602-1.1 Residential Sales
601-1.2 Residential Low Income Discount (Debit)	602-1.2 Residential Low Income Discount (Debit)
601-2 Commercial Sales	602-2 Commercial Sales
601-3 Industrial Sales	602-3 Industrial Sales
601-4 Sales to Public Authorities	602-4 Sales to Public Authorities

There was no opposition to separating residential sales from commercial sales. However, CWA opposed separate accounting for low income sales on the basis that it is not possible to track these categories of sales separately with the current water utilities accounting systems.

However, Class A water utilities do track the costs of their low income programs and authorized surcharges in memorandum accounts to be trued up at their next general rate case proceeding, as stated in D.06-11-053 re: California American Water Service Company, D.05-05-015 re: San Gabriel Valley Water Company and D.06-11-051 re: Valencia Water Company.

Currently, there is no required consistent recording of the low income discounts.

With the Commission's intent to develop standardized low income tariff discounts, as identified in the Commission's 2010 Water Action Plan, the addition of a specific subaccount to record low income discounts is appropriate to providing consistent financial transparency among the Class A water utilities.

Updated subaccounts that separate metered and unmetered residential sales from commercial sales shall be adopted, resulting in a renumbering of the respective subaccounts for commercial sales, industrial sales and sales to public authorities. Metered and unmetered residential low income discount subaccounts 601-1.2 and Account 602-1.2 shall be incorporated into the updated USOA for Class A water utilities to record low income discounts unless authorized or directed otherwise by the Commission.

3. Class B, C, and D USOA

The proposed updates and related comments to the USOA for Class B, C, and D water utilities fall under five categories within that USOA. They are: definitions, general accounting instructions, primary accounts, subaccounts and account number reclassifications. In addition to the proposed USOA updates for Class B, C, and D water utilities attached to the OIR, CWA commented on seventeen (17) of the proposed updates.²²

²² CWA's April 8, 2016 filed comments, Attachment B.

3.1. Definitions

The OIR proposed seven new definitions to be added to the USOA for Class B, C, and D water utilities. They were Affiliate Company and Associated Company, Balancing Account, Facilities Fee, Memorandum Account, NTP&S, Safe Drinking Water Bond Act (SDWBA), and User Fee.

The Facilities Fee, NTP&S, SDWBA and User Fee proposed definitions were unopposed and are adopted. The proposed Affiliated Company and Associated Company definition, which CWA recommended not be adopted, is modified to the extent addressed in our prior Class A definitions discussion. We also adopt CWA's recommended changes to the proposed Memorandum Account definition.

While we concur with CWA's intent to clarify the Balancing Account definition, we decline to limit the disposition of any balances to ministerial reviews, as proposed by CWA. Review of the balances should be determined on a case by case basis. Therefore, CWA's Balancing Account definition modified to exclude its proposed ministerial reviews is reasonable and adopted.

3.2. General Accounting Instructions

The OIR proposed updating accounting instructions for Contributions in Aid of Construction and to include instructions for Affiliated Company Transactions, Facilities Fees, Local and Federal Grant, Water Contamination Proceeds, Memorandum Account and Balancing Account activities.

CWA recommended that five of the seven proposed updates not be adopted because they do not provide accounting instructions and recommended changes to the Safe Drinking Water Bond Act instruction.

The proposed accounting instructions for Facilities Fees, State and Federal Grant Funds,²³ and Water Contamination Proceeds are unopposed and shall be adopted in the updated USOA for Class B, C, and D water utilities.

3.2.1. Contributions in Aid of Construction

CWA recommends that the proposed Contributions in Aid of Construction accounting instruction requiring non-refundable contributions be treated as a reduction to rate base not be adopted. This is because such contributions were never put into rate base and the USOA is designed to set out financial facts of a utility's operations, not for fixing rates. Hence, we concur with CWA that the reference to rate base treatment should not be adopted in the updated USOA.

3.2.2. SDWBA

In its April 8, 2016 comments, CWA provided a conflicting recommendation on accounting for SDWBA proceeds. It recommended some specific modifications to the SDWBA general accounting instruction to reflect "current practice"²⁴ while also recommending that sample SDWBA accounting entries attached to the proposed USOA for Class B, C, and D be analyzed and updated as part of the workshop process. Because of this conflicting recommendation, the ALJ requested that interested parties comment on the SDWBA sample accounting entries, along with sample income tax entries.²⁵ We did not receive any comments or reply comments on the sample SDWBA accounting entries. Absent any proposal to change the sample SDWBA accounting entries or explanation why the current practice of accounting for

²³ State and Federal Grant Funds is identified as Local and Federal Grant Funds in the OIR.

²⁴ Since the SDWBA sample accounting instructions adopted in D.85-04-076, dated April 17, 1985, have not been modified by any Commission decision, the current SDWBA accounting practice should be consistent with that decision.

²⁵ May 13, 2016 ALJ ruling authorizing the filing of additional comments and setting a workshop date to address separate accounting for recycled water activities.

SDWBA proceeds differs from the authorized accounting practice, we decline to make any changes to the SDWBA general accounting instructions or sample accounting instructions.

3.2.3. Other

Similar to CWA's recommendations in the USOA for Class A water utilities, CWA recommended that the Affiliated Company Transactions, Balancing Accounts and Memorandum Account proposed instructions not be adopted because they do not provide accounting instructions. In regards to the Affiliated Company Transactions and Memorandum Accounts instructions, we concur with CWA and shall not incorporate those definitions in the updated USOA for Class B, C, and D water utilities. However, the Balancing Accounts accounting instruction does provide general accounting instructions and shall be incorporated into the updated USOA for Class B, C, and D water utilities.

3.3. Primary Accounts

The OIR proposed that four new primary accounts be added to the USOA for Class B, C, and D water utilities, three of which are applicable to affiliate activities and one to owner's equity.

3.3.1. Affiliated Activities

The three new primary balance sheet accounts are: Account 123 – Investments in Associated Companies, Account 142 – Receivables from Associated Companies and Account 230 – Payables to Associated Companies. Although there were no objections to the addition of these accounts, CWA recommended that the Associated Companies titles of these accounts be changed to the more commonly used term “Affiliated Companies.” We concur with CWA and adopt CWA's recommended Affiliated Companies changes.

3.3.2. Owner's Equity

CWA recommendation to not adopt the OIR's proposal to update the owner's equity section of the balance sheet with Account 206 – Subchapter S Corporation Accumulated Adjustment Account is rejected for the reasons set forth in our Class A primary accounts discussion of Account 206 – Subchapter S Corporation Accumulated Adjustment Account.

3.3.3. Account 282 - Accumulated Deferred Income Taxes

CWA suggested changing the acronym "ACRS" identified in the Accumulated Deferred Income Taxes description with "Accelerated Tax Depreciation" to avoid specific references that may become obsolete. CWA's suggested change is reasonable and should be incorporated into the updated USOA for Class B, C, and D water utilities.

3.3.4. Account 688 – Regulatory Commission Expense

CWA recommended that the expense account "Regulatory Commission Expense" be renamed "Regulatory Compliance Expense," and that alternative language be incorporated to provide for recording costs associated with regulatory matters other than formal cases. Its proposed change is based on the fact that many of the small utilities' regulatory matters such as advice letters are not formal cases. CWA's Regulatory Commission Expense Account recommended changes are appropriate and shall be incorporated into the updated USOA for Class B, C, and D water utilities.

3.4. Subaccounts

The OIR proposed adding subaccounts to Account 265 – Contributions in Aid of Construction (Contributions), Account 460 – Unmetered Water Revenue and Account 470 – Metered Water Revenue.

3.4.1. Modifications

Except for subaccounts 265.7 and 265.8, the proposed contributions' subaccounts are consistent with the subaccounts set forth in Commission D.10-10-018 and D.10-12-058, which established specific subaccounts for the treatment of contamination proceeds and government loans and damage awards. Consistent with those decisions, subaccounts 265.1 through 265.6 set forth in the OIR shall be incorporated into the updated USOA for Class B, C, and D water utilities. Subaccount 265.7 - Transfers from Non-Refundable Customers Deposits shall not be adopted and Subaccount 265-8 - All Other Contributions in Aid of Construction shall be renumbered as 265.7, for the reasons set forth in our prior Class A subaccounts discussion.

In recognition that the Commission has previously directed water utilities on how to record surcharges, we shall modify Account 460 – Unmetered Water Revenue and Account 470 – Metered Water Revenue subaccount descriptions to provide that separate subaccounts shall be maintained for each type of surcharge approved by the Commission unless otherwise authorized or directed by the Commission.

3.4.2. CWA Request

CWA recommended adding a new subaccount in the USOA for the Class B, C, and D water utilities to record water quality and testing work, as Subaccount 650.1 to the non-volume related expense Account 650 – Contract Work. According to CWA, several utilities already follow this practice.

There is no opposition to incorporating this subaccount into the updated USOA for Class B, C, and D water utilities. Therefore, Subaccount 650.1 – Water Quality and Testing Work should be incorporated into the updated USOA for Class B, C, and D water utilities. With the addition of this subaccount, an additional subaccount is needed to record all non-water quality and testing work chargeable to Account 650 - Contract Work. Therefore, Subaccount 650.2 – Other shall be included in the updated USOA for Class B, C, and D water utilities

3.5. Account Renumbering

The OIR identified several primary and subaccounts that needed their account and subaccount numbers changed due to either typographical (typo) errors in the current USOA for Class B, C, and D water utilities or to place in numeric sequence. There was no opposition to the account number reclassifications. Hence, the following account renumbering shall be included in the updated USOA for Class B, C, and D water utilities:

- Account 233 – Customer Deposits from Account 235 (typo)
- Account 265 – Contributions in Aid of Construction from Account 271
- Account 460 Subaccounts – Renumbered in Numeric Sequence
- Subaccount 462.1 – Public Fire Protection from Subaccount 465.1 (typo)
- Subaccount 462.2 – Private Fire Protection from Subaccount 465.2 (typo)
- Account 470 Subaccounts – Renumbered in Number Sequence

4. Conclusion

The USOAs should be updated as set forth in this decision. The Commission's Water Division, or its successor division, shall assess the need to propose updates to the USOAs for Commission consideration on a five-year cycle beginning 2022.

4.1. Class A Adopted Updates

Adopted updates to the USOA for Class A water utilities include the following, as detailed in Appendix A to this decision.

a. Definitions

Affiliate Company	Facilities Fees
Balancing Account	Memorandum Account
Connection Fees	Recycled Water

b. General Accounting Instructions

Classification of Utilities	Water Contamination Proceeds
Facilities Fees	Memorandum Account
State and Federal Grant Funds	Balancing Account
Government Loan Funds	Recycled Water

c. Balance Sheet Accounts Instruction

Federal Income Taxes

d. Primary Accounts

Seven Recycled Water Accounts
 Four Deferred Tax Accounts
 One Subchapter S Corporation Account
 Two accounts for Surcharge and Surcredit transaction

e. Subaccounts

Account 265 Subaccounts
 Two Low Income Discount Subaccounts

4.2. Class B, C, And D Adopted Updates

Adopted updates to the USOA for Class B, C, and D water utilities include the following, as detailed in Appendix B to this decision.

a. Definitions

Affiliated Companies	Memorandum Account
Balancing Account	User Fee
Facilities Fee	Connection Fee

b. General Accounting Instructions

Facilities Fees	Water Contamination Proceeds
State and Federal Grant	Balancing Accounts
Government Loan Funds	

c. Primary Accounts

Four Affiliated Companies Accounts

One Subchapter S Corp. Account

d. Subaccounts Added

Account 265 Subaccounts

Two subaccounts for Surcharge and Surcredit transactions unless otherwise authorized or directed by the Commission

Two Contract Work Subaccounts

e. Account Renumbering

Two primary accounts

Four Subaccounts

4.3. Implementation Dates

The updated USOA for Class A water utilities, attached to this decision as Appendix A, shall become effective no later than January 1, 2018. However, earlier adoption is encouraged. The updated USOA, for Class B, C, and D water utilities, attached to this decision as Appendix B, shall become effective on January 1, 2018.

The Commission's Division of Water and Audits, or its successor division, shall assess the need to propose updates to the Uniform Systems of Accounts for Commission consideration on a five year cycle beginning 2022. [As part of its periodic assessment of the need for changes to the USOAs, the Division of Water and Audits shall seek input from the regulated water utilities and provide an opportunity for interested parties to comment on any proposed changes to the USOAs.](#)

5. Procedural Matters

This decision shall be served on all water utilities under the jurisdiction of the Commission.

6. Comments on Proposed Decision

The proposed decision of the ALJ in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure.

Comments were filed on October 27, 2016 by CWA. Reply comments were filed on November 1, 2016 by ORA. These comments resulted in modification of accounting for income taxes as proposed by CWA in its comments to the proposed decision, clarification of future updates to the USOAs, and correction of typographical errors.

7. Assignment of Proceeding

Michel Peter Florio is the assigned Commissioner and John A. Mikita is the assigned ALJ in this proceeding.

Findings of Fact

1. Class A, B, C, and D water utilities are named respondents.
2. Almost 60 years (since 1958) have passed since the USOA for Class A water utilities has been updated and more than 30 years (since 1985) have passed since the USOA for Class B, C, and D water utilities has been updated.
3. The Commission's 2010 Water Action Plan listed a need to update the USOAs as an Industry Standards regulatory best practice action item.
4. The purpose of the USOAs is to have the water utilities provide financial transparency of their water operations on a consistent basis.
5. Proposed updates to the USOA for Class A and for Class B, C, and D water utilities were attached to the OIR as Appendix A and B, respectively.
6. Class A water utilities do not provide consistent reporting of recycled water activities.
7. The State Water Resources Control Board has called for a significant increase in the use of recycled water and storm water.
8. The Commission identified recycled water as an important water resource to reduce the need for potable water and increase available potable water supplies.

9. The general account instruction for contamination proceeds is applicable to all contamination proceeds.

10. The current and proposed USOA for Class A water utilities does not provide for the accounting of deferred taxes, which has become a fundamental element of utility accounting since 1955.

11. Subchapter S Corporations use an Accumulated Adjustment Account for accounting and tax purposes instead of the traditional paid in capital and retained earnings account used by other corporations.

12. Surcharges and surcredits have become an increasing part of a water utility's operations.

13. Class A Plant Account 303 includes the costs of patent rights, licenses, privileges and other intangible property such as computer software.

14. Not all computer software is capitalized.

15. Official notice is taken of Internal Revenue Service Publication 334 pursuant to California Evidence Code § 452 (c).

16. The Commission intends to develop standardized low income tariff discounts.

Conclusions of Law

1. It is necessary and desirable for the Commission to update and expand its Uniform Systems of Accounts for Class A and for Class B, C, and D water utilities in the exercise of its regulatory function.

2. Separate accounting for Class A recycled water activities should be adopted.

3. CWA's recommended Class A plant terminology item updates modified by ORA's computer software proposal is reasonable and should be incorporated into the USOA for Class A water utilities.

4. The updated USOA for Class A water utilities should include accounting instructions and primary accounts for deferred income taxes.
5. Account 206 – Subchapter S Corporation should be incorporated into the updated USOAs to ensure consistent treatment and disclosure of Subchapter S Corporation owners' equity.
6. Low income discount subaccounts should be established to track low income discounts on a consistent basis.
7. The Commission should adopt the revised USOAs attached in Appendices A and B and should be effective January 1, 2018.

O R D E R

IT IS ORDERED that:

1. The Uniform System of Accounts prescribed by this Commission for Class A water utilities is updated as set forth in Appendix A to this decision and shall become effective no later than January 1, 2018. To the extent that Class A water utilities are able to implement the updates prior to January 1, 2018 earlier adoption is encouraged.
2. The Uniform System of Accounts prescribed by this Commission for Class B, C, and D water utilities is updated as set forth in Appendix B to this decision and shall become effective January 1, 2018.
3. The Uniform Systems of Accounts being adopted by this decision shall be utilized by the Class A and Class B, C, and D water utilities unless otherwise authorized or directed by the Commission.
4. Upon the effective date of the Uniform Systems of Accounts adopted and prescribed by this decision, Class A and Class B, C, and D water utilities are

relieved from keeping the Uniform System of Accounts presently prescribed for said utilities.

5. The adoption of the Uniform Systems of Accounts for Class A and for Class B, C, and D water utilities shall not be construed as binding this Commission to approve or to accept any item set out in any account for the purpose of fixing rates or of determining other matters which may come before this Commission.

6. The Commission's Division of Water and Audits, or its successor division, shall assess the need to propose updates to the Uniform Systems of Accounts for Commission consideration on a five year cycle beginning 2022. This assessment shall include input from the regulated water utilities and an opportunity for interested parties to comment on any proposed changes to the USOAs.

7. The Commission's Executive Director shall serve a copy of this decision via electronic mail to all Class A, B, and C water utilities.

8. The Commission's Executive Director's Office shall serve a copy of this decision via electronic mail to all Class D water utilities that have an electronic mail address on file with the Commission.

9. The Commission's Executive Director's office shall serve hard copies of this decision to those Class D water utilities which do not have an electronic mail address on file with the Commission.

10. Rulemaking 15-11-014 is closed.

This order is effective today.

Dated _____, at San Francisco, California.

