

Sec. 16-27-1. Private sewerage utilities

Part 1

DEFINITIONS

When used in this system of accounts:

1. "Accounts" means the accounts prescribed in this system of accounts.
2. "Amortization" means the gradual extinguishment of an amount in an account by distributing such amount over a fixed period, over the life of the asset or liability to which it applies, or over the period during which it is anticipated the benefit will be realized.
3. "Book cost" means the amount at which property is recorded in these accounts without deduction of related provisions for accrued depreciation, amortization or for other purposes.
4. "Commission," unless otherwise indicated by the context, means the commission prescribing this system of accounts.
5. "Cost" means the amount of money actually paid for property or services. When the consideration given is other than cash, the value of such consideration shall be determined on a cash basis.
6. "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.
7. "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.
8. "Investment advances" means advances, represented by notes or by book accounts only, with respect to which it is mutually agreed or intended between the creditor and debtor that they shall be settled by the issuance of securities or shall not be subject to current settlement.
9. "Minor items of property" means the associated parts or items of which retirement units are composed.
10. "Net salvage value" means the salvage value of property retired less the cost of removal.
11. "Original cost," as applied to utility plant, means the cost of such property to the person first devoting it to public service.
12. "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to utility plant, means property which has been removed, sold, abandoned, destroyed, or which for any cause has been withdrawn from service.
13. "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.
14. "Retirement units" 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.

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

16. "Service life" means the time between the date utility plant is includible in utility plant in service, or utility plant leased to others, and the date of its retirement. If depreciation is accounted for on a production basis rather than on a time basis, then service life should be measured in terms of the appropriate unit of production.

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

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

Part 2

GENERAL INSTRUCTIONS

1. Classification of utilities

A. This system of accounts applies to private sewage utilities as defined in Section 16-1 of the Connecticut General Statutes, Revision of 1958, Revised to 1966, as amended by Public Act No. 546.

2. Records

A. Each utility shall keep its books of account, and all other books, records, and memoranda which support the entries in such books of account so as to be able to furnish readily full information as to any item included in any account. Each entry shall be supported by such detailed information as will permit a ready identification, analysis, and verification of all facts relevant thereto.

B. In addition to prescribed accounts, clearing accounts, temporary or experimental accounts, and subdivisions of any account, may be kept provided the integrity of the prescribed accounts is not impaired.

C. Each utility shall keep its books on either a monthly or quarterly basis. Each utility shall close its books at the end of each calendar year.

3. Item lists

Lists of "items" appearing in the texts of the accounts 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. In cases of doubtful interpretation, the matter shall be submitted to the commission for decision.

4. Distribution of pay and expenses of employees

The charges to utility plant, operating expenses and other accounts for services and expenses of employees engaged in activities chargeable to various accounts, such as construction, maintenance, and operations, shall be based upon the actual time engaged in

the respective classes of work, or in case that method is impracticable, upon the basis of a study of the time actually engaged during a representative period.

5. Accounting to be on the accrual basis

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

6. Accounting for other departments

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

7. Extraordinary items

It is the intent that net income shall reflect all items of profit and loss during the period with the sole exception of prior period adjustments as described in paragraph 8 below. Those items related to the effects of events and transactions which have occurred during the current period and which are not typical or customary business activities of the company shall be considered extraordinary items. Accordingly, they will be events and transactions of significant effect which would not be expected to recur frequently and which would not be considered as recurring factors in any evaluation of the ordinary operating processes of business. (In determining significance, items of a similar nature should be considered in the aggregate. Dissimilar items should be considered individually, however, if they are few in number, they may be considered in aggregate). To be considered as extraordinary under the above guidelines, an item should be more than approximately 5 percent of income, computed before extraordinary items. Commission approval must be obtained to treat an item of less than 5 percent, as extraordinary. (See Accounts 434 and 435.)

8. Prior period items

A. As a general rule, items relating to transactions which occurred prior to the current calendar year but were not recorded in the books of account shall be included in the same accounts in which they would have been recorded had the item been recorded in the proper period. Such items relate to events or transactions which occurred in a prior period or periods, the accounting effects of which could not be determined with reasonable assurance at the time, usually because of major uncertainty then existing. When the amount of a prior period item is relatively so large its inclusion for a single month would distort the accounts for that month, the amount may be distributed in equal amounts to the accounts for the current and remaining months of the calendar year. However, if the amount of any prior period item is so large that the company believes its inclusion in the income statement would seriously distort the net income for the year, the company shall request commission approval to record the amount in account 439, Adjustments to Retained Earnings. Such a request must be accompanied by adequate justification.

B. Treatment as prior period adjustments should not be applied to the normal, recurring corrections and adjustments which are the natural result of the use of estimates inherent in

the accounting process. For example, changes in the estimated remaining lives of fixed assets affect the computed amounts of depreciation, but these changes should be considered prospective in nature and not prior period adjustments. Similarly, relatively insignificant adjustments of provisions for liabilities (including income taxes) made in prior periods should be considered recurring items to be reflected in operations of the current period. Some uncertainties, for example those relating to the realization of assets (collectibility of accounts receivable, ultimate recovery of deferred costs of realizability of inventories or other assets), would not qualify for prior period adjustment treatment, since economic events subsequent to the date of the financial statements must of necessity enter into the elimination of any previously-existing uncertainty. Therefore, the effects of such matters are considered to be elements in the determination of net income for the period in which the uncertainty is eliminated. (See Account 439.)

Part 3

UTILITY PLANT INSTRUCTIONS

1. Utility plant to be recorded at cost

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

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

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

D. Utility plant contributed to the utility or constructed by it from contributions to it of cash or its equivalent shall be charged to the utility plant accounts at cost of construction, estimated if not known. There shall be credited to the accounts for accumulated depreciation and amortization the estimated amount of depreciation and amortization applicable to the property at the time of its contribution to the utility. The difference between the amounts included in the utility plant accounts and the accumulated depreciation and amortization shall be credited to account 271, Contributions in Aid of Construction.

2. Components of construction cost

The cost of construction of property chargeable to the utility plant accounts shall include, where applicable, the cost of labor, materials and supplies, transportation, work done by others for the utility, injuries and damages incurred in construction work, privileges and permits, special machine service, interest during construction and such portion of general engineering, administrative salaries and expenses, insurance, taxes and other analogous

items as may be properly includible in construction costs.

3. Land and land rights

A. The accounts for land and land rights include the cost of land owned in fee by the utility and rights, interests, and privileges held by the utility in land owned by others; such as, leaseholds, easements, water and water power rights, diversion rights, submersion rights, rights of way, and other like interest in land.

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

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

D. When the purchase of land for utility operations requires the purchase of more land than needed for such purposes, the charge to the specific land account shall be based upon the cost of the land purchased less the fair market value of that portion of the land which is not to be used in utility operations. The portion of the cost measured by the fair market value of the land not to be used shall be included in account 354, Property Held for Future Use, or account 121, Nonutility Property, as appropriate.

4. Structures and improvements

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

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

C. Where furnaces and boilers are used primarily for furnishing steam for some particular department and only incidentally for furnishing steam for heating a building and operating the equipment therein, the entire cost of such furnaces and boilers shall be charged to the appropriate plant account, and no part to the building account.

5. Equipment

A. The cost of equipment chargeable to the utility plant accounts, unless otherwise indicated in the text of an equipment account, includes the net purchase price thereof, sales

taxes, investigation and inspection 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.

B. Exclude from equipment accounts hand and other portable tools, which are likely to be lost or stolen or which have relatively small value or short life, unless the correctness of the accounting therefor as utility plant is verified by current inventories. Special tools acquired and included in the purchase price of equipment shall be included in the appropriate plant account. Portable drills and similar tool equipment when used in connection with the operation and maintenance of a particular plant or department, such as pumping, distribution, etc., or in "stores," shall be charged to the plant account appropriate for their use.

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

6. Utility plant retired

A. When depreciable utility plant is abandoned, destroyed, withdrawn or otherwise retired from service for any cause, the book cost of the plant shall be deducted from the utility plant accounts and charged to accumulated provision for depreciation. The cost of removing such plant shall be charged to accumulated provision for depreciation and the amount received for any materials recovered and sold, or salvage value if returned to stores, shall be credited to the accumulated provision for depreciation. It is not intended that the above procedure shall be followed in the replacement of minor items of plant, the replacement of which is charged to operating expense accounts.

