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PART 1767—ACCOUNTING REQUIREMENTS FOR RUS ELECTRIC BORROWERS

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AUTHORITY: 7 U.S.C. 901 *et seq.*, 1921 *et seq.*, 6941 *et seq.*

SOURCE: 58 FR 59825, Nov. 10, 1993, unless otherwise noted.

Subpart A—General [Reserved]

§§ 1767.1—1767.9 [Reserved]

Subpart B—Uniform System of Accounts

§ 1767.10 Definitions.

As used in this part:

Accounting borrower is an RUS borrower.

Accounts are the accounts prescribed in this system of accounts.

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

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

Amortization is the gradual extinguishment of an amount in an account by distributing such amount over a fixed period, over the life of the asset or liability to which it applies, or over the period during which it is anticipated the benefit will be realized.

Associated (affiliated) companies are companies or persons that directly, or indirectly through one or more intermediaries, control, or are controlled by, or under common control with, the accounting company.

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.

Capital lease is a lease of property used in utility or nonutility operations, which meets one or more of the criteria stated in § 1767.15 (s).

CFC is the National Rural Utilities Cooperative Finance Corporation.

Continuing Property Records are company plant records for retirement units and mass property that provide, as either a single record, or in separate records readily obtainable by references made in a single record, the following information:

(1) For each retirement unit:

(i) The name or description of the unit, or both;

(ii) The location of the unit;

(iii) The date the unit was placed in service;

(iv) The cost of the unit as set forth in § 1767.16 (b) and (c); and

(v) The plant control account to which the cost of the unit is charged.

(2) For each category of mass property:

(i) A general description of the property and quantity;

(ii) The quantity placed in service by vintage year;

(iii) The average cost as set forth in § 1767.16 (b) and (c); and

(iv) The plant control account to which the costs are charged.

Control (including the terms *controlling, controlled by,* and *under common control with*) is the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a company, whether such power is exercised through one or more intermediary companies, or alone, or in conjunction with, or pursuant to an agreement, and whether such power is established through a majority or minority ownership or through voting of securities; common directors, officers, or stockholders; voting trusts; holding trusts; associated companies; contracts; or any other direct or indirect means.

Cost is the amount of money actually paid for property or services. When the consideration given is other than cash in a purchase and sale transaction, as distinguished from a transaction involving the issuance of common stock in a merger or a pooling of interest, the value of such consideration shall be determined on a cash basis.

Cost of removal is the cost of demolishing, dismantling, tearing down or otherwise removing electric plant, including the cost of transportation and handling incidental thereto.

Customer is a consumer or patron.

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

Depreciation, as applied to depreciable electric plant, is the loss in service value, not restored by current maintenance, incurred in connection with the consumption or prospective retirement of electric 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.

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

FASB is the Financial Accounting Standards Board.

G&T is a generation and transmission cooperative.

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

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

Net salvage value is the salvage value of property retired less the cost of removal.

Nominally issued, as applied to securities issued or assumed by the utility,

are those which have been signed, certified, or otherwise executed, and placed with the proper officer for sale and delivery, or pledged, or otherwise placed in some special funds of the utility, but which have not been sold, or issued direct to trustees of sinking funds in accordance with contractual requirements.

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

NRECA is the National Rural Electric Cooperative Association.

Operating lease is a lease of property used in utility or nonutility operations, which does not meet any of the criteria stated in § 1767.15 (s).

Original cost, as applied to electric plant, is the cost of such property to the person first devoting it to public service.

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

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

Project is a complete unit of improvement or development, consisting of a power house, all water conduits, all dams and appurtenant works and structures (including navigation structures) which are a part of said unit, and all storage, diverting, or forebay reservoirs directly connected therewith, the primary line or lines transmitting power therefrom to the point of junction with the distribution system or with the interconnected primary transmission system, all miscellaneous structures used and useful in connection with said unit or any part thereof, and all water rights, rights of way, ditches, dams, reservoirs, lands, or interest in lands the use and occupancy of which are necessary or appropriate in the maintenance and operation of such unit.

Property retired, as applied to electric plant, is property which has been removed, sold, abandoned, destroyed, or which for any cause has been withdrawn from service.

REA means the Rural Electrification Administration formerly an agency of the United States Department of Agriculture and predecessor agency to RUS with respect to administering certain electric and telephone loan programs.

Regulatory Assets and Liabilities are assets and liabilities that result from rate actions of regulatory agencies. Regulatory assets and liabilities arise from specific revenues, expenses, gains, or losses that would have been included in net income determinations in one period under the general requirements of the Uniform System of Accounts but for it being probable:

(1) That such items will be included in a different period(s) for purposes of developing the rates the utility is authorized to charge for its utility services; or

(2) In the case of regulatory liabilities, that refunds to customers, not provided for in the other accounts, will be required.