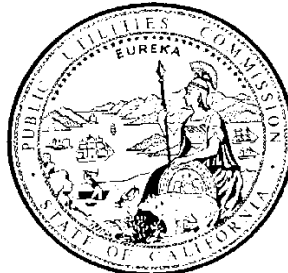
UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES

APPENDIX A

**Uniform System of Accounts
for
Class A Water Utilities**

prescribed by the

**PUBLIC UTILITIES COMMISSION
OF
THE STATE OF CALIFORNIA**



UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES

Effective January 1,
2018

**PUBLIC UTILITIES COMMISSION
OF THE
STATE OF CALIFORNIA**

Michael Picker, *President*Commissioner
Mike FlorioCommissioner
Carla J. PetermanCommissioner
Catherine J.K. SandovalCommissioner
Liane M. RandolphCommissioner

Timothy J. Sullivan, *Executive Director*

California State Building
505 Van Ness Avenue
San Francisco, CA 94102

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES***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 as modified by Decision No. 57578, dated November 10, 1958 and Decision No. ____, dated ____, ____ adopted and prescribed, effective January 1, 2018, 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 therefore 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 Timothy J. Sullivan
Executive Director

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES

***CLASS A WATER UTILITIES
SUMMARY OF CHANGES TO
THE UNIFORM SYSTEM OF ACCOUNTS***

DEFINITIONS ADDED

Affiliate Company.....	Facilities Fees
Balancing Account.....	Memorandum Account
Connection Fees.....	Recycled Water

GENERAL ACCOUNTING INSTRUCTIONS ADDED

Classification of Utilities.....	Water Contamination Proceeds
Facilities Fees.....	Memorandum Account
State and Federal Grant Funds.....	Balancing Account
Government Loan Funds.....	Recycled Water

BALANCE SHEET ACCOUNTS INSTRUCTIONS ADDED

Federal Income Taxes

PRIMARY ACCOUNTS ADDED

Account 101 – Recycled Water Utility Plant

Account 147 – Accumulated Deferred Income Taxes

Account 206 – Subchapter S Corporation Accumulated Adjustments

Account 259 – Reserve for Depreciation and Amortization of Recycled Water
Utility Plant

Account 303 – Other Intangible Plant Includes Certain Computer Software

Account 393 - Recycled Water Intangible Plant

Account 394 - Recycled Water Land and Land Rights

Account 395 - Recycled Water Depreciable Plant

Account 266 – Accumulated Deferred Income Taxes – Accelerated Tax
Depreciation

Account 267 – Accumulated Deferred Income Taxes - Other

Account 268 – Accumulated Deferred Investment Tax Credits

Account 610 – Customer Surcharges

Account 615 - Recycled Water Revenues

Account 786 - Recycled Water Operation and Maintenance Expenses

Account 810 - Customer Surcredits

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES

SUBACCOUNTS ADDED

Account 265 - Subaccounts

Account 601 - Low Income Discount Subaccount

Account 602 - Low Income Discount Subaccount

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES**TABLE OF CONTENTS**

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UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES**8. 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. "Affiliated Companies" means any entity whose outstanding voting securities are more than 10 percent owned, controlled, directly or indirectly, by a utility, by its parent company, or by any subsidiary of either that exerts substantial operational control.
5. "Amortization" means the gradual extinguishments 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.
6. "Balancing Account" is a deferred debit or deferred credit account carried on the utility's books established to track specific costs and/or revenues previously authorized for recovery by the Commission. Disposition of the balance is subject to review of the calculations in accordance with the decision or resolution that established the account.
7. "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.
8. "Buildings." (See Utility Plant Instruction 10)
9. "Commission" means the Public Utilities Commission of the State of California.
10. "Connection Fee" is an amount accepted from individual customers covering actual costs to the utility of installing new connections. This fee is applicable to Class A Water Utilities' Districts that serve 2,000 or fewer connections and to Class B, C and D Water utilities, or as otherwise authorized by the Commission.
11. "Construction cost, components of." (See Utility Plant Instruction 5)

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12. "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)

13. "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.

14. "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 funds; 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.

15. "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.

16. "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.

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

18. "Facilities fee" is an amount representing a proportion of the cost of added production facilities, including storage and distribution facilities that will be required because of a new service connection. This fee is applicable to Class A Water Utilities' District that serve 2,000 or fewer connections and to Class B, C and D Water Utilities, or as otherwise approved by the Commission.

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

20. "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.

21. "Land and land rights." (See Utility Plant Instruction 9)

22. "Memorandum Account" (Memo Account) is an accounting device that, after approval by the Commission or upon statutory notice, may be used by a utility to track various revenues it accrues and expenses it incurs, including, but not limited to, capital costs and associated interest. The utility may later seek

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authorization from the Commission for disposition of the tracked amounts through rates.

23. "Minor items of property" means the associated parts or items of which units if property is composed.

24 "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.

25. "Net salvage value" means the salvage value of property retired less the cost of removal. (See definition 33, "Salvage value," and balance sheet Account 131-1, paragraph D.)

26. "Normally 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.

27. "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.

28. "Parent Company" is an entity, including a holding company or corporation, that owns, or has substantial operational control of the regulated utility.

29. "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.

30. "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.

31. "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.

32. "Recycled Water" means water which, as a result of treatment of wastes, is suitable for direct beneficial use such as landscape irrigation and industrial operations.

33. "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.

34. "Salvage value" means the amount received for property retired, less any expenses incurred in connection with the sale or in preparing the property for

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sale; or, if retained, the amount at which the material recoverable is chargeable to Account 131, Materials and Supplies, or other appropriate account.

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

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

37. "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.

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

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES**GENERAL ACCOUNTING INSTRUCTIONS****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 more than 10,000 service connections.
- II. Class B: Utilities having between 2,000 service connections and 10,000 service connections.
- III. Class C: Utilities having between 500 service connections and 2,000 service connections.
- IV. Class D: Utilities having less than 500 service connections.

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

C. Class A utilities shall keep all the accounts prescribed herein so far as they may be applicable to their affairs.

D. A separate uniform system of accounts is prescribed for use by Class B, C, and 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 hereof 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.

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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 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 on doubtful interpretation to the Commission's Water Division Director or its successor division for consideration and response.

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 items 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

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accounts. The utility is not required to anticipate minor items which would not appreciably affect the accounts.

8. Transactions with Affiliated 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 affiliated companies. The statement may be required to show the general nature of the transactions, the amount involved therein and the amounts included in each account prescribed herein with respect to such transaction. Transactions with affiliated companies shall be recorded in the appropriate accounts for transactions of the same nature, provided, however, that charges by affiliated companies shall first be entered, if necessary, in Account 901, Charges by Affiliated Companies–Clearing. Nothing herein contained, however, shall be construed as restraining the utility from subdividing accounts for the purpose of recording separately transactions with affiliated 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 510, Rent for Lease of Utility Plant.

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 a utility also operates other utility departments such as electric, gas, steam heat, electric railway,

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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.

12. Facilities Fees

A. Facilities fees are available for Class A water utility districts that serve less than 2,000 service connections or as otherwise approved by the Commission.

B. Eligible utilities may file an advice letter to institute a facilities fee schedule.

C. When facilities fees are received by a water utility, the amount received shall be deposited in subaccount 121-3 Miscellaneous Special Deposits and credited to Account 242 Other Deferred Credits. Interest earned on these fees shall be debited to subaccount 121-1 Interest Special Deposits and credited to subaccount 524-2 Other Interest Revenues.

D. At the time these fees are used for water plant improvements, Account 100 – Water Plant in Service shall be debited and subaccount 121-3 Miscellaneous Special Deposits credited. Concurrently, Account 242 Other Deferred Credits shall be debited and subaccount 265-7 Contributions in Aid of Construction credited.

E. The annual depreciation and amortization of the facilities fees plant additions shall be debited to subaccount 265-7 and credited to subaccount 250-1 Reserve for Depreciation of Utility Plant in Service.

13. State and Federal Grant Funds

A. When Grant Funds are received from a funding agency; the utility must place these funds in a separate account that is restricted to Grant Funds only. The funds

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shall be recorded as a debit to subaccount 121-3 Miscellaneous Special Deposits and a credit to subaccount 265-1 Contributions in Aid of Construction – Government Grant and Government Grant Contamination Proceeds. As the grant-funded plant is being constructed, the utility shall record those dollars expended as a debit to Account 100-3 Construction Work in Progress – Grant Funds and a credit to subaccount 121-3 Miscellaneous Special Deposits. When the authorized plant has been constructed, a second set of entries shall be recorded as a debit to subaccount 100-1 Utility Plant in Service – Grant Funds and a credit to subaccount 100-3 Construction Work in Progress – Grant Funds.

B. Depreciation accrued on the depreciable portion of grant funded properties shall be charged to subaccount 265-1 Contributions in Aid of Construction – Government Grant and Government Grant Contamination Proceeds instead of Account 503 – Depreciation Expense and credited to Account 250-1 Reserve for Depreciation of Utility Plant in Service – Grant Funds.

C. At the time of retirement of un-depreciable property, which was acquired by Grant Funds, the costs thereof shall be credited to the appropriate plant account and charged to subaccount 265.1 Contributions in Aid of Construction – Government Grant and Government Grant Contamination Proceeds in order to eliminate any credit balance in the grant fund account applicable thereto.

14. Government Loan Funds

All government loan funds shall be repaid through surcharges similar to the accounting method used by the Commission for loans from the Safe Drinking Water Act.

15. Water Contamination Proceeds

A. This accounting instruction applies to all transactions involving contamination proceeds from damage awards, settlements, government order, or insurance proceeds.

B. Water Contamination proceeds shall be debited to subaccount 121-3 Miscellaneous Special Deposits and credited to Account 242 Other Deferred Credits. When the proceeds are used for construction, the appropriate subaccount 100-3 Construction Work in Progress shall be debited and subaccount 121-3 Miscellaneous Special Deposits credited.

C. At the time plant is placed in service, the appropriate plant in service accounts (Accounts 301-390) are debited and appropriate subaccount of Account 100-3 is credited. Concurrent with the recording of plant in service, Account 242 Other Deferred Credits is debited and the appropriate subaccount of Account 265 Contributions in Aid of Construction is credited.

D. Depreciation accrued on the depreciable portion of plant funded with contamination proceeds shall be charged to the appropriate subaccount of Account 265 Contributions in Aid of Construction instead of Account 503 Depreciation Expense and credited to an appropriate subaccount of Account 250 Reserve for Depreciation of Utility Plant.

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E. At the time of retirement of un-depreciable property, which was acquired by contamination proceeds, the costs thereof shall be credited to the appropriate plant account and charged to appropriate subaccount of Account 265 Contributions in Aid of Construction in order to eliminate ant credit balance in the grant fund account applicable thereto.

16. Memorandum (Memo) Account

A. A memo account approved by the Commission or upon statutory notice, may be used by a utility to track specific expenses it incurs and recorded in its accounting books or specific revenues it receives and recorded in its accounting books. The utility may later seek authorization from the Commission to recover the recorded amounts by passing the costs on to consumers in rates or reimburse revenues to consumers in rates.

B. The establishment of a memo account does not guarantee that the utility will recoup or be reimbursed the tracked amount, but a utility is precluded from recovering amounts not booked to a memo account. Memo accounts allow the Commission to consider recovery of utility expense and reimbursement of revenues that have occurred in the past without incurring retroactive ratemaking.²⁶¹ A separate memo account shall be established and tracked by the utility for each specific purpose approved by the Commission, and authorized statutory notice.

17. Balancing Account

A. Balancing accounts are established only upon Commission authority and are generally recorded on a utility's accounting books as either an Other Deferred Debits (Account 146) or Other Deferred Credits (Account 242). The primary purpose of balancing accounts is to ensure that a utility recovers its authorized revenue requirement from ratepayers for a given program or function, but no more or less. A one-way balancing account ensures that if a utility spends less on a particular program than the amount authorized, it credits the remaining budgeted amount back to ratepayers. Two-way balancing accounts authorize a utility to collect more or less than the authorized revenue requirement for a given program depending on actual costs, and are intended to ensure that the utility does not make or lose money due to uncertainties in the scope of work. The net balance in a balancing account is typically recovered from or refunded to ratepayers on an annual basis, but in some cases, the amortization of the balance may be more frequent.

18. Recycled Water

A separate distribution system is needed for the conveyance of recycled water. Hence, all recycled water investments and costs shall be recorded separate from all

²⁶¹ The retroactive ratemaking doctrine prohibits the Commission from authorizing or requiring a utility to adjust current rates to make up for past errors in projections.

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portable water utility investment and costs. Recycled water utility plant investments not funded by the utility or paid for by low-interest public loans or grants shall be treated as contributed plant. Recycled water utility plant paid for by ratepayer contributions through surcharges shall be recorded using the same method that is used for recording Safe Drinking Water Bond Loan Act surcharges as set forth in the Commission's Uniform System of Accounts for Class B, C and D Water utilities. The following accounts for recycled water services are established:

Account 101 - Recycled Water Utility Plant

Account 259 - Reserve for Recycled Water Depreciation and Amortization

Account 615 - Recycled Water Revenues

Account 786 - Recycled Water ~~Expenses~~ [Operating and Maintenance Expense](#)

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES**BALANCE SHEET ACCOUNTS****Instructions****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 recoverability or collectability of which is not probable. 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 the 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

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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 accounts 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 therefore upon re-acquirement by the utility plus expenses incurred in the 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.

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES**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 written 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 a long term debt and when a transaction is not in connection with a refunding operation, the difference between the amount paid upon re-acquirement 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 re-acquirement 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.

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES**7. Contingent Assets and Liabilities**

A. 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.

9. Federal Income Taxes**Inter-Period Tax Allocations**

~~The Federal Economic Recovery Tax Act of 1981 (ERTA) provides that a utility claiming accelerated tax depreciation must use a normalized method of accounting for federal income taxes on its books of account and for ratemaking purposes. A utility must use the same depreciation method and lives in computing federal income tax expense when establishing cost of service for ratemaking purposes as is used in its books of account. Similarly, in order to claim investment tax credits, a utility must defer the entire balance of investment tax credits on its books of account, and amortize the balance over the book life of the related property.~~ treatment and recording of income taxes has an extensive history of development, leading to its present state for California rate-regulated enterprises. Water utilities are directed to look to CPUC decisions that provide guidance regarding income taxes for utilities in general and to decisions that may be applicable to specific utilities for purposes of the appropriate recording of income taxes in the accounts set forth in the USOA for income taxes. General instructions as to the recording of taxes in the accounts applicable for various components of income taxes are provided herewith.

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES

Accounting

A. The utility will initially charge Account 507 - Taxes and credit Account 228 - Taxes Accrued to record its estimated ~~federal income tax expense based on tax basis straight line method depreciation~~ current tax provision. A utility may, at its discretion, and if applicable, subdivide Account 507 to identify the ~~deferred components of income tax expense, e.g. Account 507.1—Deferred Federal Corporate Income Tax Expense—Accelerated Cost Recovery System; and Account 507.2—Deferred Federal Corporate Income Tax Expense—Investment Tax Credit~~ component from the Investment Tax Credit (507.2) (see Instruction G below).

B. ~~To record the tax deferral resulting from the use of normalized tax accounting, the utility will charge Account 228—Taxes Accrued and credit Account 266—Accumulated Deferred Income Taxes—Accelerated Tax Depreciation, with the difference between the federal income tax expense based on tax basis straight line method depreciation and the tax liability resulting from use of accelerated tax depreciation. When the tax expense based on the tax basis straight line method depreciation exceeds the tax liability resulting from the use of accelerated tax depreciation the utility will charge Account 266—Accumulated Deferred Income Taxes—Accelerated Tax Depreciation with contra credits to Account 228—Taxes Accrued.~~ The utility will charge or credit Account 507, as applicable, for the tax effects of individual normalized tax temporary differences and debit Account 147 (Deferred tax assets) or credit Account 267 (Deferred tax liabilities), as applicable, and in accordance with generally accepted accounting principles (GAAP). A utility may, at its discretion, subdivide Account 507 to identify the deferred component of Accelerated Depreciation (507.1).

C. In order to properly account for deferred taxes, it will be necessary for the utility to maintain plant and depreciation records so that plant items can be identified by year of installation and service life.

D. The Federal Economic Recovery Act of 1981 (ERTA) also requires the deferral of investment tax credits (ITC). Companies are divided into “Option 1 companies,” i.e., generally, companies that did not defer investment tax credits prior to enactment of ERTA, and “Option 2 companies” i.e. those companies that had elected to defer all or a portion of ITC prior to enactment of ERTA.

E. Water utilities will charge Account 228 - Taxes Accrued, and credit Account ~~267~~268 - Accumulated Deferred Investment Tax Credits, with the amount of investment tax credits used to reduce income taxes for the current year.

F. ~~Companies that were not deferring any portion of their investment tax credits prior to enactment of ERTA (Option 1 companies),~~ will amortize the deferred balance of ITC by equal charges to Account ~~267~~268 - Accumulated

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Deferred Investment Tax Credits, with contra credits to Account 538 - Miscellaneous Income Deductions, over the life of the related property.

G. ~~Companies that did defer all or a portion of their investment tax credits prior to enactment of ERTA~~ (Option 2 companies) will amortize the deferred balance of ITC by equal annual charges to Account ~~267~~[268](#) - Accumulated Deferred Investment Tax Credits, with contra credits to Account 507 - Taxes, over the life of the related property.

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES

BALANCE SHEET ACCOUNTS

Schedule of Accounts

ASSETS AND OTHER DEBITS

I. Utility Plant

- 100. Utility Plant
 - 100-1 Utility Plant in Service
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UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES**BALANCE SHEET ACCOUNTS****Text of Accounts****I. UTILITY PLANT****100. Utility Plant**

There shall be reported by this caption the balances of non-recycled water utility plant in subaccounts 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 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 expenditure which is 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

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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.