B. The book cost of land retired shall be credited to the appropriate land account. If the land is sold, the difference between the book cost, less any accumulated provision for amortization therefor which has been authorized and provided, and the sale price of the land, less commissions and other expenses of making the sale, shall be included in account 411.6, Gains from Disposition of Utility Plant or account 411.7, Losses from Disposition of Utility Plant, when such property is included in accounts 300-353. If at the time of sale such property is classified in account 354, Property Held for Future Use, or account 121, Nonutility Property; but had previously been classified in the aforementioned utility plant accounts, gains or losses on its sale shall be charged or credited to account 411.6 or 411.7, as appropriate, otherwise to account 421.1, Gain on Disposition of Property, or account 421.2, Loss on Disposition of Property, unless otherwise authorized by the commission. If the land is not used in utility service but is retained by the utility, the book cost shall be charged to account 354, Property Held for Future Use, or account 121, Nonutility Property, as appropriate.

Note: Significant gains or losses on sale of property, as determined by the commission, shall be transferred to account 256, Deferred Gains from Disposition of Property, or account 187, Deferred Losses from Disposition of Property; and amortized to accounts 411.6, Gains

from Disposition of Utility Plant, 411.7, Losses from Disposition of Utility Plant, 421.1, Gain on Disposition of Property, or 421.2, Loss on Disposition of Property, as appropriate.

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

D. When utility plant constituting an operating unit or system is sold, conveyed, or transferred to another by sale, merger, consolidation, or otherwise, the book cost of the property sold or transferred to another shall be credited to the appropriate utility plant accounts, including amounts carried in account 356, Utility Plant Acquisition Adjustments. The amounts (estimated if not known) carried with respect thereto in the accounts for accumulated provision for depreciation and amortization and in account 252, Customer Advances for Construction, and account 271, Contribution in Aid of Construction, shall be charged to such accounts and the contra entries made to account 351, Utility Plant Purchased or Sold. Unless otherwise ordered by the commission, the difference, if any, between (a) the net amount of debits and credits and (b) the consideration received for the property, less commissions and other expenses of making the sale, shall be included in account 411.6, Gains from Disposition of Utility Plant, or account 411.7, Losses from Disposition of Utility Plant, as appropriate. (See account 351. Utility Plant Purchased or sold.)

Note A: Significant gains or losses on sale of property, as determined by the commission, shall be transferred to account 256, Deferred Gains from Disposition of Property, or account 187, Deferred Losses from Disposition of Property, and amortized to accounts 411.6, Gains from Disposition of Utility Plant, or 411.7, Losses from Disposition of Utility Plant, as appropriate.

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

Part 4

BALANCE SHEET ACCOUNTS

Utility Plant

100. Utility plant

A. This account shall include the book amount of utility plant, included in the plant accounts 301 to 357, inclusive, prescribed herein and in similar accounts for other utility departments, and having an expectation of life in service of more than one year from date of installation, including such property owned by the utility but held by nominees. Separate subaccounts shall be maintained hereunder for each utility department.

B. The cost of additions to and betterments of property leased from others, which are

includible in this account, shall be maintained in subdivisions separate and distinct from those relating to owned property.

110. Accumulated provision for depreciation and amortization of utility plant

A. This account shall be credited with the following:

(1) Amounts charged to account 403, Depreciation Expense, to account 404, Amortization Expense, to account 413, Expenses of Utility Plant Eased to Others, to account 416, Costs and Expenses of Jobbing and Contract Work, or to clearing accounts for currently accruing depreciation or amortization of plant.

(2) Amounts of depreciation applicable to utility properties acquired as operating units or systems.

(3) Amounts chargeable to account 182, Extraordinary Property Losses, when authorized by commission.

(4) Amounts of depreciation applicable to utility plant donated to the utility.

B. At the time of retirement of utility plant, this account shall be charged with the book cost of the property retired and the cost of removal, and shall be credited with the salvage value and any other amounts recovered, such as insurance.

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

D. The utility is restricted in its use of the provisions for depreciation to the purposes set forth above. It shall not divert any portion of this account to retained earnings or make any use thereof without authorization by the commission.

Other Property and Investments

121. Nonutility property

This account shall include the book cost of land, structures, equipment or other tangible or intangible property owned by the utility, but not used in utility service and not properly includible in account 354, Property Held for Future Use.

122. Accumulated provision for depreciation and amortization of nonutility property

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

124. Other investments

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

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

125. Special funds

This account shall include the amount of each and book cost of investments which have been segregated in special funds for bond retirements, property additions, and replacements,

insurance, employees' pensions, savings, relief, hospital, and other purposes not provided for elsewhere. A separate account, with appropriate title, shall be kept for each fund.

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

Current and Accrued Assets

131. Cash and working funds

This account shall include the amount of cash on hand and in banks and each advanced to officers, agents, employees, and others as petty cash or working funds. Special cash deposits for payment of interest, dividends or other special purposes shall be included in this account in separate subdivisions which shall specify the purpose for which each such special deposit is made.

Note: Special deposits for more than one year which are not offset by current liabilities, shall not be charged to this account but to account 125, Special Funds.

132. Temporary cash investments

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

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

141. Notes receivable

This account shall include the book cost, not includible elsewhere, of all collectible obligations in the form of notes receivable and similar evidences (except interest coupons) of money due on demand or within one year from the date of issue.

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

142. Customer accounts receivable

A. This account shall include amounts due from customers for utility service, and for merchandising, jobbing and contract work.

B. This account shall be maintained so as to permit ready segregation of the amounts due for merchandising, jobbing and contract work.

143. Other accounts receivable

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

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

144. Accumulated provision for uncollectible accounts

This account shall be credited with amounts provided for losses on accounts receivable which may become uncollectible, and also with collections on accounts previously charged hereto. Concurrent charges shall be made to account 690, Uncollectible Accounts, for amounts applicable to utility operations, and to corresponding accounts for other operations. Records shall be maintained so as to show the write-offs of accounts receivable for each utility department.

150. Materials and supplies

A. This account shall include the cost of fuel on hand and unapplied materials and supplies. It shall also include the book cost of materials recovered in connection with construction, maintenance or the retirement of property, such materials being credited to construction, maintenance, or accumulated depreciation provision, respectively, and included herein as follows:

(1) Reusable materials consisting of large individual items shall be included in this account at original cost, estimated if not known. The cost of repairing such items shall be charged to the maintenance account appropriate for the previous use.

(2) Reusable materials consisting of relatively small items, the identity of which (from the date of original installation to the final abandonment or sale thereof) cannot be ascertained without undue refinement in accounting, shall be included in this account at current prices new for such items. The cost of repairing such items shall be charged to the appropriate expense account as indicated by previous use.

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

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

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

ITEMS

1. Invoice price of materials less cash or other discounts.
2. Freight, switching or other transportation charges when practicable to include as part of the cost of particular materials to which they relate.
3. Customs duties and excise taxes.
4. Costs of inspection and special tests prior to acceptance.
5. Insurance and other directly assignable charges.

Note A: Where expenses applicable to materials purchased cannot be directly assigned

to particular purchases, they may be charged to a stores expense clearing account and distributed therefrom to the appropriate account.

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

165. Prepayments

A. This account shall include the amount of rents, taxes, insurance, interest and like disbursements made in advance of the period to which they apply. As the periods covered by such prepayments expire, credit this account and charge the proper operating expense or other account with the amount applicable to the period.

B. This account shall be kept or supported in such manner as to disclose the amount of each class of prepayments.

170. Other current and accrued assets

This account shall include the book cost of all other current and accrued assets, appropriately designated and supported so as to show the nature of each asset included herein.

Deferred Debits

181. Unamortized debt discount and expense

A. This account shall include the total of the unamortized balance of discount and expense for all classes of long-term debt.

B. The discount and expense shall be amortized over the life of the respective issues under a plan which will distribute the amounts equitably over the life of the securities. The amortization shall be charged to account 428, Amortization of Debt Discount and Expense. The utility may, however, accelerate the writing off of discount and expense where the amounts are insignificant.