101. Recycled Water Utility Plant

This account shall include the cost of recycled utility plant included in Accounts 393 through 395 owned and used by the utility in its recycled water operations.

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES**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 Affiliated Companies

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

111-1. INVESTMENTS IN SECURITIES OF AFFILIATED COMPANIES

A. This account shall include the book cost of the utility's investment in securities issued or assumed by affiliated 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 affiliated company.

Note - Securities of affiliated 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 AFFILIATED COMPANIES

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

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

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

Note B - Advances made to affiliated 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-affiliated companies, investment advances to such non-affiliated 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 subaccount 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

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES**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 subaccounts 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 DEPOSITIS

Special Deposits with fiscal agents or 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.

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B. This account shall be maintained as to show:

1. Temporary Cash Investments - Affiliated Companies
2. 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, or 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 affiliated companies. (See Account 123, Temporary Cash Investments, and Account 126, Receivables from Affiliated 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 subaccounts 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 affiliated 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 affiliated companies, and customers for utility services and for merchandising.

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

126. Receivables from Affiliated Companies

A. This account shall include the debit balances subject to current settlement in open accounts with affiliated companies, and notes and drafts upon which affiliated 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.

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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 Affiliated Companies.

B. This account shall be divided into subaccounts as follows:

126-1. Notes Receivable from Affiliated Companies

126-2. Accounts Receivable from Affiliated Companies

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

Note B - The face amount of notes receivable discounted or sold without releasing the company from liability as endorsed 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 subaccounts 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:

1. Reusable materials consisting of large individual items shall be included in this account at original cost, estimated if not known. The cost of repairing such items shall be charged to the account appropriate for the previous use. (See also Utility Plant Instruction 5, item 5)
2. Reusable materials consisting of relatively small items, the identity of which (from the date of original installation to the final abandonment or sale thereof) cannot be ascertained without undue refinement in accounting shall be included in this account at current prices new for such items. The cost of repairing such items shall be charged to the appropriate expense account as indicated by previous use.

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3. Scrap and non-usable materials included in this account shall be carried at the estimated net amount realizable therefrom. The difference between the amounts realized for scrap and non-useable 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 have 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

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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

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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.

147. Accumulated Deferred Income ~~Taxes~~ [Tax Assets](#)

A. This account shall ~~be debited with an amount equal to that by which income taxes payable for the year are higher because of the inclusion of certain items in income for tax purposes, which items for general accounting purposes will not be fully reflected in the utility's determination of annual net income until subsequent years.~~ [reflect the balance of deferred income tax assets recorded in accordance with GAAP \(resulting from both flow-through and normalized treatment of temporary tax differences\). For enterprises that have not yet adopted Financial Accounting Standards Board \(FASB\) Accounting Standards Update 2015-17 – Income Taxes \(Topic 740\): Balance Sheet Classifications of Deferred Taxes, deferred income tax assets that are classified as current assets may also be recorded in this account.](#)

~~B. This account shall be credited with an amount equal to that by which income taxes payable for the year are lower because of prior payment of taxes as provided by Paragraph A, above, because of differences in timing for tax purposes of particular items of income or income deductions from that recognized by the utility for general accounting purpose.~~

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.

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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.

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

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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 therefore 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 stock-holders 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 shall 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

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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.

206. Subchapter S Corporation Accumulated Adjustments Account

A. This account shall be used by only a Subchapter S Corporation for the reporting of changes in its ownership equity.

B. This account shall include all paid-in-capital not derived from earnings.

C. This account shall be credited with:

1. Net income.

2. Accounting adjustments not properly attributable to the current period.

D. This account shall be charged with:

1. Net loss.

2. Accounting adjustments not properly attributable to the current period.

3. Dividends.

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 Affiliated Companies

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

B. This account shall be divided into subaccounts 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 Affiliated 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 affiliated 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 affiliated 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 Affiliated Companies

This account shall include amounts owed to affiliated companies on notes, drafts, acceptances, or other similar evidences of indebtedness, and open

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accounts payable on demand or not more than one year from date of issue or creation. This account shall be divided into subaccounts as follows:

223-1. Notes Payable to Affiliated Companies**223-2. Accounts Payable to Affiliated Companies**

Note - Exclude from this account notes and accounts which are includible in Account 212, Advances from Affiliated 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 un-refundable, because of failure to locate the rightful owner or for some other reason shall be credited to Account 254, Reserve for Uncollectible 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

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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 subaccounts 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 affiliated 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. The records supporting the entries to this account shall be so kept that the utility can furnish full information as to each deferred credit included herein.

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

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A. This account shall be credited with the following:

1. 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.
2. Amounts charged to Account 414, Miscellaneous Debits to surplus, for past accrued depreciation.
3. Amounts of depreciation applicable to utility properties acquired as operating units or systems. (See Utility Plant Instruction 4)
4. Amounts chargeable upon approval of the Commission to Account 141, Extraordinary Property Losses.
5. 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 divided into subaccounts 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 D, 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, 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

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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 divided into subaccounts 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 extinguishments 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 divided into subaccounts as follows:

254-1. Utility Service

254-2. Merchandising

254-3. Affiliated Companies

254-4. Officers and Employees

254-5. Other

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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.

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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.

259. Reserve for Depreciation and Amortization of Recycled Water Utility Plant

A. This account shall include all depreciation and amortization associated with recycled water utility plant.

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. This account shall be divided into the following subaccounts:

265-1 Government Grant & Government Grant Contamination**Proceeds****265-2 Government Loan Contamination proceeds****265-3 Damage Award Contamination Proceeds****265-4 Settlement Contamination Proceeds****265-5.1 Government Order Contamination Proceeds from Private****Funds****265-5.2 Government Order Contamination Proceeds from Public****Funds****265-6 Insurance Contamination Proceeds****265-7 Other**

B. Each subaccount shall be maintained as to show separately contributions applicable to water operations and to recycled water operations.

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

D. Depreciation accrued on the depreciable portion of properties included in this account shall be charged to this account rather than to Account 503,

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Depreciation, and 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 non-depreciable property shall remain unchanged until such time as the property is sold or otherwise retired. At time of retirement of non-depreciable 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.

E. 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.

F. 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. ACCUMULATED DEFERRED TAXES**~~266. Accumulated Deferred Income Taxes—Accelerated Tax Depreciation~~**

~~—A. This account shall be credited and Account 228 Taxes Accrued shall be charged with the difference between the federal income tax expense based on tax basis, straight-line method of depreciation and the tax liability resulting from use of accelerated tax depreciation.~~

~~—B. This account shall be debited and Account 228—Taxes Accrued shall be credited when the tax liability based on the use of accelerated tax depreciation exceeds the federal income tax expense based on tax basis, straight-line method of depreciation.~~

~~—C. In order to employ normalized tax accounting it will be necessary for the utility to maintain plant and depreciation records grouped by year of installation and service life.~~

267. Accumulated Deferred Income ~~Taxes~~ Other Tax Liabilities

This account shall ~~include all credit income tax deferrals other than those deferrals included in Account 266—Accumulated Deferred Income Taxes—~~

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~~Accelerated Tax Depreciation~~ reflect the balance of deferred income tax liabilities recorded with GAAP (resulting from both flow-through and normalized treatment of temporary tax differences). For enterprises that have not yet adopted FASB Accounting Standards Update 2015-17 – Income Taxes (Topic 740): Balance Sheet Classifications of Deferred Taxes, deferred income tax liabilities that are classified as current liabilities may also be recorded in this account.

268. Accumulated Deferred Investment Tax Credits

A. This account shall be credited with all investment tax credits deferred by companies. The balance in this account shall be amortized by equal charges over the life of the related property.

B. Records shall be maintained identifying the properties related to the investment tax credits for each year, the weighted average service life of such properties, and any unused balance of such credits.

XIII. 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 un-appropriated surplus arising from earnings. It shall not include surplus includible in Account 270, Capital Surplus.

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES**UTILITY PLANT ACCOUNTS**
Instructions**1. Purpose of Utility Plant Accounts**

A. The summary Account 100 Water Utility Plant account incorporates the following subaccounts:

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

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, Utility Plant Adjustments is a plant account distinctly separate from Account 100, 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.

G. The summary Account 101 Recycled Water Utility Plant account incorporates the following subaccounts:

101. Recycled Water Utility Plant

This account shall include the cost of recycled utility plant included in Accounts 393 through 395 owned and used by the utility in its recycled water operations.

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES**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

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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

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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, payroll taxes and similar items of expense. It does not include the pay and expenses of employees which are distributed to construction through clearing accounts nor the pay and expenses included in other items hereunder.

(3) "Materials and supplies" includes 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 material 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 material 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 therefore 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;

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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 live, 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 the property of others, including payments for discovery or extinguishments 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,

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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

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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 Accounting 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

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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, submersion 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 therefore has been authorized and provided.

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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 purposes, 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:

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

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3. Clearing (first cost) the land of brush, trees, and debris; also tree trimmings (first cost), when not chargeable to other utility plant accounts.
4. Condemnation proceedings, including court and counsel costs. Consents and abutting damages, payment for.
5. Conveyancers' and notaries' fees.
6. Fees, commissions and salaries to brokers, agents and others in connection with the acquisition of the land or land rights.
7. Grading the land, except when directly occasioned by the building of a structure. Leases, cost of voiding upon purchase to secure possession of land.
8. Removing, relocating, or reconstructing property of others, such as buildings, highways, railroads, bridges, cemeteries, churches, telephone and power lines, and the like, in order to acquire quiet possession.
9. 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.
10. Surveys in connection with the acquisition.
11. Taxes assumed, accrued to date of transfer of title.
12. 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 include, but are not limited to:

(A) Buildings:

1. Architects' plans.
2. Ash pits (when located within the building proper).
3. Boilers, furnaces, piping, wiring, fixtures, and machinery for heating, lighting, signaling, ventilating, and plumbing.
4. Bulkheads, including dredging, riprap fill, piling, decking, concrete, fenders, and the like, when exposed and subject to maintenance and replacement.
5. Chimneys.
6. Commissions and fees to brokers, agents, architects and others. Conduit (not to be removed) with its contents.

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7. Damages to abutting property during construction. Door checks and doorstops.
8. Drainage and sewerage systems.
9. Elevators, cranes, hoists, and the like, and the machinery for operating them. Excavation, including shoring, bracing, bridging, refill, and disposal of excess excavated material.
10. Fire protection systems when forming a part of a structure.
11. Floor covering (permanently attached).
12. Foundations and piers for machinery, constructed as a permanent part of a building or other item listed herein.
13. Fuel bins and bunkers.
14. Grading and clearing when directly occasioned by the building of a structure. Leases, voiding upon purchase, to secure possession of structures.
15. Leased property, expenditures on.
16. Lighting fixtures.
17. Painting, first.
18. Partitions, including movable.
19. Permits and privileges.
20. Platforms, railings and gratings when constructed as part of a structure.
21. Power boards for services to a building.
22. Refrigerating systems for general use.
23. Retaining walls.
24. Scales, connected to and forming a part of a structure.
25. Screens.
26. Sprinkling systems.
27. Stacks – brick, steel, or concrete, when set on foundation forming part of general foundation and steelwork of a building.
28. Storage facilities constituting a part of a building
29. Storm doors and windows.
30. Subways, areaways, and tunnels, directly connected to and forming part of a structure.
31. Tunnels, intake and discharge, when constructed as part of a structure. Vaults constructed as part of a building.
32. Water supply system for a building.
33. Window shades and ventilators.

(B) Other structures and improvements:

1. Docks.
2. Fences and fence curbs (not including protective fences isolating individual items of equipment, which should be charged to the appropriate equipment account).
3. Gas and oil supply systems, including pipe lines, holders, boosters, and the like.
4. Intra-site communication systems, poles, pole fixtures, wires and cables. Landscaping, lawns, shrubbery, and the like.

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5. Roadways, railroads, bridges, and trestles, intra-site except railroads provided for in equipment accounts.
6. Sewer systems, for general use.
7. Sidewalks, curbs and streets constructed by the utility. Water front improvements.
8. Water supply piping, hydrants and wells. Yard drainage system.
9. Yard lighting system.
10. 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 out-last 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 from 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.

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C. Exclude from equipment accounts, hand and other portable tools, which are likely to be lost or stolen or which have relatively small value (for example \$25 or less) or short life, unless the correctness of the accounting therefore 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

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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 paragraph 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 therefore which has been authorized and provided) and the sale price of the land (less commissions and other expenses of making the sale) shall be credited to Account 401, 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,

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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.

H. 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 retirement 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,

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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 services 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.

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C. "Transmission and distribution main" means any main the primary purpose of which is to convey water, requiring no future 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.

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES

UTILITY PLANT ACCOUNTS

Schedule of 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

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- 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

IX. Recycled Water Plant

- 393. Recycled Water Intangible Plant
- 394. Recycled Water Land and Land Rights
- 395. Recycled Water Depreciable Plant

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES**UTILITY PLANT ACCOUNTS****Text of 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 therefore by the utility to this 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 actual paid by the utility over the amount above

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES

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 Investment-Utility Plant in Service, as appropriate.

D. This account shall be maintained in such manner as to show separately the amount 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. It shall also include certain computer software that will result in additional functionality, which performs tasks previously incapable of performing.

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. The 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)

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES**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 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. Rounds and paths. |
| 6. Embankments | 14. Sewers. |
| 7. Fish ladders and elevators | 15. Spillways and channels. |
| 8. Fences | 16. Any other permanent improvements |

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 section header). |
| 2. Conduits. | 7. Intake wells. |
| 3. Cribbs. | 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. | 6. Landscaping. |
| 2. Collecting basins. | 7. Lighting systems. |
| 3. Conduits. | 8. Overflow spillways and channels. |
| 4. Fencing. | 9. Piping. |
| 5. Gate houses and | |

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.

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES**Items**

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

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

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 the 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

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES

- 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, deaerators, and vent condensers, boiler feed pumps, surge tanks, feed water regulators, feed water measuring equipment and all associated drives.
 3. Boiler plant cranes and 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. Breeching and accessories, including breeching, dampers, soot spouts, hoppers and grates, cinder eliminators, breeching insulation, soot blowers and associated motors.
 6. Coal handling and storage equipment, including coal towers, coal lorries, coal cars, locomotive s and tracks when devoted principally to the transportation of coal, hoppers, downtakes, unloading and hoisting equipment, skip hoists and conveyors, weighting 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.

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES

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 water treatment plant. (See Utility Plant Instruction 10)

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES**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. | 4. Substructures. |
| 2. Piping system, including valves. | 5. Superstructures. |
| 3. Spray nozzles. | |

Chemical Treating Plant:

- | | |
|-----------------------------------|-------------------------------|
| 1. Agitating equipment. | 13. Gauges. |
| 2. Ammonia machines. | 14. Gravity feed of pump feed |
| 3. Carbonating equipment. | 15. Motors. |
| 4. Chemical manufacturing plants. | 16. Piping system, including |
| 5. Chemical pumps. | 17. Rate controllers. |
| 6. Chlorine machines. | 18. Sludge pumps. |
| 7. Coke. | 19. Softening equipment. |
| 8. Dry feed machines. | 20. Solution feed equipment. |
| 9. Dry storage bins. | 21. Solution tanks. |
| 10. Electrolytic cell. | 22. Switchboards. |
| 11. Elevator (when not part of | 23. Weighting equipment. |
| 12. Fluoridation equipment. | 24. Chemical handling |

Clear Water Basin:

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

Filter Plant:

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

Mixing Chambers:

- | | |
|-------------------------------------|-----------------------|
| 1. Piping system, including valves. | 3. Mechanical mixers. |
| 2. Chambers. | |

Sand Traps or Settling Basins:

- | | |
|-------------------------------------|--------------------------------|
| 1. Pressure vessels. | 4. Baffles and screens. |
| 2. Basins. | 5. Sand removal apparatus. |
| 3. Piping system, including valves. | 6. Substructures and supports. |

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES**Sedimentation or Coagulation Basin:**

- | | |
|----------------------------|------------------------------|
| 1. Basins. | 6. Orifice devices. |
| 2. Coagulant storage tanks | 7. Piping system, including |
| 3. Feeder equipment. | 8. Screens and hoists. |
| 4. Industrial railroad. | 9. Sludge removal apparatus. |
| 5. Mechanical mixers. | |

Softening Plant:

- | | |
|---|---|
| 1. Clear water basins. | 9. Salt solution pumps. |
| 2. Gauges. | 10. Salt storage bins. |
| 3. Gravel. | 11. Sedimentation or coagulation |
| 4. Meters. | 12. Substructures. |
| 5. Mixing tanks and chambers. | 13. Underdrain systems. |
| 6. Permanent chemical softening agents. | 14. Wash water controllers. |
| 7. Piping system, including valves. | 15. Carbonating chambers and equipment. |
| 8. Salt solution or brine tanks and | |

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)

Items

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

Note - See Account 312, Collecting and Impounding Reservoirs.