182. Extraordinary property losses

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

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

C. Application to the commission for permission to use the account shall be accompanied by a statement giving a complete explanation with respect to the items which it is proposed to include herein, the period over which, and the accounts to which it is proposed to write off the charges, and other pertinent information.

183. Other deferred debits

A. This account shall include the following classes of items:

(1) Expenditures for preliminary surveys, plans, investigations, etc., made for the purpose of determining the feasibility of projects under contemplation. If construction results, this account shall be credited with the amount applicable thereto and the appropriate plant accounts shall be charged with an amount which does not exceed the expenditures which may reasonably be determined to contribute directly and immediately and without duplication to plant. If the work is abandoned, the charge shall be to account 426, Miscellaneous Income Deductions, or to the appropriate operating expense account.

(2) Undistributed balances in clearing accounts at the date of the balance sheet. Balances in clearing accounts shall be substantially cleared not later than the end of the calendar year unless items held therein relate to a future period.

(3) Balances representing expenditures for work in progress other than on utility plant. This includes jobbing and contract work in progress.

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

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.

187. Deferred losses from disposition of property

This account shall include losses from the sale or other disposition of property previously recorded in accounts 300-353, in account 354, Property Held for Future Use, or account 121, Nonutility Property, where such losses are significant and are to be amortized over a period of five years, unless otherwise authorized by the commission. The amortization of the amounts in this account shall be made by debits to account 411.7, Losses from Disposition of Utility Plant, or account 421.2, Loss on Disposition of Property, as appropriate. Amounts recorded in this account shall be net of related income taxes. (See Utility Plant Instructions 6B and 6D.)

Proprietary Capital

201. Common capital stock

204. Preferred capital stock

A. These accounts shall include the par value or the stated value of stock without par value if such stock has a stated value, and, if not, the cash value of the consideration received for such nonpar stock, of each class of capital stock actually issued, including the par or stated value of such capital stock in account 217, Reacquired Capital Stock.

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

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

D. A separate ledger account, with a descriptive title, shall be maintained for each class and series of stock.

The supporting records shall show the shares nominally issued, actually issued, and

nominally outstanding.

Note: When a levy or assessment, except a call for payment on subscriptions, is made against holders of capital stock, the amount collected upon such levy or assessment shall be credited to account 207, Other Paid-In Capital; provided, however, that the credit shall be made to account 213, Discount on Capital Stock, to the extent of any remaining balance of discount on the issue of stock.

207. Other paid-in capital

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

ITEMS

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

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

212. Installments received on capital stock

A. This account shall include in a separate subdivision for each class and series of capital stock the amount of installments received on capital stock on a partial or installment payment plan for subscribers who are not bound by legally enforceable subscription contracts.

B. As subscriptions are paid in full and certificates issued, this account shall be charged and the appropriate capital stock account credited with the par or stated value of such stock. Any discount or premium on an original issue shall be included in the appropriate discount or premium account.

213. Discount on capital stock

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

B. When capital stock which has been actually issued is retired, the amount in this account applicable to the shares retired shall be written off to account 207, Other Paid-In Capital, provided, however, that the amount shall be charged to account 439, Adjustments to Retained Earnings, to the extent that it exceeds the balance in account 207.

C. The utility may amortize the balance in this account by charges to account 439, Adjustments to Retained Earnings.

214. Capital stock expense

A. This account shall include in a separate subdivision for each class and series of stock all commissions and expenses incurred in connection with the original issuance and sale of

capital stock, including additional capital stock of a particular class or series as well as first issues. Expenses applicable to capital stock shall not be deducted from premium on capital stock.

B. When capital stock which has been actually issued by the utility is retired, the amount in this account applicable to the shares retired shall be written off to account 207, Other Paid-In Capital, to the extent of gains on resale or cancellation of reacquired stock includible therein; provided, however, that the amount shall be charged to account 439, Adjustments to Retained Earnings, to the extent that it exceeds the balance in account 207, from such source.

C. The utility may amortize the balance carried in this account by systematic charges to account 425, Miscellaneous Amortization, or it may write off capital stock expense in whole or in part by charges to account 439, Adjustments to Retained Earnings.

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

215. Appropriated retained earnings

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

216. Unappropriated retained earnings

This account shall include the balance, either debit or credit, of unappropriated retained earnings arising from earnings. It shall not include items includible in any subaccount of account 207, Other Paid-In Capital.

217. Reacquired capital stock

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

B. When reacquired capital stock is retired or cancelled, the difference between its cost, including commissions and expenses paid in connection with the reacquisition, and its par or stated value plus any premium and less any discount and expenses applicable to the shares retired, shall be debited or credited, as appropriate, to account 207, Other Paid-In Capital, provided, however, that debits shall be charged to account 439, Adjustments to Retained Earnings, to the extent that they exceed the balance of gains on resale or cancellation of reacquired stock included in account 207.

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

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

218. Noncorporate proprietorship

This account shall include the investment in an unincorporated utility by the proprietor thereof, and shall be charged with all withdrawals from the business by its proprietor. At

the end of each calendar year the net income for the year, as developed in the income account, shall be transferred to this account. (See optional accounting procedure provided in Note C, hereunder.)

Note A: Amounts payable to the proprietor as just and reasonable compensation for services performed shall not be charged to this account but to appropriate operating expense or other accounts.

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

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

Long-Term Debt

221. Bonds

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

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

(2) The face value of bonds actually issued or assumed by the utility and reacquired by it and not paid, retired, or cancelled.

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

B. When bonds are reacquired, the difference between face value, adjusted for unamortized discount, expense or premium and the amount paid upon reacquisition, shall be debited or credited to account 428, Amortization of Debt Discount and Expense, or account 429, Amortization of Premium on Debt-Cr., as appropriate.

223. Advances from associated companies

A. This account shall include the face value of notes payable to associated companies and the amount of open book accounts representing advances from associated companies. It does not include notes and open accounts representing indebtedness subject to current settlement.

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

224. Other long-term debt

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

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

Note: Miscellaneous long-term debt reacquired shall be accounted for in accordance with the procedures set forth in account 221, Bonds.

Current and Accrued Liabilities

231. Notes payable

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

232. Accounts payable

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

235. Customer deposits

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

236. Taxes accrued

A. This account shall be credited with the amount of taxes accrued during the accounting period, corresponding debits being made to the appropriate accounts for tax charges. Such credits may be based upon estimates, but from time to time during the year as the facts become known, the amount of the periodic credits shall be adjusted so as to include as nearly as can be determined in each year, the taxes applicable thereto. Any amount representing a prepayment of taxes applicable to the period subsequent to the date of the balance sheet shall be shown under account 165, Prepayments.

B. If accruals for taxes are found to be insufficient or excessive, correction therefor shall be made through current tax accruals; however, if such corrections are so large as to seriously distort current expenses, see General Instruction 8 for treatment.

C. Accruals for taxes shall be based upon the net amount payable after credit for any discounts and shall not include any amounts for interest on tax deficiencies or refunds. Interest received on refunds shall be credited to account 419, Interest and Dividend Income, and interest paid on deficiencies shall be charged to account 431, Other Interest Expense.

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

237. Interest accrued

This account shall include the amount of interest accrued but not matured on all liabilities of the utility, not including, however, interest which is added to the principal of the debt on which incurred. Supporting records shall be maintained so as to show the amount of interest accrued on each obligation.

238. Other current and accrued liabilities

This account shall include the amount of all other current and accrued liabilities not

provided for elsewhere appropriately designated and supported so as to show the nature of each liability.

ITEMS

1. Dividends declared but not paid.
2. Matured long-term debt.
3. Matured interest.
4. Taxes collected through payroll deductions or otherwise pending transmittal to the proper taxing authority.

Deferred Credits

251. Unamortized premium on debt

A. This account shall include the total of the unamortized balance of premium and expense for all classes of long-term debt, including receivers' certificates.

B. The premium and expense shall be amortized over the life of the respective issues under a plan which will distribute the amounts equitably over the life of the securities, the amortization shall be credited to account 429, Amortization of Premium on Debt—Cr.

252. Customer advances for construction

This account shall include advances by customers for construction which are to be refunded either wholly or in part. When a customer is refunded the entire amount to which he is entitled, according to the agreement or rule under which the advance was made, the balance, if any, remaining in this account, shall be credited to account 271, Contributions in Aid of Construction.

253. Other deferred credits

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

255. Accumulated deferred investment tax credits

A. Prior to any use of this account, the utility must file with the commission, for the purpose of obtaining authorization, a copy of its proposed plan of accounting for deferred investment tax credits. The utility shall not use these accounts unless such use has been authorized by the commission.

This account shall be credited and account 411.3, Investment Tax Credit Adjustments, debited with investment tax credits deferred by companies which do not apply such credits as a reduction of the overall income tax expense in the year in which a tax credit is realized. There can be neither changes in accounting method for utility operations nor transfers from this account, except as authorized herein or as may otherwise be authorized by the commission. (See Account 411.3.)

B. This account shall be debited and account 411.3 credited with a proportionate amount determined in relation to the average useful life of utility property to which the tax credits relate, or such lesser period of time as may be adopted and consistently followed by the company.

C. Subdivisions of this account by department shall be maintained for deferred investment tax credits that are related to nonutility or other operations. Contra entries affecting such

account subdivisions shall be appropriately recorded. Use of deferral or nondeferral accounting procedures adopted for nonutility or other operations are to be followed on a consistent basis.

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

256. Deferred gains from disposition of property

This account shall include gains from the sale or other disposition of property previously recorded in accounts 300-353; in account 354, Property Held for Future Use, or account 121, Nonutility Property, where such gains are significant and are to be amortized over a period of five years, unless otherwise authorized by the commission. The amortization of the amounts in this account shall be made by credits to account 411.6, Gains from Disposition of Utility Plant, or account 421.1, Gain on Disposition of Property, as appropriate. Amounts recorded in this account shall be net of related income taxes. (See Utility Plant Instruction 6B and 6D.)

Operating Reserves

261. Property insurance reserve

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

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

265. Miscellaneous operating reserves

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

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

Note: This account includes only such reserves as may be created for operating purposes and does not include any reservations of income, the credits for which should be carried in account 215, Appropriated Retained Earnings.

Contributions in Aid of Construction

271. Contributions in aid of construction

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

B. Each credit to this account shall be amortized to account 272, amortized contributions in aid of construction, over the remaining book life of the plant provided by said contribution. No other transfers shall be made from this account to any other account without prior approval of the department.

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

D. Each company shall apply to the department for approval of a proper amortization period for the balance, as of December 31, 1985, in the account, contributions in aid of construction.

E. Each company shall apply to the department for approval of such amortization period on or before December 31, 1986.

NOTE: There shall not be included in this account advances for construction which are ultimately to be repaid wholly or in part. (See account 252, Customer Advances for Construction.)

(Effective May 27, 1986)

272. Amortized contributions in aid of construction

This account shall be credited with the amounts charged to Account 271, Contributions in Aid of Construction. (See Account 271, Contributions in Aid of Construction, Paragraph B.)

(Effective May 27, 1986)

Accumulated Deferred Income Taxes

A. Authorization to practice deferred tax accounting must first be obtained from the commission.

B. The utility shall use the accounts provided below for prior accumulations of deferred taxes on income and for additional provisions.

Note A: The test of the accounts below are designed primarily to cover deferrals of federal income taxes pursuant to provisions of the Internal Revenue Code of 1954 but the accounts are also applicable to deferrals of State taxes on income.

Note B: A utility which has more than one utility department and/or nonutility property and which has deferred taxes on income with respect thereto shall classify such deferrals in the accounts provided below so as to allow ready identification of items relating to each utility department and to Other Income and Deductions.

281. Accelerated amortization

A. This account shall be credited and account 410, Provision for Deferred Income Taxes, shall be debited with an amount equal to that by which taxes on income payable for the year are lower because of the use of accelerated (5-year) amortization of certified defense facilities in computing such taxes, as permitted by Section 168 of the Internal Revenue Code of 1954 (Section 124A of previous Internal Revenue Code), as compared to the depreciation deduction otherwise appropriate and allowable for tax purposes according to the straight line or other non-accelerated depreciation method and appropriate estimated useful life for such property.

B. This account shall be debited and account 411, Income Taxes Deferred in Prior Years-Credit, shall be credited with an amount equal to that by which taxes on income payable for the year are greater because of the use in prior years of accelerated (5-year) amortization of certified defense facilities instead of nonaccelerated or nonliberalized depreciation

otherwise appropriate for income tax purposes, and deferral of taxes in such prior years as described in paragraph A, above. Such debit to this account and credit to account 411 shall, in general, represent the effect on taxes payable for the current year of the unavailability of a depreciation deduction for tax purposes, or a reduced amount, with respect to any depreciable property for which accelerated amortization was used in prior years, as compared to the depreciation deduction otherwise available and appropriate for such property, considering its estimated useful life, according to the depreciation method ordinarily used by the utility for similar property in computing depreciation for tax purposes by a nonaccelerated or nonliberalized depreciation method.

C. Records with respect to entries to this account as described above, and the account balance, shall be so maintained as to show the factors of calculation and the separate amounts applicable to the facilities of each certification or authorization of accelerated amortization for tax purposes.

D. The use of this account and the accounting described above are not mandatory for any utility, which in accordance with a consistent policy elects not to follow deferred tax accounting even though accelerated amortization is used in computing taxes on income. If, however, deferred tax accounting is initiated with respect to any certified defense facility, the accounting shall not be suspended or discontinued on the property covered by that certificate, without approval of the commission.

E. The utility is restricted in its use of this account to the purposes set forth above. It shall not transfer the balance in this account or any portion thereof to retained earnings or make any use thereof except as provided in the text of this account without prior approval of the commission. Any remaining balance of accumulated deferred taxes with respect to any certified defense facility for which deferred tax accounting has been followed, shall, upon expiration of the estimated useful life of the facility on which deferred tax calculations were based or upon retirement of such facility or predominant part thereof, be credited to account 411, Income Taxes Deferred in Prior Years-Credit, or otherwise be applied as the commission may authorize or direct.

282. Liberalized depreciation

A. This account shall be credited and account 410, Provision for Deferred Income Taxes, shall be debited with an amount equal to that by which taxes on income payable for the year are lower because of the use of liberalized depreciation in computing such taxes, as permitted by Section 167 of the Internal Revenue Code of 1954, as compared to the depreciation deduction otherwise appropriate and allowable for tax purposes for similar property of the same estimated useful life according to the straight line or other nonliberalized method of depreciation.

B. This account shall be debited and account 411, Income Taxes Deferred in Prior Years-Credit, shall be credited with an amount equal to that by which taxes on income payable for the year are greater because of the use in prior years of liberalized depreciation for income tax purposes, and deferral of taxes in such prior years as described in paragraph A above. Such debit to this account and credit to account 411, shall in general, represent the effect on taxes payable for the current year of the smaller amount of depreciation permitted for tax purposes for the current year with respect to any depreciable property for which liberalized depreciation was used in prior years, as compared to the depreciation deduction

otherwise appropriate and available for similar property of the same estimated useful life according to the straight line or other nonliberalized depreciation method ordinarily used by the utility in computing depreciation for tax purposes.

C. Records with respect to entries to this account, as described above, and account balance, shall be so maintained as to show the factors of calculation and the separate amounts applicable to the plant additions of each vintage year for each class, group, or unit as to which different liberalized depreciation methods and estimated useful lives have been used. The underlying calculation to segregate and associate deferred tax amounts with the respective vintage years may be based on reasonable methods of approximation, if necessary, consistently applied.

D. The use of this account and the accounting described above are not mandatory for any utility, which in accordance with a consistent policy, elects not to follow deferred tax accounting even though liberalized depreciation is used in computing taxes on income. If, however, deferred tax accounting is initiated with respect to any property such accounting shall not be discontinued on that property, without approval of the commission.

E. The utility is restricted in its use of this account to the purposes set forth above. It shall not transfer the balance in the account or any portion thereof to retained earnings or make any use thereof except as provided in the text of this account without prior approval of the commission. Any remaining deferred tax balance with respect to any years' plant additions or subdivisions thereof for which liberalized depreciation accounting has been followed upon retirement from service of such property or predominant portion thereof, or upon expiration of the estimated useful life on which the depreciation calculations for tax purposes are based, shall be credited to account 411, Income Taxes Deferred in Prior Years-Credit, or otherwise applied as the commission may authorize or direct.