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES**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. | 13. Placing mains and accessories. |
| 2. Blow-offs and overflows. | 14. Pressure regulators. |
| 3. Bridges and culverts. | 15. Protection of street openings. |
| 4. Electrolysis control equipment. | 16. Shut offs. |
| 5. Gates and gate houses. | 17. Special castings. |
| 6. Gauges and recorders. | 18. Sterilizing new mains. |
| 7. Jointing and jointing material. | 19. Surge tanks. |
| 8. Manholes. | 20. Trenching, including shoring, |
| bracing, | |
| 9. Meters and meter houses. | bridging, pumping, backfill |
| 10. Municipal inspection or permits. | and disposal of |
| 11. Pavement distributed, including cutting and | excess excavated material. |
| replacing pavement, pavement base and | 21. Tunnels. |
| sidewalks. | 22. Valves and appurtenances. |
| 12. Pipes. | 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. | 7. Pipes. |
| 2. Gate valves and boxes. | 8. Placing pipes and accessories. |
| 3. Goose necks. | 9. Protection of street openings. |
| 4. Jointing and jointing material. | 10. Service or curb boxes. |
| 5. Municipal inspection or permits. | 11. Service or curb stops. |
| 6. Pavement disturbed, including cutting | 12. Tapping |
| main and replacing pavement, pavement | |
| base | |
| and sidewalks. | |

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES

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 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. | 3. Meter vaults or boxes. |
| 2. Meter fittings, connections and shelves. | 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.

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES

B. Class A Water 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.
cutting | 5. Pavement disturbed, including |
| 2. Excavation, backfill, and disposal of
pavement excess excavated materials. | and replacing pavement,
base and sidewalks. |
| 3. Hydrants and fittings, including
barrel and shoe. | 6. Pipe. |
| 4. Manholes. | 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. | 5. Pavement disturbed, cutting and |
| 2. Connections to main.
base | replacing pavement, pavement |
| 3. Excavation, backfill, and disposal
of excess excavated material. | and sidewalks. |
| 4. Foundations, basins, troughs, pools,
and the like. | 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. | 8. Mechanical and electronic office |
| 2. Desks, chairs, and desk equipment. | equipment such as accounting |
| 3. Drafting room equipment.
computers, | machines, typewriters, |

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES

- | | |
|---|---------------------------------|
| 4. Filing, storage, and other cabinets. | calculators, copiers, scanners, |
| 5. Floor covering. | and the like. |
| 6. Library and library equipment. | 9. Tables |
| 7. Safes | |

373. Transportation Equipment

This account shall include the cost of transportation vehicles.

Items

- | | |
|-----------------|---------------------|
| 1. Airplanes | 5. Motorcycles. |
| 2. Automobiles. | 6. Repair vehicles. |
| 3. Bicycles. | 7. Trailers. |
| 4. Trucks | 8. Tractors. |

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. | 6. Lockers |
| 2. Counters. | 7. Scales. |
| 3. Cranes (portable). | 8. Shelving. |
| 4. Elevating and stacking equipment | 9. Storage |
| 5. Hoists. | 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 department 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. | 11. Refrigerators. |
| 2. Barometers. | 12. Sealers. |
| 3. Cameras. | 13. Sterilizers. |
| 4. Centrifuge. | 14. Stop watches. |
| 5. Distilling apparatus. | 15. Testing machines. |
| 6. Furnaces. | 16. Thermometers. |
| 7. Microscopes. | 17. Voltmeters. |
| 8. Ovens. | 18. Other bacteriological, electric, |
| 9. Pitometers | chemical, hydraulic or |
| research | |
| 10. Rain gauges. | equipment. |

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES**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. | 9. Radio equipment. |
| 2. Booths. | 10. Telecopying equipment. |
| 3. Extension cords. | 11. Storage batteries. |
| 4. Terminal equipment, including
hand sets. | 12. Switching systems. |
| 5. Insulators. | 13. Communications circuits
cables and wires. |
| 6. Loading coils. | 14. Testing instruments. |
| 7. Operator stations and equipment. | 15. Towers. |
| 8. Poles and fixtures used wholly for
communications circuits. | 16. Underground conduit used
wholly for communications
circuits. |

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

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES**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. | 16. Greasing tools and equipment. |
| 2. Automobile repair shop equipment. | 17. Hoists. |
| 3. Battery charging equipment. | 18. Ladders. |
| 4. Belts, shafts and countershafts. | 19. Lathes. |
| 5. Boilers. | 20. Leak detecting equipment. |
| 6. Cable pulling equipment. | 21. Machine tools. |
| 7. Cable pulling equipment. | 22. Motor driven tools. |
| 8. Drill presses. | 23. Motors. |
| 9. Derricks. | 24. Pipe locating equipment. |
| 10. Electrical equipment | 25. Pipe threading and cuttings tools. |
| 11. Engines. | 26. Pneumatic tools. |
| 12. Forges. | 27. Pumps. |
| 13. Furnaces. | 28. Riveters. |
| 14. Foundations and settings specially constructed
for equipment in this account and not
expected | 29. Tapping machines. |
| to outlast the equipment for which provided. | 30. Tool racks. |
| 15. Gasoline pumps, oil pumps and storage tanks. | 31. Vises. |
| . | 32. Welding apparatus |
| | 33. Work benches and the like. |
| | 34. Worm or other interior type
cleaning
equipment. |

379. Other General Plant

A. 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. | 5. Restaurant equipment. |
| 2. Kitchen equipment. | 6. Soda fountains. |
| 3. Miscellaneous recreation | 7. Operator's cottage furnishing. |
| 4. Radios. | 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.

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES**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

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.

Within six months from the date of sale or transfer of the property there shall be filed with the Commission's Water Division Director, or its successor division, the proposed journal entries to clear from this account the amounts recorded herein.

IX. RECYCLED WATER PLANT**393. Recycled Water Intangible Plant**

This account shall include the cost in of organization, franchise and other intangible plant necessary to conduct the utility's recycled water operations.

394. Recycled Water Land and Land Rights

This account shall include the cost of land and land rights used in recycled water operations.

395. Recycled Water Depreciable Plant

This account shall include the cost of recycled water depreciable plant. Subaccounts shall be maintained to track recycled water plant by primary category.

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES**EARNED SURPLUS ACCOUNTS****Instructions****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.

Schedule of 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

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES**EARNED SURPLUS ACCOUNTS****Text of 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:

1. Credits for amounts previously written off through charges to earned surplus.
2. Delayed credits to income, operating revenue and operating expense accounts as provided in General Accounting Instruction 6.
3. 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

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES

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:

1. Amounts charged to earned surplus to cover past accrued depreciation and amortization not provided for.
2. Decline in value of investments. (See Balance Sheet Instruction 4)
3. Delayed debits to income, operating revenue, and operating expense accounts as provided in General Accounting Instruction 6.
4. Payments of amounts previously credited to earned surplus.
5. Losses on retirements of utility's debt securities. (See Balance Sheet Instruction 6.)
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.

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES**INCOME ACCOUNTS****Instructions****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 less 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 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 provision 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.

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES

INCOME ACCOUNTS

Chart of 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
 - 508-1 Revenues from Plant Leased to Others
 - 508-2 Expenses from 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
 - 524-1 Interest on Securities Owed
 - 524-2 Other 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 Affiliated Companies
 - 534-1 Interest on Advances from Affiliated Companies
 - 534-2 Interest on Other Debt to Affiliated 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

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES**INCOME ACCOUNTS****Text of 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 615, derived by the utility from its utility operating 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 of 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.

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES

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 Adjustment.

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 non-operating 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, Non-operating 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.

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES

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 non-operating pay roll shall be distributed to the appropriate construction or non-operating accounts.

Note J-Income taxes on non-corporate proprietors shall not be charged to utility operations.

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 divided into the following subaccounts:

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**

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES

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 rent revenues from land, buildings or other property not devoted to utility operations.

B. All expenses, such as repairs, depreciation, taxes, non-collectible rents, and the like, incurred in connection with the property leased, shall be charged to Account 527, Non-operating 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 subaccounts 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

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This account shall include interest revenues on loans, notes, advances, special deposits, and all other interest bearing assets except as provided in subaccount 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 of 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 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 non-operating 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

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES

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 amortized 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 Affiliated Companies

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

534-1. INTEREST ON ADVANCES FROM AFFILIATED COMPANIES

A. This account shall include interest accrued on amounts included in Account 212, Advances from Affiliated Companies.

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B. The records supporting the entries to this account shall be so kept as to show to who 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 AFFILIATED COMPANIES

A. This account shall include interest accrued on amounts recorded in Account 223-1, Notes Payable to Affiliated Companies, on amounts recorded in Account 223-2, Accounts Payable to Affiliated Companies, and on any other obligation to affiliated companies, except advances from such affiliated 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 who 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:

1. Assessments for public improvements past due. Claims and judgments.
2. Customers' deposits.
3. Notes payable on demand or maturing one year or less from date, except notes payable to affiliated companies.
4. Open accounts, except with affiliated 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.

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

Donations and contributions for charitable, social or community welfare purposes, and for other purposes, unless specifically authorized by the

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES

utility this type of expense may be charged to Account 799, Miscellaneous General Expenses.)
Decline in value of investments. (See Balance Sheet Instruction 4)

Commission as properly includible in Account 799, Miscellaneous General Expenses.
Expenditures for affiliated 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.

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES**OPERATING REVENUE ACCOUNTS
INSTRUCTIONS****1. Purpose of Operating Revenue Accounts**

The operating revenue accounts (601 to 615) 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 the 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.

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES**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 therefore shall not be made to operating revenue accounts, but to Account 813, Duplicate Charges - Credit.

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 therefore, by rate schedules.

6. Segregation of Sales to Affiliated 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 affiliated company.

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES**OPERATING REVENUE ACCOUNTS****Schedule of Accounts****I. Water Service Revenues**

- 601. Metered Sales to General Customers
 - 601-1.1 Residential Sales
 - 601-1.2 Residential Low Income Discount (Debit)
 - 601-2 Commercial Sales
 - 601-3 Industrial Sales
 - 601-4 Sales to Public Authorities
- 602. Unmetered Sales to General Customers
 - 602-1.1 Residential Sales
 - 602-1.2 Residential Low Income Discount (Debit)
 - 602-2 Commercial Sales
 - 602-3 Industrial Sales
 - 602-4 Sales to Public Authorities
- 603. Sales to Irrigation Customers
 - 603-1 Metered Sales
 - 603-2 Flat Rate Sales
- 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

- 610. Customer Surcharges
- 611. Miscellaneous Service Revenues
- 612. Rent from Water Property
- 613. Interdepartmental Rents
- 614. Other Water Revenues
- 615. Recycled Water Revenues

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES**OPERATING REVENUE
ACCOUNTS
Text of Accounts****I. WATER SERVICE REVENUES****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 divided into subaccounts as follows:

601-1.1 Residential Sales

601-1.2 Residential Low Income Discount (Debit)

601-2. Commercial Sales

601-3. Industrial Sales

601-4. Sales to Public Authorities

Subaccount 601-1.2 shall be used to record low income discounts given to metered residential customers unless otherwise authorized or ordered by the Commission.

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 schedule shall be readily available.

B. This account shall be divided into subaccounts as follows:

602-1.1 Residential Sales

602-1.2 Residential Low Income Discount (Debit)

602-2. Commercial Sales

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES**602-3. Industrial Sales****602-4. Sales to Public Authorities**

Subaccount 602-1.2 shall be used to record low income discounts given to unmetered residential customers unless otherwise authorized or ordered by the Commission.

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 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 divided into subaccounts as follows:

603-1. Metered Sales**603-2. Flat Rate Sales****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.

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES**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 therefore 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.

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES**II. OTHER WATER REVENUES****610. Customer Surcharges**

This account shall be credited with all surcharges billed to customers that are approved by the Commission unless otherwise authorized or directed by the Commission.

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 508, 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.

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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 steam heating department or transfers of steam under joint facility operations.

615. Recycled Water Revenues

This account shall include revenues derived from recycled water operations.

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES**OPERATING EXPENSE ACCOUNTS****Instructions****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 Accounting 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:

1. Associated costs of local plant supervision.
2. Cost of transportation, shop and stores expense, and use of tools and implements.
3. Cutting and replacing pavement, pavement base, and sidewalks in connection with repairs. Inspecting and testing after repairs have been made.
4. Inspecting, testing (except routine tests of meters and the like), and reporting on the condition of
5. utility plant in service specifically to determine the need for repairs, minor replacements, rearrangements and changes.
6. 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.
7. Restoring the condition of property damaged by storms, breakage, floods, fire, accident, or other casualties (see paragraph B, below).
8. Resorting the condition of property damaged by wear and tear, decay, or action of the elements
9. (See paragraph B, below).
10. Routine work (see paragraph B, below) to prevent trouble.
11. 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 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.

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

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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 this 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 therefore 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.

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES**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 therefore shall not be made to joint expense accounts but to Account 813, Duplicate Charges - Credit.

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.

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES

OPERATING EXPENSE ACCOUNTS

Schedule of Accounts

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 Power 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

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES

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 Selling Expenses

783. Advertising Expenses

784. Miscellaneous, Jobbing and Contract Work

785. Merchandising, Jobbing and Contract Work

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785-1 Revenues from Merchandising, Jobbing and Contract
Work

785-2 Cost and Expenses of Merchandising, Jobbing and
Contract
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VII. Recycled Water Expenses

OPERATION AND MAINTENANCE

786. Recycled Water Operation and Maintenance Expenses

VIII. 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
 - 795-1 Pensions
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 - 795-4 Pensions and Benefits Transferred - Credit
- 796. Franchise Requirements
- 797. Regulatory Commission Expenses
- 798. Outside Services Employed
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MAINTENANCE

- 805. Maintenance of General Plant

XI Miscellaneous

- 810. Customer Surcredits
- 811. Rents
- 812. Administrative Expenses Transferred-Cr.
- 813. Duplicate Charges-Cr.

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES**OPERATING EXPENSE ACCOUNTS****Text of Accounts****I. SOURCE OF SUPPLY EXPENSE****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 Expense

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 bush 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.

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES**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 show 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 account.
7. Secretarial work for supervisory personnel but not general clerical and stenographic work chargeable to other accounts.

Expenses:

8. Consultants' fees and expenses.

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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)

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES**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

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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, 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 761, 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.

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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 viewing 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.

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES**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.

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES**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 show 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 for 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 amount 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.

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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 of 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.

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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 Power 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 and of similar equipment leased from others.

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 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 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.
10. Replacing or adding minor items of plant which do not constitute a retirement unit. (See Utility Plant Instruction 12)

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES**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 water treatment plant.

Items**Labor:**

1. Chemicals, application of.
2. Cleansing 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.

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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.

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES**Items****Labor:**

1. Establishing organizational setup of department and executing charges 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 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.

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.

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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 operation.
4. Preparing or reviewing budgets, estimates, and drawings relating to transmission and distribution operations, 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.

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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, Item 16)
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:

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES

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, seals 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 records 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

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES**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 is 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 demanded 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.

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES**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 designed 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.)

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES**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 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 and testing meters on customers' premises of 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.

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES**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 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.

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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.

Items**Labor:**

1. Receiving, repairing, 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.

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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 requiring 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.
23. Commissions or fees to others for collecting.
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.

Items**Labor:**

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

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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.

Items**Labor:**

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 accounting 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 is 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.

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES**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 799, 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 costs shall be distributed between this account and

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES

Account 785, Merchandising, Jobbing and Contract Work, as appropriate, on the basis of 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, Jobbing and Contract Work.

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 divided into the following subaccounts:

785-1. Revenues from Merchandising, Jobbing and Contract Work**785-2. Cost and Expense 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. Demonstrating 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.

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES

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. Premium 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 of 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. RECYCLED WATER EXPENSES**OPERATION AND MAINTENANCE****786. Recycled Water Operation and Maintenance Expenses**

Subaccounts shall be established for primary cost categories, such as water purchased for resale and maintenance of recycled water storage facilities.

VIII. ADMINISTRATIVE AND GENERAL EXPENSE**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

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES

assignable to specific administrative or general departments and other 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 department 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 can keep its records so as to shown 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, lighting, 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.

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES

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 510, Rent for Lease of Utility Plant.
- 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 Account 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.

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES

Note C - Exclude here from 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 purposes, 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 therefore. 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 plant 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 plant 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 divided into the following subaccounts:

795-1. Pensions**795-2. Benefits****795-3. Administrative Expenses****795-4. Pensions and Benefits Transferred – Credit****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.

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES

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 non-occupational 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 - Credit.

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 - Taxes.

Note B - Any amount paid as initial consideration for a franchise running for more than one year shall be charged to Account 302, Franchises 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 subaccount 146.1, 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 in the prosecution of, or defense against petitions or complaints presented to

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES

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 inspection, or rendering reports which are made necessary by the rules and regulations, or orders, of regulatory bodies.

Note B - Do not include in this account amounts includible in Account 302, Franchises 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 or to other accounts. Include also the pay and expense 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 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.

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES**Expenses:**

1. Association dues for company memberships.
2. Contributions for conventions and meetings of the industry.
3. Experimental and general research work for the industry.
4. Utility services not chargeable to other accounts.
5. Institutional or goodwill advertising. (See note below.)
6. 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.
7. Trustee, registrar, and transfer agents' fees and expenses. (At the option of the utility this type of expense may be charged to Account 538.
8. Stockholders meeting expenses.
9. Dividend and other financial notices.
10. Printing and mailing dividend checks.
11. Directors' fees and expenses.
12. Publishing and distributing annual reports to stockholders.