283. Other

A. This account, when its use has been authorized by the commission for specific types of tax deferrals shall be credited and account 410, Provision for Deferred Income Taxes, shall be debited with an amount equal to that by which taxes on income payable for the year are lower because of the current use of deductions other than accelerated amortization or liberalized depreciation in the computation of income taxes, which deductions for general accounting purposes will not be fully rejected in the utility's determination of annual net income until subsequent years.

B. This account, when its use has been authorized by the commission, shall be debited and account 411, Income Taxes Deferred in Prior Years-Credit, shall be credited with an amount equal to that by which taxes on income payable for the year are greater because of deferral of taxes on income in previous years, as provided by paragraph A, above, because of difference in timing for tax purposes of particular income deductions from that recognized by the utility for general accounting purposes, other than with respect to accelerated amortization or liberalized depreciation. Such debit to this account and credit to account 411 shall, in general, represent the effect on taxes payable in the current year of the smaller deduction permitted for tax purposes as compared to the amount recognized in the utility's general accounts with respect to the item or class of items for which deferred tax accounting by the utility was authorized by the commission.

C. Records with respect to entries to this account, as described above, and the account

balance, shall be so maintained as to show the factors of calculation with respect to each annual amount of the item or class of items, other than accelerated amortization or liberalized depreciation, for which tax deferral accounting by the utility is authorized by the commission.

D. The utility is restricted in its use of this account to the purposes set forth above. It shall not transfer the balance in the account or any portion thereof to retained earnings or make any use thereof except as provided in the text of this account, without prior approval of the commission. Any remaining deferred tax account balance with respect to an amount for any prior years tax deferral, the amortization of which or other recognition in the utility's income accounts has been completed, or other dispositions made, shall be credited to account 411, Income Taxes Deferred in Prior Years-Credit, or otherwise disposed of as the commission may authorize or direct.

Note: In determining appropriate use of this account as a basis of request to the commission for authorization of its use, consideration shall be given to the relative importance of the amount involved, and to other items in the utility's accounts where "prepaid tax accounting" may be appropriate such as situations (a) where the time of taking a deduction in computing taxes on income is such that the tax deduction must be delayed or applied to a series of future years as opposed to earlier recognition of such item in determination of income in the general accounts of the utility, or (b) where inclusion of an income item is required for tax purposes but is to be recognized in whole or in part in the utility's income accounts of a subsequent year or years.

Part 5

UTILITY PLANT ACCOUNTS

Intangible Plant

301. Organization

This account shall include the cost of organizing and incorporating the utility and putting it into readiness to do business. This includes the cost of legal services, amounts paid for privileges of incorporation, office expenses incident to organizing the company and stock and minute books and corporate seal.

Note: 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 or sale of capital stock.

302. Franchises and consents

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

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

acquisition to such grantee. Any excess of the amount actually paid by the utility over the amount above specified shall be charged to account 426, Miscellaneous Income Deductions.

C. When any franchise has expired, the book cost thereof shall be credited hereto and charged to account 426, Miscellaneous Income Deductions, or to account 110, Accumulated Provision for Depreciation and Amortization of Utility Plant, as appropriate.

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

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

303. Miscellaneous intangible plant

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

B. When any item included in this account is retired or expires, the book cost thereof shall be credited hereto and charged to account 426, Miscellaneous Income Deductions, or account 110, Accumulated Provision for Depreciation and Amortization of Utility Plant, as appropriate.

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

Collecting System Plant and Equipment

310. Land and land rights

This account shall include the cost of land and land rights used in connection with Collecting System Plant and Equipment. (See Utility Plant Instruction 3.)

311. Structures and improvements

This account shall include the cost in place of Structures and Improvements used in connection with Collecting System not includible in other accounts provided for Collecting System Plant and Equipment. (See Utility Plant Instruction 4.)

312. Service connections, traps and accessories

This account shall include the cost installed of service connections, sewage traps and accessories pertaining thereto, from collecting mains to customer's premises or to junction points with customer-owned portion of such service connection.

313. Mains and accessories

This account shall include the cost installed of all mains, pipes, ducts and accessories, the primary purpose of which is to convey sewage from service connections into and through collecting system to pumping stations and treatment plant.

314. Other collecting system equipment

This account shall include the cost of all equipment used in the collecting process, not included in accounts 312 and 313.

Pumping System Plant and Equipment

320. Land and land rights

This account shall include the cost of land and land rights used in connection with

pumping operations. (See Utility Plant Instruction 3.)

321. Structures and improvements

This account shall include the cost in place of structures and improvements used in pumping operations. (See Utility Plant Instruction 4.)

322. Receiving wells

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

323. Power pumping equipment

This account shall include the cost installed of all pumping equipment operated by electric or other power, used in the collecting process. Such equipment shall include generating equipment, prime movers, pumps and all appurtenant equipment and appliances.

324. Force mains

This account shall include the cost installed of all mains, piping and special castings, valves, etc., used in conveyance of sewage following pumping thereof, to the next pumping station or other junction point in the collecting system, to the treatment plant or to the point of final discharge.

325. Miscellaneous pumping system equipment

This account shall include the cost of miscellaneous equipment at pumping stations along the collecting system not included in any of the preceding accounts.

Treatment and Disposal System Plant and Equipment

330. Land and land rights

This account shall include the cost of land and land rights used in connection with sewage treatment plant operations. (See Utility Plant Instruction 3.)

331. Structures and improvements

This account shall include the cost in place of structures and improvements used in connection with the operation of the sewage treatment plant. (See Utility Plant Instruction 4.)

332. Grit removal chambers and equipment

This account shall include the cost installed of receptacles into which sewage from the collecting system is deposited and in which the grit or inorganic substance is removed from the sewage prior to the sedimentation treatment. It shall also include the cost of equipment used for washing and clearing grit from the grit removal chambers.

333. Sedimentation tanks

This account shall include the cost installed of all tanks in which sewage is to be retained to permit suspended organic solids to settle.

334. Sludge handling and removal equipment

This account shall include the cost installed of sludge handling equipment, heating and waste burning equipment, sludge drying equipment and other removal equipment and

accessories.

335. Chemical treatment plant and equipment

This account shall include the cost installed of chlorine containers, gas producing evaporators, chlorine lines, chlorinators, receptacles, and accessories.

336. Disposal equipment and accessories

This account shall include the cost installed of all pipes, fittings and appurtenances through which the final sewage effluent from treatment plant or disposal plant is discharged to final point of disposal.

General Plant

340. Miscellaneous land and land rights

This account shall include the cost of land and land rights used for utility purposes, the cost of which is not properly includible in other land and land rights accounts. (See Utility Plant Instruction 3.)

341. Miscellaneous structures and improvements

This account shall include the cost in place of structures and improvements used for utility purposes, the cost of which is not properly includible in other Structures and Improvements accounts. (See Utility Instruction 4.)

342. Office furniture and equipment

This account shall include the cost of office furniture and equipment owned by the utility and devoted to utility service, and not permanently attached to buildings, except the cost of such furniture and equipment which the utility elects to assign to other plant accounts on a functional basis.

ITEMS

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

343. Transportation equipment

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

ITEMS

1. Airplanes.
2. Automobiles.
3. Bicycles.
4. Electrical vehicles.
5. Motor trucks.
6. Motorcycles.

7. Repair cars or trucks.
8. Tractors and trailers.
9. Other transportation vehicles.

344. Other general equipment

This account shall include the cost installed of the following equipment.

(1) Equipment used for the receiving, shipping, handling and storage of materials and supplies when not an integral part of the housing structure.

(2) Equipment specially provided for general shops when such equipment is not an integral part of the housing structure.

(3) Laboratory equipment used for general laboratory purposes and not specially provided for or includible in other departmental or functional plant accounts.

(4) Tools, implements, and equipment used in construction or repair work exclusive of equipment includible in other equipment accounts.

(5) Other general equipment, apparatus, etc., used in the utility's sewage operations, and which is not includible in any other account.

Note: General equipment of the nature indicated above whenever practicable shall be assigned to the sewage plant accounts on a functional basis.