Note - The cost of any advertising for the purposes 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 property, 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:

Account 713 - Maintenance of Other Source of Supply
 Account 732 - Maintenance of Power Pumping Equipment
 Account 748 - Maintenance of Water Treatment Equipment
 Account 761 - Maintenance of Transmission and Distribution Mains
 Account 785 - Merchandise, Jobbing and Contract Work
 Appropriate Clearing Account - Garages, shops, and the like

VIII. MISCELLANEOUS**810. Customer Surcredits**

This account shall be charged with all customer surcredits that are approved by the Commission unless otherwise authorized or directed by the Commission.

811. Rents

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES

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 Expenses Instruction 5.)

812. Administrative Expenses Transferred – Cr.

This account shall be credited with administrative expenses recorded in Account 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.

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES**CLEARING ACCOUNTS****Chart of Accounts**

- 901. Charges by Affiliated Companies – Clearing**
- 902. Stores Expenses – Clearing**
- 903. Transportation Expenses – Clearing**
- 905. Shop Expenses – Clearing**
- 906. Tools and Work Equipment – Clearing**

Text of Accounts**901. Charges by Affiliated Companies – Clearing**

A. This account shall include all charges made by affiliated 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. The account shall be cleared by adding to the cost of materials and supplies a suitable loading charge which will distribute the expenses equitable over stores issues.

Items

1. Adjustment of inventories of materials and supplies.
2. Books, stationery, and office supplies.
3. Building service.
4. Collecting and handling scrap materials in stores.
5. Communication service.
6. Discount on materials when not assignable to specific items.
7. Freight, express, etc., when not assignable to specific items.

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES

8. Heat, light and power for storerooms and stores offices.
9. Injuries and damages.
10. Inspecting and testing materials and supplies, when not assignable to specific items.
11. Insurance on materials and supplies and on stores equipment.
12. Losses due to breakage, leakage, evaporation, fire and other causes.
13. Credit any amounts received from insurance, transportation companies or others in compensation of such losses.
14. Maintenance of stores equipment.
15. Pay and expenses of purchasing agents, storekeepers, clerks, and others employed in purchasing department, in storerooms or in store offices.
16. Postage, stationery and printing.
17. Rents.
18. Taxes, direct.
19. 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

1. Books and stationery.
2. Building service.
3. Communication service.
4. Depreciation of transportation equipment.
5. Feed and bedding for horses and mules.
6. Fuel and lubricants for vehicles (including sales and excise taxes thereon).

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES

7. Freight, express, drayage, etc., on fuel, repair parts, etc. Heat, light, and power for garage and garage office. Injuries and damages.
8. Insurance on garage equipment, and transportation equipment, including public liability and property damage.
9. License fees for vehicles and drivers.
10. Office supplies, postage, etc.
11. Operation of garages and stables.
12. 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.
13. Rent of garage building and grounds.
14. Maintenance of transportation and garage equipment.
15. Rent of vehicles and other rents.
16. Taxes, direct.
17. 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

1. Books and stationery. Building service.
2. Collecting and handling scrap materials. Communication service.
3. Heat, light and power. Injuries and damages.
4. Repairs to shop equipment. Rents.
5. Pay and expenses of superintendents, machinists and other employees in shops.
6. 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

1. Books and stationery. Building service.
2. Communication service.
3. Depreciation to tools and work equipment.
4. Fuel and lubricants for equipment, including sales and excise taxes thereon.

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WATER UTILITIES

5. Injuries to persons and damage to property of others in the operation of tools and work equipment. Insurance.
6. License fees for equipment.
7. Pay and expenses of operators, mechanics, and the like. Rent of tools and work equipment.
8. Repairs to tools and work equipment. Shop expenses.
9. Taxes, direct.

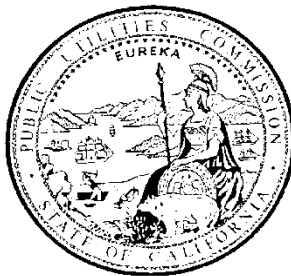
Note - The use of this account is optional. If not used, maintenance of the equipment, to the extent applicable to operating expenses, shall be charged to Account 805.

(End of Appendix A)

APPENDIX B

**UNIFORM SYSTEM OF ACCOUNTS
FOR
CLASS B, C, AND D
WATER UTILITIES
(Water utilities having less than
10,000 service connections)**

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



Effective January 1, 2018

**PUBLIC UTILITIES COMMISSION
OF THE
STATE OF CALIFORNIA**

Michael Picker, *President*.....*Commissioner*

Mike Florio
.....*Commissioner*

Carla J. Peterman*Commissioner*

Catherine J.K. Sandoval*Commissioner*

Liane M. Randolph*Commissioner*

Timothy J. Sullivan, *Executive Director*

California State Building
505 Van Ness Avenue
San Francisco, CA 94102

UNIFORM SYSTEM OF ACCOUNTS - CLASS B, C, and D WATER UTILITIES

To ALL Water Utilities:

Proceeding under the authority conferred upon it by Public Utilities Code Section 792, the Public Utilities Commission of the State of California by its Decision _____ adopted and prescribed effective January 1, 2018, the uniform system of accounts contained herein.

In adopting and prescribing this 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 Timothy J. Sullivan
Executive Director

UNIFORM SYSTEM OF ACCOUNTS - CLASS B, C, and D WATER UTILITIES

***CLASS B, C and D WATER UTILITIES
SUMMARY OF CHANGES TO
THE UNIFORM SYSTEM OF ACCOUNTS***

DEFINITIONS ADDED

Affiliated Companies	Memorandum Account
Balancing Account	User Fee
Facilities Fee	Connection Fee

GENERAL ACCOUNTING INSTRUCTIONS ADDED

Facilities Fees	Water Contamination Proceeds
State and Federal Grant	Balancing Accounts
Government Loan Funds	

PRIMARY ACCOUNTS ADDED

- Account 123 – Investments in Affiliated Companies
- Account 142 – Receivables from Affiliated Companies
- Account 206 – Subchapter S Corp. Accumulated Adjustment Account
- Account 230 – Payables to Affiliated Companies

SUBACCOUNTS ADDED

- Account 265 Subaccounts
- Account 460 - Separate Subaccounts for each Commission Approved Surcharge unless otherwise authorized or directed by the Commission
- Account 470 - Separate Subaccounts for each Commission Approved Surcharge Unless otherwise authorized or directed by the Commission
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- Account 233 – Customer Deposits from Account 235
- Account 265 – Contributions in Aid of Construction from Account 271
- Account 460 Subaccounts - renumbered in numeric sequence
- Subaccount 462.1 - Public Fire Protection from Subaccount 465.1
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- Account 470 Subaccounts – renumbered in numeric sequence

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UNIFORM SYSTEM OF ACCOUNTS - CLASS B, C, and D WATER UTILITIES**DEFINITIONS**

When used in this system of accounts-

1. "Affiliated Companies" means any entity whose outstanding voting securities are more than 10 percent owned, controlled, directly or indirectly, by a utility, by its parent company, or by any subsidiary of either that exerts substantial operational control.
2. "Balancing Account" is a deferred debit or deferred credit account carried on the utility's books established to track specific costs and/or revenues previously authorized for recovery by the Commission. Disposition of the balance is subject to review of the calculations in accordance with the decision or resolution that established the account.
3. "Commission" means the Public Utilities Commission of the State of California having regulatory jurisdiction over a utility.
4. "Composite depreciation rate" is a percentage based on the weighted average service life of a number of units of plant, each of which may have a different individual life expectancy. Composite depreciation rates may be determined for (a) each depreciable plant account, or (b) a single composite rate may be determined for all depreciable plant of the utility.
5. "Cost" means the actual money cost of property, or the current market value of any consideration other than money exchanged for property.
6. "Cost of removal" means the cost of demolishing, dismantling, removing, tearing down, or otherwise disposing of water plant.
7. "Depreciation" as applied to depreciable water plant means the loss in service value not restored by current maintenance, caused by factors such as wear and tear, decay, action of the elements, inadequacy, obsolescence, changes in the art, changes in demand and requirements of public authorities.
8. "Facilities Fee" is an amount representing a proportion of the cost of added production facilities, including storage and distribution facilities that will be required because of a new service connection.

UNIFORM SYSTEM OF ACCOUNTS - CLASS B, C, and D WATER UTILITIES

9. "Memorandum Account" (Memo Account) is an accounting device that, after approval by the Commission or upon statutory notice, may be used by a utility to track various revenues it accrues and expenses it incurs, including, but not limited to, capital costs and associated interest. The utility may later seek authorization from the Commission for disposition of the tracked amounts through rates.

10. "Net salvage value" means the salvage value of the property retired, after deducting the cost of removal.

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

12. "Parent Company" is an entity, including a holding company or corporation that owns, or has substantial operational control of the regulated entity.

13. "Plant retired" means plant which has been removed, sold, abandoned, destroyed, or otherwise withdrawn from water service.

14. "Salvage value" means the amount received for property retired, if sold, or if retained for reuse, the amount at which the material recovered is chargeable to account 150, Materials and Supplies, or other appropriate account.

15. "Service life" means the period between the time of installation of water plant and the time of its retirement.

16. "Service value" means the difference between the original cost and the net salvage value of water plant.

17. "SDWBA" is Safe Drinking Water Bond Act.

18. "Straight-line remaining life method" as applied to depreciation accounting means the plan under which the service value of property is charged to operating expenses (and to clearing accounts if used), and credited to the accumulated depreciation account through equal annual charges during its service life. "Remaining life" implies that estimates of future life and salvage will be reexamined periodically and that depreciation rates will be adjusted to reflect any changes in these estimates.

19. "User Fee" is an amount levied and collected from the water utilities for funding the Commission's cost of regulating the water utilities.

20. "Connection Fee" is an amount accepted from individual customers covering actual costs to the utility of installing new connections.

UNIFORM SYSTEM OF ACCOUNTS - CLASS B, C, and D WATER UTILITIES**GENERAL ACCOUNTING INSTRUCTIONS****1. Classification of Water Utilities**

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

Class A Utilities having more than 10,000 service connections.

Class B Utilities having between 2,000 service connections and 10,000 service connections.

Class C Utilities having between 500 service connections and 2,000 service connections.

Class D Utilities having less than 500 service connections.

B. The Uniform System of Accounts contained herein was prescribed for Class B, C, and D Water Utilities, effective January 1, 2018, by California Public Utilities Commission Decision No. _____. A separate Uniform System of Account for Class A Water Utilities has been prescribed by the California Public Utilities Commission.

C. Class A Water Utilities has a distinctly separate USOA.

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

2. General Accounting Instructions

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

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

C. Utilities may further subdivide any of the accounts provided that such subdivisions do not impair the integrity of the accounts, or they may

UNIFORM SYSTEM OF ACCOUNTS - CLASS B, C, and D WATER UTILITIES

maintain such additional accounts as are included in the Uniform System of Accounts for Class A Water Utilities.

3. Water Plant Accounts

A. All water plants shall be recorded at original cost. (See definition (12).)

B. Work orders. It is suggested that utilities use a work order system for recording plant additions and retirements. However, use of a work order system shall be mandatory only for those water utilities having more than 500 service connections. The work orders should contain the date, description and location of each plant addition and retirement, together with an itemized record of materials, labor and other costs, and the plant or other accounts to be charged or credited.

4. Depreciation

A. Depreciation charges shall be computed using the straight-line remaining life method (see definition (17)), and composite depreciation rates (see definition (4)). The rates shall be reviewed periodically and adjusted as required, so that the depreciation accrual will bear a reasonable relationship to the remaining life, the estimated net future salvage, costs of plant in service, and to the balance of accumulated depreciation accrued in prior periods

B. When an item of water plant is retired, account 108, Accumulated Depreciation of Water Plant, shall be charged and the appropriate plant accounts shall be credited with the entire recorded original cost of plant retired regardless of the amount of depreciation which has been accumulated for this particular item of plant, except as provided in paragraph C, following. Account 108, Accumulated Depreciation of Water Plant, also shall be charged with the costs of removal of retired plant, and shall be credited with the salvage value, sales price or other amounts recovered from plant retired. Account 108.1, Accumulated Amortization of SDWBA, shall be charged with retirements of SDWBA financed plant.

C. In rare instances the unexpected early retirement of a major unit of property, which would eliminate or seriously deplete the existing depreciation reserve, may require accounting treatment which differs from that described in paragraph B above. In such instances the Commission may authorize or order the loss on retirement (less any tax savings) to be charged to income in the current year or transferred to Account 180 - Other

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Charges, and amortized in future periods. Such accounting treatment shall be used only when specifically authorized or directed by the Commission.

D. It is suggested that all utilities maintain a separate accumulated depreciation subaccount for each depreciable plant account. This shall be mandatory for water utilities having more than 500 customers.

5. Contributions in Aid of Construction

A. Non-refundable contributions of cash or plant facilities donated to the water utility to assist it in constructing, extending or relocating its water facilities shall be credited to an appropriate subaccount of Account 265, Contributions in Aid of Construction. (See Account 265 for description of items includible in this account.)

B. Balances in this account representing contributions of depreciable plant shall be written off over a period equal to the estimated service life of the property involved by charges to an appropriate subaccount of Account 272, Accumulated Amortization of Contributions (instead of to account 403, Depreciation Expense), with contra credits to and credit to an appropriate subaccount of Account 108, Accumulated Depreciation of Water Plant. The charges to this account shall continue until such time as the balance in this account applicable to such properties has been completely amortized. The balance in the account applicable to non-depreciable property shall remain unchanged until such time as the property is sold or otherwise retired. At time of retirement of non-depreciable property, which was acquired by grant 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 grant account applicable thereto. The net salvage realized on the retirement of grant-funded property shall be recorded as a credit to the appropriate subaccount of Accumulated Depreciation of Water Plant.

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

6. Clearing Accounts

A. The purpose of a clearing account is to temporarily accumulate in one account costs of a specific type which affect more than a single

UNIFORM SYSTEM OF ACCOUNTS - CLASS B, C, and D WATER UTILITIES

account, and which subsequently will be apportioned among utility plant accounts, operating expense accounts and other appropriate accounts.

B. The use of clearing accounts is optional. In addition to the payroll clearing account, a utility may use such additional clearing accounts as it finds useful. The Uniform System of Accounts for Class A Water Utilities provides descriptions and instructions relating to several additional clearing accounts useful in distributing costs and expenses applicable to more than one account.

7. Federal Income Taxes**Inter-Period Tax Allocations**

~~The Federal Economic Recovery Tax Act of 1981 (ERTA) provides that a utility claiming accelerated tax depreciation must use a normalized method of accounting for federal income taxes on its books of account and for ratemaking purposes. A utility must use the same depreciation method and lives in computing federal income tax expense when establishing cost-of-service for ratemaking purposes as is used in its books of account. Similarly, in order to claim investment tax credits, a utility must defer the entire balance of investment tax credits on its books of account, and amortize the balance over the book life of the related property.~~ treatment and recording of income taxes has an extensive history of development, leading to its present state for California rate-regulated enterprises. Water utilities are directed to look to CPUC decisions that provide guidance regarding income taxes for utilities in general and to decisions that may be applicable to specific utilities for purposes of the appropriate recording of income taxes in the accounts set forth in the USOA for income taxes. General instructions as to the recording of taxes in the accounts applicable for various components of income taxes are provided herewith.

Accounting

A. The utility will initially charge account 409, State Corporate Income Tax Expense and account 410, Federal Corporate Income Tax Expense, and credit account 236, Taxes Accrued, to record its estimated ~~federal income tax expense based on tax basis straight line method depreciation~~ current tax provision. A utility may, at its ~~opinion~~ discretion, and if applicable, subdivide Account 410 to identify the component from the deferred ~~components of income tax expense, e.g., Account 410.1—Deferred Federal—Corporate Income Tax Expense—Accelerated Cost~~

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~~Recovery System; and Account 410.2—Deferred Federal Corporate Income Tax Expense—Investment Tax Credit (410.2) (see Instruction G below)."~~

~~B. To record the tax deferral resulting from the use of normalized tax accounting, the utility will charge Account 236, Taxes Accrued, and credit Account 282, Accumulated Deferred Income Taxes, with the difference between the federal income tax expense based on tax basis straight-line method depreciation and the tax liability resulting from use of accelerated tax depreciation. When the tax expense based on the tax basis straight-line method depreciation exceeds the tax liability resulting from the use of accelerated tax depreciation the utility will charge Account 282, Accumulated Deferred Income Taxes with contra credits to Account 236, Taxes Accrued.~~ The utility will charge or credit Accounts 409 and 410, as applicable, for the tax effects of individual normalized tax temporary differences and debit Account 181 (Deferred tax assets) or credit Account 283 (Deferred tax liabilities) as applicable and in accordance with generally accepted accounting principles (GAAP). A utility may, at its discretion, subdivide Account 410, as applicable to identify the deferred component of Accelerated Depreciation (410.1).

C. In order to properly account for deferred taxes, it will be necessary for the utility to maintain plant and depreciation records so that plant items can be identified by year of installation and service life.

D. The Federal Economic Recovery Tax Act of 1981 (ERTA) also requires the deferral of investment tax credits (ITC). Companies are divided into "Option 1 companies," i.e., generally, companies that did not defer investment tax credits prior to enactment of ERTA, and "Option 2 companies," i.e., those companies that had elected to defer all or a portion of ITC prior to enactment of ERTA.

E. Water utilities will charge Account 236, Taxes Accrued, and credit Account 255, Accumulated Deferred Investment Tax - Cr., with the amount of investment tax credits used to reduce income taxes for the current year.

F. ~~Companies that were not deferring any portion of their investment tax credits prior to enactment of ERTA (i.e., Option 1 companies),~~ will amortize the deferred balance of ITC by equal annual charges to Account 255, Accumulated Deferred Investment Tax Credits, with contra credits to Account 426, Miscellaneous Non-utility Expense, over the life of the related property.