Other Utility Plant

350. Other tangible property

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

351. Utility plant purchased or sold

This account shall be charged with the cost of utility plant acquired as an operating unit or system by purchase, merger, consolidation, liquidation, or otherwise, and shall be credited with the selling price of like property transferred to others pending the distribution to appropriate accounts as the commission shall approve or direct.

352. Utility plant in process of reclassification

A. This account shall include temporarily the balance of utility plant which has not yet been reclassified as of the effective date of this system of accounts. The detail of primary accounts in support of this account employed prior to such date shall be continued pending reclassification into the utility plant accounts herein prescribed but shall not be used for additions, betterments, or new construction.

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

353. Utility plant leased to others

A. This account shall include the original cost of utility plant owned by the utility, but leased to others as operating units or systems, where the lessee has exclusive possession.

B. The property included in this account shall be classified according to the detailed accounts prescribed for utility plant in service, and this account shall be maintained in such detail as though the property were used by the owner in its utility operations.

354. Property held for future use

A. This account shall include the original cost of property owned and held for future use in utility service under a definite plan for such use. There shall be included herein property acquired but never used by the utility in utility service, but held for such service in the future under a definite plan, and property previously used by the utility in utility service 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 prescribed for utility plant in service and the account shall be maintained in such detail as though the property were in service. Separate subaccounts shall be maintained hereunder for each utility department for which plant is held for future use.

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

355. 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.

356. Utility plant acquisition adjustments

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

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

357. Other utility plant adjustments

A. This account shall include the difference between the original cost, estimated if not known, and the book cost of utility plant to the extent that such difference is not properly includible in account 356, Utility Plant Acquisition Adjustments.

B. Amounts included in this account shall be classified in such manner as to show the origin of each amount and shall be disposed of as the commission may approve or direct.

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

Part 6

INCOME ACCOUNTS

Utility Operating Income

400. Operating revenues

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

401. Operation and maintenance expense

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

maintenance expense accounts provided herein and in similar accounts for other utility departments. Separate subaccounts shall be maintained for each utility department.

403. Depreciation expense

This account shall include the amount of depreciation expense for the period covered by the income statement for all classes of depreciable utility plant in service except such depreciation expense as is chargeable to clearing accounts, or to merchandising, jobbing and contract work activities.

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

404. Amortization expense

This account shall include amortization charges applicable to amounts included in the utility plant accounts for limited-term franchises, licenses, patent rights, limited-term interests in land, and expenditures on leased property where the service life of the improvements is terminable by action of the lease. The charges to this account shall be such as to distribute the book cost of each investment as evenly as may be over the period of its benefit to the utility. Include also, when authorized by the commission, amortization of extraordinary property losses. (See account 182, Extraordinary Property Losses.)

408. Taxes other than income taxes

A. This account shall include the amount of ad valorem, gross revenue or gross receipts taxes, state unemployment insurance, franchise taxes, federal excise taxes, social security taxes, and all other taxes assessed by federal, state, county, municipal, or other local governmental authorities, except income taxes.

B. This account shall be charged in each accounting period with the amount of taxes which is applicable thereto, with concurrent credits to account 236, Taxes Accrued, or account 165, Prepayments, as appropriate. When it is not possible to determine the exact amount of taxes, the amount shall be estimated and adjustments made in current accruals as the actual tax levies become known.

C. The charges to this account shall be made or supported so as to show the amount of each tax and the basis upon which each charge is made. In the case of a utility rendering a number of utility services, taxes includible in this account shall be assigned directly to the utility department the operation of which gave rise to the tax insofar as practicable. Where the tax is not attributable to a specific utility department, it shall be distributed among the utility departments or nonutility operations on an equitable basis.

D. This account shall be maintained according to the subaccounts 408.1 and 408.2 inclusive as shown below.

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

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

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

Note D: Social security and other forms of so-called payroll taxes shall be distributed to utility departments and to nonutility functions on a basis related to payroll. Amounts

applicable to construction shall be charged to the appropriate plant account.

Note E: Interest on tax refunds or deficiencies shall not be included in this account but in account 419, Interest and Dividend Income, or 431, Other Interest Expense, as appropriate.

408.1. Taxes other than income taxes, utility operating income

This account shall include those taxes recorded in account 408, Taxes Other Than Income Taxes, which relate to utility operating income. This account shall be maintained so as to allow ready identification of taxes relating to Utility Operating Income (by department), Utility Plant Leased to Others and Other Utility Operating Income.

408.2. Taxes other than income taxes, other income and deductions

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

409. Income taxes

A. This account shall include the amount of state and federal income taxes on income properly accruable during the period covered by the income statement to meet the actual liability for such taxes. Concurrent credits for the tax accruals shall be made to account 236, Taxes Accrued, and as the exact amount of taxes becomes known, the current tax accruals shall be adjusted by a charge or credit to this account, unless such adjustment is properly includible in account 439, Adjustments to Retained Earnings, so that this account as nearly as can be ascertained shall include the actual taxes payable by the utility. (See General Instructions 8 for prior period adjustments.)

B. The accruals for income taxes shall be apportioned among utility departments and to Other Income and Deductions so that, as nearly as practicable, each tax shall be included in the expenses of the utility department or Other Income and Deductions, the income from which gave rise to the tax. The income tax effect of amounts recorded in account 439, Adjustments to Retained Earnings, shall be recorded in that account.

C. This account shall be maintained according to the subaccounts 409.1, 409.2 and 409.3, inclusive, as shown below.

Note A: Taxes assumed by the utility on interest shall be charged to account 431, Other Interest Expense.

Note B: Interest on tax refunds or deficiencies shall not be included in this account but in account 419, Interest and Divided Income, or account 431, Other Interest Expense, as appropriate.

409.1. Income taxes, utility operating income

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

409.2. Income taxes, other income and deductions

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

409.3. Income taxes, extraordinary items

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

410. Provision for deferred income taxes

A. This account shall be debited and Accumulated Deferred Income Taxes shall be credited with an amount equal to any deferral of taxes on income as provided by the texts of accounts 281, 282 and 283. There shall not be netted against entries required to be made to this account any credit amounts appropriately includible in account 411, Income Taxes Deferred in Prior Years-Credit.

B. This account shall be maintained according to the subaccounts 410.1 and 410.2, inclusive, as shown below.

410.1. Provisions for deferred income taxes, utility operating income

This account shall include the amount of those deferred income taxes reflected in account 410, Provision for Deferred Income Taxes, which relate to Utility Operating Income (by department).

410.2. Provisions for deferred income taxes, other income and deductions

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

411. Income taxes deferred in prior years-credit

A. This account shall be credited and Accumulated Deferred Income Taxes debited with an amount equal to the portion of taxes on income payable for the year that is attributable to a deferral of taxes on income in a prior year, in accordance with the plan of deferred tax accounting provided by the texts of accounts 281, 282 and 283. There shall not be netted against entries required to be made to this account any debit amounts appropriately includible in account 410, Provision for Deferred Income Taxes.

B. This account shall be maintained according to the subaccounts 411.1 and 411.2, inclusive, as shown below.

411.1. Income taxes deferred in prior years-credit, utility operating income

This account shall include the amount of those taxes deferred in prior years-credit, reflected in account 411, Income Taxes Deferred in Prior Years-Credit, which relate to Utility Operating Income (by department).

411.2. Income taxes deferred in prior years-credit, other income and deductions

This account shall include the amount of those taxes deferred in prior years-credit, reflected in Account 411, Income Taxes Deferred in Prior Years-Credit, which relate to Other Income and Deductions.

411.3. Investment tax credit adjustments

A. This account shall be debited with the amounts of investment tax credits related to utility property that are credited to Account 255, Accumulated Deferred Investment Tax Credit, by companies which do not apply the entire amount of the benefits of the investment credit as a reduction of the overall income tax expense in the year in which such credit is

realized. (See Account 255.)

B. This account shall be credited with the amounts debited to Account 255 for proportionate amounts of tax credit deferrals allocated over the average useful life of utility property to which the tax credits relate or such lesser period of time as may be adopted and consistently followed by the company.

C. This account shall be maintained according to the subaccounts 411.4 and 411.5, inclusive, as shown below.

411.4. Investment tax credit adjustments, utility operations

This account shall include the amount of those investment tax credit adjustments reflected in Account 411.3, Investment Tax Credit Adjustments, related to property used in Utility Operations (by department).

411.5. Investment tax credit adjustments, nonutility operations

This account shall include the amount of those investment tax credit adjustments reflected in Account 411.3, Investment Tax Credit Adjustments, related to property used in Nonutility Operations.

411.6. Gains from disposition of utility plant

This account shall include amounts relating to gains from the sale or other disposition of utility plant recorded in accounts 300-353, or property recorded in account 354, Property Held for Future Use, or account 121, Nonutility Property, which had previously been classified in the aforementioned utility plant accounts. Record income taxes on gains recorded in this account in account 409, Income Taxes.

411.7. Losses from disposition of utility plant

This account shall include amounts relating to losses from the sale or other disposition of utility plant recorded in accounts 300-353, or property recorded in account 354, Property Held for Future Use, or account 121, Nonutility Property, which had previously been classified in the aforementioned utility plant accounts. Record the reductions in income taxes attributable to losses recorded in this account in account 409, Income Taxes.

412. Revenues from utility plant leased to others

413. Expenses of utility plant leased to others

These accounts shall include, respectively, revenues from utility property constituting a distinct operating unit or system leased by the utility to others, and which property is properly includible in account 353, Utility Plant Leased to Others, and the expenses attributable to such property.

Note: Related operating taxes shall be recorded in account 408, Taxes Other than Income Taxes, and income taxes shall be recorded in account 409, Income Taxes, identified separately.

Other Income and Deductions

OTHER INCOME

415. Revenues from merchandising, jobbing and contract work

416. Costs and expenses of merchandising, jobbing and contract work

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

Note A: Revenues and expenses of merchandising, jobbing, and contract work shall be reported in these accounts, if a state regulatory body having jurisdiction over the utility requires the net income therefrom to be reported as other income; but the revenues and expenses shall be reported in account 691, Revenues from Merchandising, Jobbing, and Contract Works and account 692, Costs and Expenses of Merchandising, Jobbing, and Contract Work, if such regulatory body requires the net income to be reported as an operating income or expense item. In the absence of a requirement by a state regulatory body, the utility may use these accounts or accounts 691 and 692 at its option, in which case the practice of the utility must be consistent.

Note B: Related operating taxes shall be recorded in account 408, Taxes Other Than Income Taxes, and income taxes shall be recorded in account 409, Income Taxes.

ITEMS

Account 415:

1. Charges for tapping mains and installing services when not includible in account 312, Service Connections, Traps and Accessories.
2. Revenues less discounts and allowances from merchandising, jobbing or contract work.

Account 416:

1. Costs of materials sold or used for jobbing or contract work including transportation, storage and handling.
2. Payroll and related labor cost and expenses, also employees engaged in jobbing or contract work.
3. Inventory adjustments applicable to jobbing stock.
4. Light, heat and power.
5. Losses from uncollectible accounts.
6. Shop and tool expenses.

418. Nonoperating rental income

This account shall include all rent revenues and related expenses of land, buildings, or other property included in account 121, Nonutility Property.

Note: Related operating taxes shall be recorded in account 408, Taxes Other Than Income Taxes, and income taxes shall be recorded in account 409, Income Taxes.

419. Interest and dividend income

This account shall include interest revenues on securities, loans, advances, special deposits, tax refunds and all other interest-bearing assets, and dividends on stock of other companies, whether the securities on which the interest and dividends are received are carried as investments or included in sinking or other special fund accounts.

Note: Related operating taxes shall be recorded in account 408, Taxes Other Than Income Taxes, and income taxes shall be recorded in account 409, Income Taxes.

421. Miscellaneous nonoperating income

This account shall include all revenue and expense items, except taxes, properly includible in the income account and not provided for elsewhere. Related operating taxes shall be recorded in account 408, Taxes Other Than Income Taxes, and income taxes shall be recorded in account 409, Income Taxes.

421.1. Gain on disposition of property

This account shall be credited with the gain on the sale, conveyance, exchange or transfer of property other than that property recorded in, or previously recorded in, accounts 300-353. (See Utility Plant Instructions 6B and 6D.) Income Taxes on Gains recorded in this account shall be recorded in account 409, Income Taxes. (See account 411.6, Gains from Disposition of Utility Plant.)

OTHER INCOME DEDUCTIONS

421.2. Loss on disposition of property

This account shall be charged with the loss on the sale, conveyance, exchange or transfer of property other than that property recorded in, or previously recorded in, accounts 300-353. (See Utility Plant Instructions 6B and 6D.) The reduction in income taxes attributable to losses recorded in this account shall be recorded in account 409, Income Taxes. (See account 411.7, Losses from Disposition of Utility Plant.)

425. Miscellaneous amortization

This account shall include amortization charges not includible in other accounts which are properly deductible in determining the income of the utility before interest charges. Charges includible herein, if significant in amount, must be in accordance with an orderly and systematic amortization program.

ITEMS

1. Amortization of utility plant acquisition adjustments or of intangibles included in utility plant in service when not authorized to be included in utility operating expenses by the commission.
2. Amortization of amounts in account 182, Extraordinary Property Losses, when not authorized to be included in utility operating expenses by the commission.
3. Amortization of capital stock expenses when in accordance with a systematic amortization program.

426. Miscellaneous income deductions

This account shall include miscellaneous expense items which are nonoperating in nature but which are properly deductible before determining total income before interest charges.

ITEMS

1. Donations for charitable, social or community welfare purposes.
2. Life insurance of officers and employees where utility is beneficiary. (Net premiums less increase in cash surrender value of policies.)
3. Penalties or fines for violation of statutes pertaining to regulation.

Interest Charges

427. Interest on long-term debt

A. This account shall include in each accounting period the amount of interest applicable thereto on outstanding long-term debt issued or assumed by the utility, the liability for which is included in account 221, Bonds or account 224, Other Long-Term Debt.

B. This account shall be so kept or supported as to show the interest accruals on each class and series of longterm debt.

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

428. Amortization of debt discount and expense

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

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

429. Amortization of premium on debt—cr.

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

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

430. Interest on debt to associated companies

A. This account shall include in each accounting period, the interest accrued on amounts included in account 223, Advances from Associated Companies, and on all other obligations to associated companies.

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

431. Other interest expense

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

ITEMS

1. Interest on notes payable on demand, or maturing one year or less from date and on open accounts, except notes and accounts with associated companies.
2. Interest on customers' deposits.
3. Interest on claims and judgments, tax assessments, and assessments for public improvements past due.
4. Income and other taxes levied upon bondholders of utility and assumed by it.

432. Interest charged to construction

This account shall include concurrent credits for interest charged to construction based upon the net cost for the period of construction of borrowed funds used for construction purposes and a reasonable rate upon other funds when so used. No interest shall be

capitalized on plant which is completed and ready for service.

Extraordinary Items

434. Extraordinary income

This account shall be credited with nontypical, noncustomary, infrequently recurring gains, which would significantly distort the current year's income computed before Extraordinary Items, if reported other than as extraordinary items. The applicable income tax effects of this account shall be recorded in account 409, Income Taxes, identified separately. (See General Instruction 7.)

435. Extraordinary deductions

This account shall be debited with nontypical, noncustomary, infrequently recurring losses, which would significantly distort the current years income computed before Extraordinary Items, if reported other than as extraordinary items. The applicable income tax effects of this account shall be recorded in account 409, Income Taxes, identified separately. (See General Instruction 7.)

Part 7

RETAINED EARNINGS ACCOUNTS

433. Balance transferred from income

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

436. Appropriations of retained earnings

This account shall include appropriations of retained earnings.

ITEMS

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

437. Dividends declared—preferred stock

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

438. Dividends declared—common stock

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

439. Adjustments to retained earnings

A. This account shall include significant nonrecurring transactions relating to prior periods. Other than transactions of capital stock as specified in paragraph B below, all entries to this account must receive prior commission approval. These transactions are limited to those adjustments which (a) can be specifically identified with and related to the business activities of particular prior periods, and (b) are not attributable to economic events occurring subsequent to the date of the financial statements for the prior period, and (c) depend primarily on determinations by persons other than the management and (d) were not susceptible of reasonable estimation prior to such determination. This account shall also

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

B. Adjustments, charges or credits due to losses on reacquisition, resale or retirement of the company's own capital stock shall be included in this account. (See account 207, Other Paid-In Capital, for the treatment of gains.)