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~~G. Companies that did defer all or a portion of their investment tax credits prior to enactment of ERTA (i.e., Option 2 companies)~~ will amortize the deferred balance of ITC by equal annual charges to account 255, Accumulated Deferred Investment Tax Credits, with contra credits to account 410, Federal Corporate Income Tax Expense, over the life of the related property.

Ratemaking

The instructions for a uniform system of accounts normally do not contain references to the ratemaking treatment to be accorded to items. However, because of the uncertainty that exists among some smaller water utilities as to the ratemaking treatment for Deferred Income Taxes and Deferred Investment Tax Credits, the following brief explanation has been included for information purposes.

A. Deferred Income Taxes

For ratemaking purposes, the balance in Account 282, Accumulated Deferred Income Taxes, will be deducted from ratebase by both Option 1 and Option 2 companies.

B. Deferred Investment Tax Credits

1. For ratemaking purposes, Option 1 companies will reduce rate base by the unamortized deferred ITC in Account 255. Option 1 companies will not reduce cost of service to reflect the annual amortization of deferred investment tax credits.

2. For ratemaking purposes, Option 2 companies will reduce cost of service to reflect the annual amortization of deferred investment tax credits by a credit to Account 410, Federal Corporate Income Tax Expense. Option 2 companies will not reduce rate base by the balance of unamortized deferred ITC in Account 255.

3. An example, showing how income taxes and investment tax credits are recorded in the books of account, is presented in Appendix A.

8. Safe Drinking Water Bond Act Loans

Special accounting procedures are provided for those utilities that have been granted low interest rate Safe Drinking Water Bond Act (SDWBA) loans through the State Department of Water Resources (DWR).

A. Progress payments received from DWR will be deposited in a separate bank account and will be entered in Account 131.2, Cash in Bank. Disbursements will be made only for materials and services used on DWR approved construction projects.

UNIFORM SYSTEM OF ACCOUNTS - CLASS B, C, and D WATER UTILITIES

B. The liability for the SDWBA loan will be recorded in a separate sub-account of Account 224, Long-Term Debt.

C. SDWBA loans will be repaid through surcharges on customer water bills. Surcharges will be separately shown on customer bills and credited to Account 470.4, Safe Drinking Water Bond Surcharge - Metered Revenue or Account 460.4, Safe Drinking Water Bond Surcharge - Unmetered Revenue.

D. SDWBA surcharge collections will be deposited monthly with the designated fiscal agent. The funds on deposit with the fiscal agent will be reported in Account 132 Cash - Special Deposits.

E. Safe Drinking Water Bond Act financed plant will not be depreciated on the books of account through charges to Account 403, Depreciation Expense. Instead, the principal amount of the loan will be amortized through the charges to Account 407, SDWBA Loan Amortization Expense, with contra credits to Account 108.1, Accumulated Amortization of SDWBA Loan, over the life of the SDWBA loan. These amortization charges will not be included in cost of service for ratemaking purposes. The intent of these entries is to have an accumulated depreciation balance equal to the amount of plant financed through the loan, when the SDWBA loan is fully paid.

F. An example, showing how safe drinking water bond act transactions are recorded in the books of account is presented in Appendix B.

9. Water Utility Users Fee

Public Utilities Code Sections 401 through 415 provide that the Commission shall annually set a fee to be paid by water utilities to cover the costs incurred by the Commission in regulating them. A percentage of gross revenues is added to customer bills and paid by the water companies to the Commission.

A. Class A water utilities pay a percentage of gross revenues quarterly; Class B, C, and D water utilities pay a designated amount, based on gross revenues, on January 15 of the following year. Sales of water for resale and Interdepartmental water sales should be excluded from gross revenues when computing the Water Utility Users fee.

B. Water utilities will credit regular operating revenue accounts with amounts billed to customers and charge account 688, Regulatory Commission Expense, with fees paid to the Commission.

UNIFORM SYSTEM OF ACCOUNTS - CLASS B, C, and D WATER UTILITIES**10. Facilities Fees**

A. Facilities fees are available for Class B, C, and D water utilities. These fees are also available to Class A water utility districts that serve less than 2,000 service connections.

B. Eligible utilities may file an advice letter to institute a facilities fee schedule.

C. When facilities fees are received by a water utility, the amount received shall be deposited in Account 132 – Cash-Special deposits and credited to Account 253 – Deferred Credits. Interest earned on these fees shall be debited to Account 132- Cash-Special Deposits and credited to Account 421 – Non-Utility Income.

D. At the time these fees are used for water plant improvements, Account 101 – Water Plant in Service shall be debited and Account 132 – Cash – Special Deposits credited. Concurrently, Account 253 Other Credits shall be debited and Account 265.7 – Contributions in Aid of Construction credited.

E. The annual depreciation and amortization of the facilities fees plant additions shall be debited to Account 265.7 and credited to Account 108.3 Accumulated Depreciation of Water Plant.

11. State and Federal Grant Funds

A. When Grant Funds are received from a funding agency; the utility must place these funds in a separate account that is restricted to Grant Funds only. The funds shall be recorded as a debit to Account 132 – Cash-Special Deposits and a credit to Account 265.1 – Contributions in Aid of Construction -Government Grant Proceeds. As the grant-funded plant is being constructed, the utility shall record those dollars expended as a debit to Account 105.2 – Construction Work in Progress – Grant Funds and a credit to Account 132 – Cash – Special Deposits. When the authorized plant has been constructed, a second set of entries shall be recorded as a debit to Account 101.2 Utility Plant in Service – Grant Funds and a Credit to Account 105.2 – Construction Work in Progress – Grant Funds.

B. Depreciation accrued on the depreciable portion of grant funded properties shall be charged to Account 265.1 Contributions in Aid of Construction – Government Grant Funds instead of Account 403 – Depreciation Expense and credited to Account 108.2 – Accumulated Depreciation of Water Plant – Grant Funds.

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C. At time of retirement of non-depreciable property, which was acquired by Grant funds, the costs thereof shall be credited to the appropriate plant account and charged to Account 265.1 - Contributions in Aid of Construction - Grant Proceeds in order to eliminate any credit balance in the grant fund account applicable thereto.

D. An example, showing how grant fund transactions are recorded in the books of account is presented in Appendix C.

12. Government Loan Funds

All government loan funds shall be repaid through surcharges similar to the accounting method used for Safe Drinking Water Bond Act loans. Refer to General Accounting Instruction 8 - Safe Drinking Water Bond Act Loans.

13. Water Contamination Proceeds

A. This accounting instruction applies to all transactions involving contamination proceeds from damage awards, settlements, government order, or insurance proceeds.

B. Water Contamination proceeds shall be debited to Account 132 - Cash - Special Deposits and credited to Account 253 - Deferred Credits. When the proceeds are used for construction, the appropriate Account 105 - Construction Work in Progress shall be debited and Account 132 - Cash - Special Deposits credited.

C. At the time plant is placed in service, the appropriate plant in service accounts (Account 301-341) are debited and appropriate subaccount of Account 105 is credited. Concurrent with the recording of plant in service, Account 253- Other Credits is debited and the appropriate subaccount of Account 265 - Contributions in Aid of Construction is credited.

D. Depreciation accrued on the depreciable portion of plant funded with contamination proceeds shall be charged to the appropriate subaccount of Account 265 - Contributions in Aid of Construction instead of Account 403 - Depreciation Expense and credited to an appropriate subaccount of Account 108.2 - Accumulated Depreciation of Water Plant - Grant Funds.

E. At time of retirement of un-depreciable property, which was acquired by contamination proceeds, the costs thereof shall be credited to the appropriate plant account and charged to appropriate subaccount of

UNIFORM SYSTEM OF ACCOUNTS - CLASS B, C, and D WATER UTILITIES

Account 265 - Contributions in Aid of Construction in order to eliminate any credit balance in the grant fund account applicable thereto.

14. Balancing Accounts

A. Balancing accounts are established only upon Commission authority and are recorded on a utility's accounting books as either a deferred charge (Account 180) or Other Credits (Account 253). A separate subaccount shall be maintained for each balancing account authorized by the Commission.

UNIFORM SYSTEM OF ACCOUNTS - CLASS B, C, and D WATER UTILITIES**BALANCE SHEET ACCOUNTS****ASSET ACCOUNTS****101. Water Plant in Service**

A. This account shall include the original cost of all water plant owned and used by the utility in providing water service. The following subaccounts should be maintained, if applicable:

101.1 Water Plant in Service - SDWBA

101.2 Water Plant in Service - Grant Funds

101.3 Water Plant in Service – Other

B. This account is the control account for plant accounts 301 through 379.

103. Water Plant Held for Future Use

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

B. The property included in this account shall be classified according to the detailed accounts (301 to 341) for utility plant in service and the account shall be maintained in such manner and in such detail as though the property were in service.

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

104. Water Plant Purchased or Sold

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

B. Within six months from date of acquisition or sale of a water system the utility shall file with the Commission for approval proposed journal entries to clear this account.

Note A. In clearing this account the original cost of acquired plant shall be charged to plant accounts, and accumulated depreciation shall be credited to account 108, Accumulated Depreciation of Water Plant. Any balance (representing the difference between the net original cost of the assets acquired and the cost to the

UNIFORM SYSTEM OF ACCOUNTS - CLASS B, C, and D WATER UTILITIES
acquiring utility) shall be charged or credited to account 114, Water Plant Acquisition Adjustments.

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

105. Construction Work in Progress - Water Plant

This account shall include the cost of water plant in process of construction, but not yet ready for service. The following subaccounts should be maintained, if applicable:

105.1 Construction Work in Progress – SDWBA

105.2 Construction Work in Progress - Grant Funds

105.3 Construction Work in Progress – Other

108. Accumulated Depreciation of Water Plant

A. This account shall reflect the depreciation and amortization accumulated on plant used in water utility service. The following subaccounts should be maintained, if applicable:

108.1 Accumulated Amortization of SDWBA

108.2 Accumulated Depreciation of Water Plant - Grant Funds

108.3 Accumulated Depreciation of Water Plant - Other

B. This account shall be credited with:

1. Amounts concurrently charged to account 403, Depreciation Expense, representing currently accruing depreciation of water plant (other than contributed water plant).

2. Amounts concurrently charged to Account 265, Accumulated Amortization of Contributions, representing amortization of contributed water plant.

3. Salvage value, sales price, insurance settlements and other amounts recovered from plant retired.

4. Amounts representing the balance of accumulated depreciation and amortization of water plant acquired from others.

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C. A separate subaccount, Account 108.1, Accumulated Amortization of SDWBA Loan, shall be maintained for utilities with Safe Drinking Water Bond Act loans.

Note: Also see Account 104, Water Plant Purchased or Sold.

D. This account shall be charged with:

1. Original cost of depreciable water plant retired.
2. Cost of removal of plant retired.

E. The utility should maintain separate subaccounts corresponding with the depreciable plant accounts, in which the accumulated depreciation total is segregated. Such a segregation of accumulated depreciation is mandatory for utilities having more than 500 customers.

F. The utility is restricted in the use of this account to the purposes set forth above. It shall not transfer any portion to retained earnings or to other accounts without prior written authorization from this Commission.

Note: Refer to Paragraph 4, Accounting Instructions - Depreciation, for information on depreciation accruals and plant retirement procedures.

114. Water Plant Acquisition Adjustments

A. This account shall include the difference between (1) the cost to the utility of water plant acquired as an operating unit or system by purchase, merger, or otherwise, and (2) the net of amounts distributed to the plant accounts, the accumulated depreciation account and other appropriate accounts.

B. No transfers shall be made from this account unless prior written authorization has been obtained from the Commission. If authorization is obtained to amortize the balance in this account, the contra charge shall be to Account 426, Miscellaneous Non-Utility Expense.

Note: See also Account 104, Water Plant Purchased or Sold.

121. Non-Water Utility Property and Other Assets

A. This account shall include all property and other assets owned by the utility, but not used in providing water service, for which separate balance sheet accounts have not been provided.

B. The account shall be appropriately subdivided.

Items

Land and buildings not used in water operations.

Water utility assets transferred to "non-operative" status.

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Investments in securities (other than those reported in account 124).

Assets of nonutility businesses owned by the water utility.

Accounts receivable and notes receivable, other than from water customers, not due within one year.

122. Accumulated Depreciation of Non-Water Utility Property

This account shall reflect the depreciation and amortization accumulated on property not used in water utility operations.

A. This account shall be credited with amounts currently charged to accounts 426, Miscellaneous Non-utility Expense, representing currently accruing depreciation and amortization on property not used in water utility operations.

B. This account shall be charged with the amount of depreciation accumulated on items of non-utility property sold, abandoned, or otherwise retired.

123. Investments in Affiliated Companies

Receivables from affiliated companies which do not bear a specific due date but which have been carried as a receivable from affiliated companies for more than 90 days and other receivable items which are not paid within 90 days from due date shall be recorded in this account.

124. Other Investments

This account shall include the book cost of investments in securities of companies for the purpose of obtaining an adequate water supply.

Item

Stock of mutual water company.

131. Cash

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

B. The following subaccounts should be maintained, if applicable:

131.1 Cash on Hand

131.2 Cash in Bank

132. Cash - Special Deposits

This account shall include cash amounts set aside from general corporate funds, and deposited in a separate account with fiscal agents or others, and designated for a special use. A separate subaccount shall be maintained for each designated special use.

UNIFORM SYSTEM OF ACCOUNTS - CLASS B, C, and D WATER UTILITIES**141. Accounts Receivable - Customers**

This account shall include amounts due from customers for water service.

Note: Accounts receivable other than from customers for water service shall be included in account 174, Other Current Assets, or in account 121, Non-Water Utility Property and Other Assets, as appropriate.

142. Receivables from Affiliated Companies

This account shall include the debit balances subject to current settlement in open accounts with affiliated companies, and notes and drafts which affiliated companies are liable, and which mature and are expected to be paid in full no 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 dates from due date shall be transferred to Account 123, Investments by Affiliated Companies.

143. Accumulated Provision for Uncollectible Accounts

A. This account shall be used by those utilities desiring to maintain a valuation reserve for uncollectible accounts, instead of writing off bad debts directly as they are incurred.

B. This account shall be credited with amounts to cover estimated losses on accounts receivable, with concurrent charges to Account 676, Uncollectible Accounts Expense.

C. This account also shall be credited with collections on accounts receivable previously written off as uncollectible.

D. This account shall be charged, and Account 141, Accounts Receivable - Customers, shall be credited with amounts determined to be uncollectible.

151. Materials and Supplies

A. This account shall include the cost of materials and supplies on hand, purchased for use in plant construction or repair work.

B. The cost shall include, when practicable, transportation charges, sales and use taxes and other directly assignable costs. Cash discounts realized on material purchases shall be credited to this account.

C. Reusable materials which are retired from plant and returned to the materials and supplies inventory shall be charged to this account and

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credited to account 108, Accumulated Depreciation of Water Plant.

Identifiable units which have been removed from service (e.g. pumps, motors, etc.) shall be carried in inventory at original cost. Items of small value whose original cost cannot be readily determined shall be carried in inventory at current prices new. Scrap materials shall be carried in inventory at estimated scrap value.

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

174. Other Current Assets

A. This account shall include prepayment of rents, taxes, insurance and similar expenses for which payment have been made in advance of the period to which they apply. As the periods covered by such prepayments expire, this account shall be credited and the proper operating expense or other accounts shall be charged with the amounts applicable to the current period.

B. This account shall include the book cost of all notes receivable and accounts receivable, other than from customers for water service, maturing or collectible within one year.

C. This account shall include all other current assets not provided for in other balance sheet accounts.

D. Separate subaccounts shall be maintained for each class of current asset included in this account.

180. Deferred Charges

A. This account shall include such items as expenses of security issues, bond discount, items in suspense, and costs which the Commission has authorized the utility to amortize over future periods. This account shall also include specific costs the Commission has authorized to record in a balancing account for recover over future periods.

B. This account shall be appropriately subdivided.

181. Accumulated Deferred Income Tax Assets

This account shall reflect the balance of deferred income tax assets recorded in accordance with GAAP (resulting from both flow-through and normalized treatment of temporary tax differences). For enterprises that have not yet adopted Financial Accounting Standards Board (FASB) Accounting Standards Update 2015-17 – Income Taxes (Topic 740):

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Balance Sheet Classifications of Deferred Taxes, deferred income tax assets that are classified as current assets may also be recorded in this account.

EQUITY AND LIABILITY ACCOUNTS**201. Common Stock**

A. This account shall be credited with the total par value or stated value of common stock outstanding.

B. Premiums related to the issue of common stock shall be carried in a separate subaccount of Account 211, Other Paid in Capital.

204. Preferred Stock

A. This account shall be credited with the total par value or stated value of preferred stock outstanding.

B. A separate subaccount shall be maintained for each class and series of preferred stock.

C. Premiums and discounts related to the issue of preferred stock shall be carried in a separate subaccount of Account 211, Other Paid-in Capital.

206. Subchapter S Corporation Accumulated Adjustments Account

A. This account shall be used by Subchapter S Corporations for the reporting of changes in its ownership equity.

B. This account shall include all paid-in-capital not derived from earnings.

C. This account shall be credited with:

1. Net income.
2. Accounting adjustments not properly attributable to the current period.

D. This account shall be charged with:

1. Net loss.
2. Accounting adjustments not properly attributable to the current period.
3. Dividends.

211. Other Paid-in Capital (for corporations only)

A. This account shall include all non-Subchapter S Corporation's paid-in capital not derived from earnings. It shall include such items as

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premiums and discounts related to the issuance of capital stock, donations to the utility of its capital stock, credits arising from the forgiveness of debt of the utility; credits arising out of a reorganization of the utility, or in connection with its recapitalization.

B. Each type of paid-in capital shall be carried in a separate subaccount.

215. Retained Earnings (for corporations only)

A. This account shall reflect corporate earnings retained in the business.

B. The account shall be credited with:

1. Net income.

2. Accounting adjustments not properly attributable to the current period.

C. The account shall be charged with:

1. Net losses.

2. Accounting adjustments not properly attributable to the current period.

3. Dividends.

218. Proprietary Capital (for proprietorships and partnerships only)

A. This account shall be credited with the investment of a sole proprietor, or partners, in an unincorporated water utility.

B. A separate subaccount shall be maintained for each partner.

C. At the end of each calendar year the net income or loss for the year shall be entered in this account.

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

E. All withdrawals from the business by the owner or partners other than as compensation for services performed shall be charged to subaccount 218.1, Proprietary Drawings. This subaccount shall be closed into Account 218 at the end of each accounting period.

Note: Amounts designated by a non-corporate owner or partner as a "salary", representing fair and reasonable compensation for services performed, shall be charged to operating expense account 671, Management Salaries, or to water plant accounts when appropriate. If clearing accounts are used, the owner's or partners' salaries will initially be charged to Account 900.1, Payroll Clearing, pending distribution.

UNIFORM SYSTEM OF ACCOUNTS - CLASS B, C, and D WATER UTILITIES**224. Long-Term Debt**

A. This account shall include all notes, conditional sales contracts or other evidences of indebtedness payable more than one year from date of issue.

B. A separate subaccount shall be maintained for each obligation outstanding.

Note: Prior authorization must be obtained from this Commission before any long-term indebtedness may be incurred by the utility. (Public Utilities Code, Section 818.)

230. Payables to Affiliated Companies

A. This account shall include amounts owed to affiliated companies on notes, drafts, acceptances, or other similar evidence of indebtedness, and open accounts payable on demand or not more than one year from date of issue or creation.

Note: The records supporting the entries to this account shall be so kept that the utility can furnish complete information concerning each note, draft, acceptance, indebtedness, or other open account.

231. Accounts Payable

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

232. Short-Term Notes Payable

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

233. Customer Deposits

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

236. Taxes Accrued

A. This account shall include all taxes accrued or payable by the utility including property taxes, payroll taxes, withholding taxes, and corporation income taxes.

B. This account shall be credited during each accounting period with the amount of taxes accrued during the period. Such credits may be based upon estimates, but from time to time during the year, the amount of the periodic credits shall be adjusted so as to reflect the correct tax liability. Any amount representing a prepayment of taxes applicable to the period

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subsequent to the date of the balance sheet shall be shown under Account 174, Other Current Assets.

C. This account shall be debited and Account 255, Accumulated Deferred Investment Tax - Credits, shall be credited with the amount of investment tax credits used to reduce income taxes for the current year.

Note: Liability for personal income or self-employment taxes of owner or partners shall not be entered in the books of the utility, although payment of such taxes may be charged as withdrawals to proprietary capital.

237. Interest Accrued

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

B. The following subaccounts should be maintained, if applicable:

237.1. Interest Accrued On Long-Term Debt

This account shall include the amount of interest accrued on the long-term debt of the utility, other than safe Drinking Water Bond Act loans.

237.2. Interest Accrued on SDWBA Loan)

237.3. Interest Accrued On Other Liabilities

This account shall include the amount of interest accrued on liabilities of the utility other than long-term debt and SDWBA.

241. Other Current Liabilities

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

B. Include herein pension accruals prior to the time they are transmitted to the trustee, accruals of vacation pay, etc.

C. A separate subaccount shall be maintained for each class of liability.

252. Advances for Construction

A. This account shall include construction advances from subdividers and others, which are subject to refund in accordance with the provisions of the utility's water main extension rules.

B. Any balances in this account representing the unrefunded balances of expired contracts, or discounts resulting from termination of contracts in

UNIFORM SYSTEM OF ACCOUNTS - CLASS B, C, and D WATER UTILITIES
accordance with the utility's water main extension rules, shall be transferred to Account 265, Contributions in Aid of Construction.

253. Other Credits

This account shall include advance billings, unamortized premium on debt, items in suspense and other credit items not provided for in other accounts. This account shall also include specific revenues (Revenue Balancing Account) that the Commission has authorized the utilities to record for future repayment.

255. Accumulated Deferred Investment Tax - Credits

A. This account shall be credited with all investment tax credits deferred by companies. The balance in this account shall be amortized by equal charges over the life of the related property.

B. Records shall be maintained identifying the properties related to the investment tax credits for each year, the weighted average service life of such properties, and any unused balance of such credits.

Note: Refer to Paragraph 7, Accounting Instructions - Federal Income Taxes for detailed information on charges and credits to this account.

265. Contributions in Aid of Construction

A. This account shall include:

1. All non-refundable contributions of cash, land or other property received by the utility in connection with the construction or extension of its water system.
2. Compensation received from governmental agencies and others for relocation of water mains or other plant, in excess of costs incurred in such relocation.
3. The following subaccounts should be maintained, if applicable:

265.1 Government Grant and Government Grant Contamination Proceeds

Note: For booking local and federal government grant proceeds.

265.2 Government Loan Contamination Proceeds

Note: For booking contamination related government loan proceeds.

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265.3 Damage Award Contamination Proceeds

Note: For booking contamination proceeds derived from damage awards.

265.4 Settlement Contamination Proceeds

Note: For booking contamination related settlement proceeds.

265.5.1 Government Order Contamination Proceeds from Private Funds

Note: For booking contamination related proceeds deriving from a private funding source via government order.

265.5.2 Government Order Contamination Proceeds from Public Funds

Note: For booking contamination related proceeds derived from a public funding source via government order.

265.6 Insurance Contamination Proceeds

Note: For booking insurance contamination proceeds.

265.7 All Other Contributions in Aid of Construction

Note: For booking all contributions not specifically provided for in the above Contribution subaccounts.

B. The utility shall maintain a separate account in which to accumulate amounts amortized. This account shall be titled: 272 Accumulated Amortization of Contributions.

C. Specific instructions for amortization of balances in this account will be found in Paragraph 5, Accounting Instructions - Contributions in Aid of Construction. In general, it is intended that balances which represent contributions of depreciable plant shall be amortized by charges to this account over a period equal to the actual service life of the contributed plant, with contra credits to the appropriate subaccounts of Account 108, Accumulated Depreciation of Water Plant. Contributions of non-depreciable plant shall not be transferred from this account unless written authorization has been obtained from this Commission.

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Note A.: Construction advances which are subject to full or partial repayment shall be credited to Account 252, Advances for Construction, instead of to this account.

Note B: The records supporting the entries to this account must be so kept that the utility can furnish information as to the purpose of each grant, and shall be segregated between depreciable and non-depreciable property.

272. Accumulated Amortization of Contributions - Debit

This account is a valuation account, applied against balances in Account 265, Contributions in Aid of Construction.

This account shall include the amortization accumulated on balances in Account 265, Contributions in Aid of Construction. This account shall be charged and Account 108, Accumulated Depreciation of Water Plant, shall be credited with amounts sufficient to amortize balances in Account 265, Contributions in Aid of Construction, over the lives of the depreciable assets to which they relate.

282. Accumulated Deferred Income Taxes – Accelerated Tax Depreciation

A. Account 282 shall be credited and Account 236, Taxes Accrued, shall be charged with the difference between the federal income tax expense based on tax basis, straight-line method of depreciation and the tax liability resulting from use of accelerated tax depreciation.

B. Account 282 shall be debited and Account 236, Taxes Accrued shall be credited when the tax liability based on the use of accelerated tax depreciation exceeds the federal income tax expense based on tax basis, straight-line method of depreciation.

C. In order to employ normalized tax accounting it will be necessary for the utility to maintain plant and depreciation records grouped by year of installation and service life.

D. See Paragraph 7 Accounting Instructions - Federal Income Taxes for more detailed instructions on tax normalization accounting.

283. Accumulated Deferred Income ~~Taxes—Other~~ Tax Liability

This account shall ~~include all credit income tax deferrals other than those deferrals included in Account 282—Accumulated Deferred Income Taxes—Accelerated Tax Depreciation.~~ reflect the balance of deferred income tax liabilities recorded in accordance with GAAP (resulting from both flow-through and normalized treatment of temporary tax differences).

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For enterprises that have not yet adopted FASB Accounting Standards Update 2015-17 – Income Taxes (Topic 740): Balance Sheet Classifications of Deferred Taxes, deferred income tax liabilities that are classified as current liabilities may also be recorded in this account.

UNIFORM SYSTEM OF ACCOUNTS - CLASS B, C, and D WATER UTILITIES**PLANT ACCOUNTS****301. Intangible Plant**

This account shall include the cost of organizing and incorporating the business, and other intangible property used in the utility's water operations.

Items

Legal fees and other costs for incorporating the business and obtaining a certificate to operate as a utility.

Payments to the state or to political subdivisions for franchises or certificates, not including annual franchise payments.

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

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

Note C. Annual franchise payments shall be charged to subaccount 408.3, Other Taxes and Licenses.

303. Land

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

304. Structures

A. This account shall include the cost of structures used in water operations.

B. The account shall show separately the cost of each structure.

Items

Pump houses

Landscaping, sidewalks

Storage sheds

Buildings

Yard paving and fencing

Meter testing shops

307. Wells

A. This account shall include the cost of wells used in utility operations.

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B. The cost of drilling wells which are nonproductive, or which produce water which cannot be used in the system shall be charged to operating expenses (Account 664, Other Plant Maintenance Expenses) in the year in which the expense is incurred unless this Commission in writing authorizes the utility to charge such costs to Account 180, Deferred Charges, and to amortize such amount over a future period.

311. Pumping Equipment

This account shall include the cost of electric, gas, gasoline, or other types of pumping equipment.

Items

Engines	Pressure regulating and
Motors	recording instruments
Turbines	Electric power lines
Pumps	Switching equipment
	Power generating equip.

317. Other Water Source Plant

This account shall include the cost of all water source plant other than wells.

Items

Springs	Infiltration galleries
Spillways	Lake and river intakes
Cost of connections with other water systems or water sources, including payments to public agencies for water supply connections to which utility does not receive title.	Master meters used to measure quantity of or delivered into system.

320. Water Treatment Plant

This account shall include the cost of equipment used in treatment of water.

Items

Softening equipment	Filtering equipment
Chlorination equipment	Purification equipment
Sand traps	Fluoridation equipment

UNIFORM SYSTEM OF ACCOUNTS - CLASS B, C, and D WATER UTILITIES**Settling basins****330. Reservoirs, Tanks and Standpipes**

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

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

331. Water Mains

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

333. Services and Meter Installations

This account shall include the cost installed of service pipes leading from the water mains to the customers' premises and the cost of labor, materials, and expense incurred in the original installation of meters.

Items

Service piping

Yokes

Meter boxes

Stops

Note: Labor cost of removing and resetting meters shall be charged to operating expense Account 630, Employee Labor.

334. Meters

A. This account shall include the cost of all meters used to measure the quantity of water delivered to consumers, including meters actually in service and meters held in stock.

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

Note: The cost of "master meters" used to measure the quantity of water produced or delivered into the system shall be entered in Account 317, Other Water Source Plant.

335. Hydrants

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

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

UNIFORM SYSTEM OF ACCOUNTS - CLASS B, C, and D WATER UTILITIES**339. Other Equipment**

A. This account shall include the cost of equipment and tools used in water operations which are not includible in any other accounts.

B. Small tools costing \$ 100 or less may be charged directly to operating expenses at the time of purchase.

Items

Hoists

Communications equipment

Power tools

Trenchers

Tractors

Pipe wrapping equipment

Leak detecting equip.

Backhoes

340. Office Furniture and Equipment

This account shall include the cost of office furniture and equipment owned and used by the utility.

Items

Adding machines

Addressing machines

Calculating machines

Drafting room equipment

Postage meter machines

Desks, typewriters

Filing cabinets

Book cases, tables, chairs

Computers

341. Transportation Equipment

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

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

UNIFORM SYSTEM OF ACCOUNTS - CLASS B, C, and D WATER UTILITIES**INCOME STATEMENT ACCOUNTS****400. Operating Revenues**

This is the revenue control account in which is summarized the total of amounts credited to revenue accounts 460 through 480.

401. Operating Expenses

This is the operating expense control account in which is entered the total of amounts charged to operating expense accounts 610 through 689.

403. Depreciation Expense

This account shall be charged with that portion of the depreciation accrual credited to Account 108, Accumulated Depreciation of Water Plant, applicable to all classes of depreciable water plant except plant represented by contributions in aid of construction. Depreciation shall be accrued on a straight-line remaining life basis. Use of a single composite depreciation rate applied to all depreciable plant is permissible for water utilities with annual revenues of \$ 100,000 or less.

Note A. See Accounting Instructions - Depreciation, Paragraph 4, for more detailed instructions on depreciation accounting.

Note B. Depreciation on property not used in water operations is charged to account 426, Miscellaneous Non-Utility Expense, and is credited to Account 122, Accumulated Depreciation of Non-Water Utility Property.

407. SDWBA Loan Amortization Expense

This account shall be charged and Account 108.1, Accumulated Amortization of SDWBA, shall be credited with periodic amounts sufficient to fully amortize the SDWBA loan balance over its life. The intent of these entries is to accumulate depreciation equal to the amount of plant financed through the SDWBA loan, over the life of the SDWBA loan.

408. Taxes Other Than Income Taxes

This is the tax expense account to which taxes other than income taxes are charged. Property taxes, payroll taxes (and, unemployment insurance, social security taxes) and other taxes and licenses (e.g., municipal business taxes, annual franchise fees) will be entered in this account.

UNIFORM SYSTEM OF ACCOUNTS - CLASS B, C, and D WATER UTILITIES

A separate subaccount will be maintained for each type of tax.

408.1 Property Taxes**408.2 Payroll Taxes****408.3 Other Taxes and Licenses**

Note A: Vehicle license fees shall be included in operating expense Account 660, Transportation Expense.

Note B: Assessments for support of regulatory commissions shall be charged to operating expense Account 688, Regulatory Commission Expense.

409. State Corporate Income Tax Expense

A. This is the tax expense account to which State Corporate Franchise Taxes for the current calendar year are charged.

B. This account will be used only by incorporated utilities.

410. Federal Corporate Income Tax Expense

A. This account will be used only by incorporated water utilities.

B. This account will be charged with federal income taxes for the current calendar year.

C. See Accounting Instruction 7 - Federal Income Taxes.

421. Non-Utility Income

In this account is entered all income not includible in operating revenue accounts 460 through 480.

Items

Interest income

Dividend income

Gross income from non-water utility operations

Net gain on sale of non-water utility property

426. Miscellaneous Non-Utility Expense

To this account shall be charged all expense other than expenses of water utility operations and interest expense.

Items

Contributions for charitable or community welfare purposes.

Expenses, including depreciation and taxes, of non-water utility property.

Country club dues, service club dues (Rotary, Kiwanis, etc.) and items of a similar nature.

UNIFORM SYSTEM OF ACCOUNTS - CLASS B, C, and D WATER UTILITIES

Amortization of balances in Account 114 - Utility Plant Acquisition
Adjustments.

427. Interest Expense

To this account shall be charged all interest expense of the utility. The contra credits to entries in this account shall be divided among:

Account 237.1 Interest Accrued on Long-Term Debt

Account 237.2 Interest Accrued on SDWBA Loan

Account 237.3 Interest Accrued on Other Liabilities

UNIFORM SYSTEM OF ACCOUNTS - CLASS B, C, and D WATER UTILITIES**OPERATING REVENUE ACCOUNTS****460. Unmetered Water Revenue**

A. This account shall include all revenue from unmetered water service. Surcharge revenues approved by the Commission applicable to unmetered customers shall be recorded in this account. Separate subaccounts shall be maintained for each type of surcharge approved by the Commission unless otherwise authorized or directed by the Commission.

B. Unmetered revenue shall be segregated, using the following subaccounts.

460.1 Residential, Single-family Dwellings and Multiple Dwelling Units Billed Individually.**460.2 Commercial and Miscellaneous**

"Miscellaneous" is defined as an unmetered customer not properly classified in Account 460.1 or Account 460.3.

460.3 Large Water Users

Large water users are defined as unmetered customers other than customers whose revenues are reported in Account 460.1 or Account 460.2 whose estimated water usage is at least five times as much as the average single-family residential customer and have a 1-1/2" or larger service.

460.4 Safe Drinking Water Bond Surcharge**460.5 Other Unmetered Revenue**

Include herein revenues from construction water sales, sales from resale and revenue from water sales under special contract.

Note: Additive flat rate charges for coolers, large lot areas, large gardens, etc. will be included in the above accounts along with the basic flat rate charges.

462. Fire Protection and Hydrant Revenue

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

B. The following subaccounts shall be used:

462.1 Public Fire Protection

UNIFORM SYSTEM OF ACCOUNTS - CLASS B, C, and D WATER UTILITIES**462.2 Private Fire Protection****465. Irrigation Revenue**

This account shall include all revenue from irrigation service, under either metered or flat rate irrigation tariff schedule.