ITEMS

1. Significant nonrecurring adjustments or settlements of income taxes.
2. Significant amounts resulting from litigation or similar claims.
3. Significant amounts relating to adjustments or settlement of utility revenue under rate processes.
4. Significant adjustments to plant in service depreciation and amortization as a result of commission direction.
5. Write-off of unamortized capital stock expenses.

Part 8

OPERATING REVENUE ACCOUNTS

Sewerage Service Revenues

460. Domestic service

This account shall include all revenues from domestic service to regular, private, and commercial customers

461. Industrial waste service

This account shall include all revenues derived from service to industries in the removal of waste

462. Service to public authorities

This account shall include all revenues derived from sewerage service to municipalities or other subdivisions or agencies of Federal or State Governments.

463. Service to other systems

This account shall include all revenues derived from sewerage service rendered to other sewerage utilities, whether operated by a public authority or private corporation.

464. Other sewerage service

This account shall include all revenues derived from domestic sewerage service furnished to any customers served without a permanent connection and for all other sewerage service not elsewhere provided for.

Other Sewerage Revenues

470. Forfeited discounts

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

471. Rent from sewerage properties

This account shall include all revenues derived from rents received for the use by others of land, buildings, and other property devoted to sewerage operations by the utility.

472. Miscellaneous sewerage revenues

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

Part 9

OPERATION AND MAINTENANCE ACCOUNTS

Plant Operation and Maintenance

600. Salaries and wages

This account shall include the cost of labor in operating and maintaining all sewerage utility plant including collecting system, pumping system, and treatment and disposal system facilities.

ITEMS

1. Operating collecting system facilities.
2. Operating pumping system facilities.
3. Operating treatment and disposal system facilities.

620. Fuel or power purchased for pumping

This account shall include the cost of all power purchased for use in the operation of pumping facilities and the cost of fuel purchased for direct use in the operation of such facilities.

ITEMS

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

630. Chemicals

This account shall include the cost of all chemicals used in the treatment of sewage.

640. Supplies and expenses

This account shall include the cost of supplies used and expenses incurred in the operation of sewerage plant.

ITEMS

1. General operating supplies such as tools, gaskets, packing waste, gauge glasses, hose, indicating lamps, record and report forms, etc.
2. First-aid supplies and safety equipment.
3. Building service expenses.
4. Rents.
5. Utility service.
6. Transportation, meals and incidental expenses.

650. Repairs of sewerage plant

This account shall include the amount of bills from others for repairs made to the sewerage plant and the repair parts for such plant. It does not include the cost of labor of the utility's own plant operating force.

ITEMS

1. Contract work in repairing plant and in rearranging or relocating plant not retired.
2. Repair parts and materials used in maintenance of sewerage plant.

660. Transportation expenses

A. This account shall include the cost of labor, materials used and expenses incurred in the operation and maintenance of general transportation equipment of the utility.

B. This account may be used as a clearing account in which event the charges hereto shall be cleared by apportionment to the appropriate operating expense, utility plant, or other accounts 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. Depreciation of transportation equipment.
2. Insurance on transportation equipment.
3. License fees for vehicles and drivers.
4. Rents for equipment and garages.
5. Repairs of transportation equipment.
6. Supplies; such as, gas, oil, tires, tubes, grease, etc.

General Expenses

680. Administrative and general salaries

This account shall include the cost of supervision and labor incurred in administrative and customer accounts.

ITEMS

1. Accounting and clerical work on customers accounts on general records.
2. Stenographic work.
3. Supervision and administration.

681. Office supplies and other expenses

This account shall include office supplies and other expenses incurred in connection with customer accounts, sales and general administration of the utility's operations.

ITEMS

1. Address plates and supplies.
2. Automobile service, including charges through clearing account.
3. Bank messenger and service charges.
4. Books, periodicals, bulletins and subscriptions to newspapers, newsletter, tax service, etc.
5. Building service expenses for customer accounts, and administrative and general purposes.
6. Commissions or fees to others for collecting revenues.

7. Communication service expenses.
8. Cost of individual items of office equipment used by general departments which are of small value or short life.
9. Meals, traveling and incidental expenses.
10. Membership fees and dues in trade, technical and professional associations paid by utility for employees. (Company memberships are includible in account 689.)
11. Binders.
12. Office supplies and expenses.
13. Payment of court costs, witness fees and other expenses of legal department.
14. Postage, printing and stationery.
15. Rent of office equipment and other general plant.
16. Repairs of office equipment.

682. 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 operation function nor to other accounts. It shall include also the pay and expenses of persons engaged for a special or temporary administrative or general purpose in circumstances where the person so engaged is not considered 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

1. Fees, pay and expenses of accountants and auditors, actuaries, appraisers, attorneys, engineering consultants, management consultants, negotiators, public relations counsel, tax consultants, etc.

2. Supervision fees and expenses paid under contracts for general management service.

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.

684. Insurance expense

A. This account shall include the cost of insurance or of reserve accruals (1) to protect the utility against losses and damages to owned or leased property used in its utility operations and (2) 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.

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

C. 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.

686. Employees pensions and benefits

A. This account shall include pensions paid to or on behalf of retired employees, or

accruals to provide for pensions, or payments for the purchase of annuities for the purpose, when the utility has definitely, by contract, committed itself to a pension plan under which the pension funds are irrevocably devoted to pension purposes, and payment for employee accident, sickness, hospital, and death benefits, or insurance therefor. Include, also, expenses incurred in medical, educational or recreational activities for the benefit of employees.

B. The utility shall maintain a complete record of accruals or payments for pensions and be prepared to furnish full information to the commission of the plan under which it has created or proposes to create a pension fund and a copy of the declaration of trust or resolution under which the pension plan is established.

C. There shall be credited to this account the portion of pensions and benefits expenses which is applicable to 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.

688. Regulatory commission expenses

A. This account shall include all expenses (except pay of regular employees only incidentally engaged in such work) property includible in utility operating expenses, incurred by the utility in connection with formal cases before regulatory commissions, or other regulatory bodies, or cases in which such a body is a party, including payments made to a regulatory commission for fees assessed against the utility for pay and expenses of such commission, its officers, agents, and employees.

B. Amounts of regulatory commission expense which by approval or direction of the commission are to be spread over future periods shall be charged to account 183, Other Deferred Debits, and amortized by charges to this account.

C. The utility shall be prepared to show the cost of each formal case.

689. Miscellaneous general expenses

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

ITEMS

1. Industry association dues for company memberships.
2. Contributions for conventions and meetings of the industry.
3. Experimental and general research work for the industry.
4. Communication service not chargeable to other accounts.
5. Trustee, registrar, and transfer agent fees and expenses.
6. Stockholders meeting expenses.
7. Dividend and other financial notices.
8. Printing and mailing dividend checks.
9. Directors' fees and expenses.
10. Publishing and distributing annual reports to stockholders.
11. Advertising. (See note below)
12. 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.
13. Rents for property used in customer accounts, or administrative and general

functions.

Note: The cost of any advertising for the purpose of influencing public opinion as to the election of public officers, referenda, proposed legislation, proposed ordinances, repeal of existing laws or ordinances, approval or revocation of franchises, or for the purpose of influencing the public or its elected officials, in respect to political matters shall not be included herein but charged to account 426, Other Income Deductions.

690. Uncollectible accounts

This account shall be charged with losses from uncollectible accounts or with accruals to provide for anticipated losses from uncollectible utility revenues. Such accruals shall be credited to account 144, Accumulated Provision for Uncollectible Accounts. If the accrual method is used, losses from uncollectible accounts shall be charged to account 144.

691. Revenues from merchandising, jobbing and contract work

692. Costs and expenses of merchandising, jobbing and contract work

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

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

Note B: See accounts 415 and 416 for list of items includible herein.

Note C: Related operating taxes shall be recorded in account 403, Taxes Other Than Income Taxes, and income taxes shall be recorded in account 409, Income Taxes.

(Effective February 13, 1973)