470. Metered Water Revenue

A. This account shall include all revenue from metered water service. Surcharge revenues approved by the Commission applicable to metered customers shall be recorded in this account. Separate subaccounts shall be maintained for each type of surcharge approved by the Commission unless otherwise authorized or directed by the Commission.

B. Metered revenue shall be segregated, using the following subaccounts:

470.1 Residential, Single-Family Dwellings and Multiple Dwelling Units Individually Metered**470.2 Commercial and Multi-Residential Master Metered**

470.3 Large Water Users: Large water users are defined as customers, other than customers whose revenues are reported in account 470.1 or 470.2, who use at least five times as much water as the average single-family residential customer and have a 1-1/2" or larger meter installed.

470.4 Safe Drinking Water Bond Surcharge**470.5 Other Metered Revenues**

Include herein revenues from construction water sales, sales for resale and revenue from water sales under special contract.

480. Other Water Revenue

This account shall include revenue from water operations other than the delivery of water or provision of fire protection. This account shall be appropriately subdivided.

Items

Fees for changing, temporarily shutting off or reconnecting services
Maintenance of appliances or repair of piping on customers' premises
Rental income from water property

UNIFORM SYSTEM OF ACCOUNTS - CLASS B, C, and D WATER UTILITIES**OPERATING EXPENSE ACCOUNTS****PLANT OPERATION AND MAINTENANCE EXPENSES****A. Volume Related Expenses****610. Purchased Water**

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

615. Power

This account shall include the cost of power and fuel used to operate pumps.

Note: Fuel and electricity used to heat and light offices shall be charged to Account 681, Office Supplies and Expense.

618. Other Volume Related Expenses

This account shall include all other expenses related to the volume of water used.

Items

Ground water replenishment charges.

Chemicals used in water treatment.

Water rights leases based on volume.

Note: Any of the above types of charges that are not based on volume shall be charged to Account 664, Other Plant Maintenance Expenses.

B. Non-Volume Related Expenses**630. Employee Labor**

This account shall include the wages of all employees (other than the manager, owner, or principal stockholders) whose time is utilized in the operation, repair and maintenance of the water system. The account shall include wages of employees who perform such work as, for example:

Cutting brush and weeds at springs or streams

Checking, oiling and other pump maintenance

Repairing leaks in water mains and services

Reading meters

Removing, resetting and testing meters

Turning water off or on at customers' premises

Maintenance of water treatment equipment; labor of adding chemicals, washing filters, etc.

UNIFORM SYSTEM OF ACCOUNTS - CLASS B, C, and D WATER UTILITIES

Note A. Wages of managers, owners, or principal stockholders who perform any of the above functions shall not be included in this account but shall be included in Account 671, Management Salaries.

Note B. The wages of employees who perform both maintenance work and office work shall be charged to the account to which the greater portion of their time is devoted, unless segregation between accounts is based on actual records of amount of time spent on each type of work. No arbitrary allocations of employee wages between accounts shall be made.

Note C. The cost of labor assignable to utility plant construction shall be charged to Account 101, Water Plant in Service; Account 105, Construction Work in Progress -Water Plant; or Account 900.1, Payroll Clearing, as appropriate.

Note D: The cost of chemicals used in water treatment shall be charged to Account 618, Other Volume related expenses.

640. Materials

This account shall include all materials and supplies used in operation and maintenance of the water system, other than repair and maintenance materials charged to Account 650, Contract Work and chemicals charged to Account 618, Other Volume Related Expenses.

650. Contract Work

This account shall include the cost of all repair and maintenance work not performed by water company employees. Examples of such expenses are pump repairs, repairs of water system leaks by local plumbers, painting of tanks by painting contractors, and testing of water by laboratories. This account shall include materials that are part of a contract price if the cost of such materials is not separately stated, and incidental operation and maintenance expenses not chargeable to accounts 630 or 640. The following subaccounts shall be used, if applicable

650.1 Contract Water Quality and Testing Work**650.2 Other Contract Work****660. Transportation Expense**

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

UNIFORM SYSTEM OF ACCOUNTS - CLASS B, C, and D WATER UTILITIES

Items

Tires

Batteries

Lubrication

Fuel

Oil

Vehicle and equipment

rentals

License fees

Repairs

664. Other Plant Maintenance Expenses

This account shall include all plant operation and maintenance expenses not related to volume of water, and not separately provided for in other accounts.

Items

Well rental charges.

Charges for the right to divert water from springs and streams

Cost of drilling nonproductive wells unless special accounting is ordered by the Commission.

Telemetry.

UNIFORM SYSTEM OF ACCOUNTS - CLASS B, C, and D WATER UTILITIES**ADMINISTRATIVE AND GENERAL EXPENSES****670. Office Salaries**

This account shall include the salaries of all employees (other than the manager, owner or principal stockholders) whose time is utilized in billing, collecting, record keeping, or general office work.

Note: Fees of independent accountants will be charged to Account 682, Professional Services.

671. Management Salaries

A. This account shall include the portion of salaries of managers, owners, partners or principal stockholders of a utility, chargeable to utility operations.

B. No portion of such salaries shall be allocated to other expense accounts even though the owner or manager may perform other duties (e.g., billing, collecting, and maintenance) in addition to managing the utility.

C. Drawings by partners or owners of non-corporate utilities in addition to amounts designated as "salaries" for operating the utility shall be charged to subaccount 218.1, Proprietary Drawings.

D. The portion of salaries of managers, owners, partners or principal stockholders assignable to utility plant construction shall be charged to Account 101 or Account 105 as appropriate. Also see Account 900.1 Payroll Clearing.

674. Employee Pensions and Benefits

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

Note: Utilities with more than 1,000 service connections shall subdivide this account to correspond with salaries reported in accounts 630 Employee Labor, 670 Office Salaries, and 671 Management Salaries.

676. Uncollectible Accounts Expense

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A. This account shall be charged with amounts sufficient to cover losses from uncollectible accounts receivable.

B. If a valuation reserve account is maintained for receivables, a contra credit shall be made to Account 143, Accumulated Provision for Uncollectible Accounts.

C. If the utility writes off bad debts directly as accounts are determined to be uncollectible, the contra credit shall be to Account 141, Accounts Receivable - Customers.

D. If accounts that previously were written off as bad debts are subsequently collected, the amount collected will be credited to Account 143, Accumulated Provision for Uncollectible Accounts, if the utility follows this method of accounting. If the utility writes off bad debts directly, subsequent collection of amounts previously written off will be credited to Account 676, Uncollectible Accounts.

678. Office Services and Rentals**Items**

Computer and/or Billing Machine.....	Credit Reports
Payments to Service Bureaus.....	Commissions to Others
Office Equipment Rentals.....	For Collecting Bills
Other Services	

681. Office Supplies and Expense

This account shall include the cost of office supplies and expenses, including printing, stationery, general accounting supplies, repair, maintenance and telephone, utilities, and other office expenses.

682. Professional Services

This account shall include the fees of independent accountants, engineers, lawyers, and similar professional consultants. This account shall be kept in a manner that will permit ready analysis of charges.

684. Insurance

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

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

UNIFORM SYSTEM OF ACCOUNTS - CLASS B, C, and D WATER UTILITIES

Note B. The cost of policies extending over a period of more than one year shall be prorated over the period of coverage. Prepaid insurance shall be charged to Account 174, Other Current Assets, when appropriate.

688. Regulatory Compliance Expense

A. This account shall include all expenses (except salaries of regular utility employees) incurred by the utility in connection with formal matters before regulatory commissions.

B. Amounts of regulatory commission expense which, by direction of the commission is to be spread over future periods shall be charged to Account 180, Deferred Charges and amortized by charges to Account 688, Regulatory Commission Expense.

689. General Expense

This account shall include all expenses not includible in other operating expense accounts. General expenses include advertising, subscriptions, collection agency fees and Water Association dues.

800. Expenses Capitalized - Credit (Optional)

A. If this account is used it shall be credited (with concurrent charges to Account 105, Construction Work in Progress - Water Plant) for amounts of payroll overheads (payroll taxes, workers' compensation insurance, etc.), transportation expenses and other items determined to be proper components of construction cost.

B. The methods used to calculate the amount of expenses to be capitalized are not specified, but shall result in an equitable allocation of such actual overheads to the appropriate accounts charged with the direct costs giving rise to such overheads. The addition of arbitrary percentages or amounts to cover assumed overhead costs is prohibited.

900. Clearing Accounts - Optional

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

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

UNIFORM SYSTEM OF ACCOUNTS - CLASS B, C, and D WATER UTILITIES**900.1 Payroll Clearing (Optional)**

A. If this account is used it shall be charged with the gross wages earned by all employees. (Unincorporated utilities also shall charge to this account amounts withdrawn by the owner or partners representing the value assigned to their services in operating the utility. Other amounts withdrawn by owners or partners of unincorporated utilities in addition to amounts designated as "salaries" for operating the utility shall be charged to subaccount 218.1, Proprietary Drawings.)

B. This account shall be cleared by crediting it and charging the accounts indicated below:

1. Office employees' salaries shall be charged to Account 670, Office Salaries.

2. Wages of all employees whose time is utilized in water plant construction or in water plant maintenance and repair shall be segregated in the following manner:

- a. Account 105, Construction Work in Progress -Water Plant, shall be charged with the cost of assignable to utility plant construction.

- b. Account 630, Employee Labor, shall be charged with the cost of all employee labor used in the repair, operation and maintenance of the water system.

3. Salaries of owners, partners, and managers shall be segregated in the following manner:

- a. Account 105, Construction Work in Progress -Water Plant, shall be charged with the portion of salaries chargeable to water plant construction.

- b. Account 671, Management Salaries, shall be charged with the portion of salaries chargeable to operating expenses. (See Account 671 and Account 218)

UNIFORM SYSTEM OF ACCOUNTS - CLASS B, C, and D WATER UTILITIES**ATTACHMENT A****Sample Entries to Record Income Taxes**

The following example shows entries to record Federal Corporate Income Taxes and Federal Investment Tax Credits in the books of account.

Assumptions -

(a) A water utility purchases depreciable plant at a cost of \$ 10,000. The plant has a 10-year life with no salvage. (5-year accelerated tax depreciable property).

(b) The utility's federal taxable income computed on a straight-line depreciation basis both in its books of account and for ratemaking is \$ 30,000. The utility actually utilizes accelerated tax depreciation in preparing its federal income tax return. The accelerated tax depreciable life of the plant is 5-years.

(c) The investment tax credit is \$ 800 ($\$ 10,000 \times 8\%$) in order to use 100% of the \$ 10,000 cost for accelerated tax depreciation.

<u>Acc't No.</u>	<u>Account Title</u>	<u>Debit</u>	<u>Credit</u>
1. 410	Federal Corporate Income Tax Expense ²⁷¹	\$13,999	
236	Taxes Accrued		\$13,800
	To record ^{record} federal income tax expense ($\$30,000 \times 46\%$)		0
2. 236	Taxes Accrued	\$230	
282	Accumulated Deferred Income Taxes – Accelerated Tax Depreciation		\$230
	To reduce taxes accrued by the amount of deferred income taxes based on the difference between straight-line book depreciation and accelerated tax depreciation. (\$1,500 accelerated tax depreciation		

~~²⁷—A utility may, at its option, subdivide Account 410 to identify the deferred components of income tax expense, e.g. Account 410.1—Deferred Federal—Corporate Income Tax Expense—Accelerated Cost Recovery System; and Account 410.2—Deferred Federal Corporate Income Expense—Investment Tax credit.~~

¹ A utility may, at its option, subdivide Account 410 to identify the deferred components of income tax expense, e.g. Account 410.1 – Deferred Federal - Corporate Income Tax Expense – Accelerated Cost Recovery System; and Account 410.2 – Deferred Federal Corporate Income Expense – Investment Tax credit.

UNIFORM SYSTEM OF ACCOUNTS - CLASS B, C, and D WATER UTILITIES

\$1,000 book depreciation) x 46%.²⁸²

The following example shows how the various transactions are recorded:

<u>Acc't No.</u>	<u>Account Title</u>	<u>Debit</u>	<u>Credit</u>
3. 236	Taxes Accrued	\$800	
255	Accumulated Deferred Investment Tax - Cr.		\$800
	To record deferral of investment <u>investment</u> tax credits arising out of plan installed in current year.		
4. 255	Accumulated Deferred Investment Tax-Cr.	\$80	
426	Miscellaneous Non-Utility Expense		\$80
	To record the annual amortization, over the life of the related property, of a pro rata portion of the amount of ITC deferred in Entry 3. [This entry (in lieu of Entry 4) would be used only by Option 1 companies.] (See Accounting Instruction 7)		
5. 255	Accumulated Investment Tax-Cr.	\$80	
410	Federal Corporate Income Tax Expense		\$80
	To reduce cost of service and the annual amortization <u>amortization</u> , over the life of the related property, or <u>for</u> a pro rata portion of the amount of ITC deferred in Entry 3. [This entry (in lieu of Entry 4) would be made only by Option 2 companies.] (See Accounting Instruction 7.)		

(End of Attachment A)

²⁸ ~~At the point in time when book depreciation exceeds tax depreciation Account 236 will be credited and Account 282 debited.~~

² At the point in time when book depreciation exceeds tax depreciation Account 236 will be credited and Account 282 debited.

UNIFORM SYSTEM OF ACCOUNTS - CLASS B, C, and D WATER UTILITIES**ATTACHMENT B**

**Sample Entries to Record Transactions
For a 30-Year, 6% SDWBA Loan of \$ 100,000
Assume 490 Single-family Metered Residential Customers**

	<u>Acc't No.</u>	<u>Account Title</u>	<u>Debit</u>	<u>Credit</u>
1.	131.2	Cash in Bank	\$ 100,000	
	224.1	Long-Term Debt – SDWBA Loan (Utility receives progress payments of \$100,000 from DWR. Payments are deposited in separate bank account		\$ 100,000
2.	101	Plant (detail entered in plant Accounts 301 through 341)	\$100,000	
	131.2	Cash in Bank (Payment is made made to contractors for plant constructed with SDWBA loan proceeds.)		\$100,000
3.	141	Accounts Receivable-Customers	\$1,637	
	470.1	Residential, Single-Family Dwellings & Multiple Dwellings		\$1,000
	470.4	SDWBA Surcharge (Monthly billing of customers for ordinary revenue of \$1,000 plus SDWBA surcharge of \$637.) (\$1.30 surcharge x 490 customers = \$637)		637
4.	131.2	Cash in Bank	\$1,550	
	141	Accounts Receivable-Customers (Monthly collections of customer receivables. Consists of \$975 regular revenue and \$575 SDWBA surcharge revenue.)		\$1,550
5.	132	Cash – Special Deposits	\$575	
	131.2	Cash in Bank (Surcharge collections are transferred monthly to		\$575

UNIFORM SYSTEM OF ACCOUNTS - CLASS B, C, and D WATER UTILITIES
account with fiscal agent.)

6.	427	Interest Expense – SDWBA loan	\$3,000	
	224.1	Long-Term Debt – SDWBA loan (Principal payment)	822	
	132	Cash – Special Deposit		\$3,822
		(Semi-annual payment of principal and interest to DWR by fiscal agent.)		
7.	132	Cash –n Special Deposit	\$50	
	421.2	Non-Utility Income – Interest		\$50
		(Credit of interest earned on surcharge collections deposited with fiscal agent.)		
8.	407	SDWBA Loan Amortization Expense	\$1,667	
	108.1	Accumulated Amortization of SDWBA		\$1,667
		(Semi-annual amortization of 30-year SDWBA loan.)		

(End of Attachment B)

UNIFORM SYSTEM OF ACCOUNTS - CLASS B, C, and D WATER UTILITIES**ATTACHMENT C**

**Illustrative Accrual Basis Accounting Journal Entries for Recording Transactions
Related to Proposition (Prop) 50 & Other Grant Funds
(For Classes B, C, and D Water Utilities)
(Per D.06-03-015, dated March 2, 2006)**

Scenario: A utility receives \$1,000,000 of Grant Funds to pay for the construction of a new treatment plant. The total cost of the plant is \$2,000,000 funded by \$1,000,000 of Grant Funds and \$1,000,000 of utility funds.

	<u>Acc't No.</u>	<u>Account Title</u>	<u>Debit</u>	<u>Credit</u>
1.	132	Cash – Special Deposit	\$1,000,000	
	265.1	Contributions – Government Grand proceeds		\$1,000,000
		To record receipt of the first funding of a \$1,000,000 Prop. 50 grant.		0
2.	105.2	Construction Work in Progress (CWIP) – Grant Funds	\$200,000	
	132	Cash – Special Deposits		\$200,000
		To record payment of \$200,000 made to contractor for plant construction using grant funds during construction		
3.	101.3	Utility Plant in Service – Other	\$1,000,000	
	101.2	Utility Plant in Service – Grant Funds	\$1,000,000	
	105.3	Construction Work in Progress – Other		\$1,000,000
				0
	105.2	Construction Work in Progress – Grant Funds		\$1,000,000
				0
		To record completion of constructing the treatment plant.		
4.	265.1 272	Accumulated Amortization of Contributions – Grant Funds Debit	\$40,000 25,000	
	108.2	Reserve for Depreciation of Utility Plant – Grant Funds		\$40,000 25,000
		To amortize grant funds (assuming the estimated service life of the plant is 40 years.)		

(End of Attachment C)

UNIFORM SYSTEM OF ACCOUNTS - CLASS B, C, and D WATER UTILITIES
(End of Appendix B)

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<u>Insertion</u>	
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Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

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Insertions	76
Deletions	66
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Moved to	1
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