Replacing (including replacement) when not otherwise indicated in the context, is the construction or installation of electric plant in place of property retired, together with the removal of the property retired.

Research, Development, and Demonstration (RD&D) includes all expenditures incurred by borrowers either directly or through another person or organization (such as a research institute, industry association, foundation, university, engineering company or similar contractor) in pursuing research, development, and demonstration activities including experiment, design, installation, construction, or operation. This definition includes expenditures for the implementation or development of new and/or existing concepts until technically feasible and commercially feasible operations are verified. Such research, development,

and demonstration costs should be reasonably related to the existing or future utility business, broadly defined, of the borrower or in the environment in which it operates or expects to operate. The term includes, but is not limited to, all such costs incidental to the design, development or implementation of an experimental facility, a plant process, a product, a formula, an invention, a system or similar items, and the improvement of already existing items of a like nature; amounts expended in connection with the proposed development and/or proposed delivery of alternate sources of electricity; and the costs of obtaining its own patent, such as attorney's fees expended in making and perfecting a patent application. The term includes preliminary investigations and detailed planning of specific projects for securing for customers non-conventional electric power supplies that rely on technology that has not been verified previously to be feasible. The term does not include expenditures for efficiency surveys; studies of management, management techniques, and organization; or consumer surveys, advertising, promotions, or items of a like nature.

Retirement units are those items of electric plant which, when retired with or without replacement, are accounted for by crediting the book cost thereof to the electric plant accounts in which included.

RUS means the Rural Utilities Service, an agency of the United States Department of Agriculture established pursuant to Section 232 of the Federal Crop Insurance Reform and Department of Agriculture Reorganization Act of 1994 (Pub. L. 103–354, 108 Stat. 3178), successor to REA with respect to administering certain electric and telephone programs. See 7 CFR 1700.1.

RUS Form 7 is the August 1988 revision (or the revision of any other date which may be specified) of such RUS Form 7, Financial and Statistical Report, or any later revision which shall have been at the time prescribed for use by RUS.

RUS Form 12 is the November 1979 revision (or the revision of any other date which may be specified) of such RUS Form 12, Operating Report—Financial, or any later revision which shall have been at the time prescribed for use by RUS.

RUS USoA is the USoA prescribed in this subpart.

Salvage value is 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 recovered is chargeable to materials and supplies, or other appropriate accounts.

Service life is the time between the date electric plant is includible in electric plant in service, or electric 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, service life should be measured in terms of the appropriate unit of production.

Service value is the difference between original cost and net salvage value of electric plant.

State is a State admitted to the Union, the District of Columbia, and any organized Territory of the United States.

Subsidiary company is a company which is controlled by the utility through ownership of voting stock. (See the definition of control in § 1767.10.) A corporate joint venture in which a corporation is owned by a small group of businesses as a separate and specific business or project for the mutual benefit of the members of the group is a subsidiary company for the purposes of this system of accounts.

Utility is an RUS borrower.

Work order is an order authorizing the construction of utility plant. It serves as the basis for the accounts or subaccounts in which costs are recorded.

[58 FR 59825, Nov. 10, 1993, as amended at 59 FR 66440, Dec. 27, 1994]

§ 1767.11 Purpose.

(a) The standard form of RUS loan documents for electric borrowers requires that the borrower keep books, records, and accounts in which full and true entries will be made of all of the dealings, business and affairs of the borrower in accordance with the methods and principles of accounting of this part.

(b) This subpart implements these provisions of the RUS loan documents by prescribing the RUS USoA for electric borrowers and by providing accounting methodologies and procedures which are applicable to particular situations.

§ 1767.12 Accounting system requirements.

(a) Each RUS electric borrower must maintain and keep its books of accounts and all other books and records that support the entries in such books of accounts in accordance with §§ 1767.18–1767.31.

(b) Each RUS electric borrower shall maintain and keep its books of accounts and all other books and records which support the entries in such books of accounts in accordance with § 1767.41, Accounting Methods and Procedures Required of All RUS Borrowers, herein, which prescribes accounting principles to be applied to specific factual circumstances.

§ 1767.13 Departures from the prescribed RUS Uniform System of Accounts.

(a) No departures are to be made to the prescribed RUS USoA without the prior written approval of RUS. RUS grants a departure to any borrower electing to delay implementation of the functional (activity-based) accounting requirements of this part through December 31, 1997. Requests for departures from the RUS USoA shall be addressed, in writing, to the Director, Program Accounting Services Division (PASD).

(b) RUS borrowers subject to the jurisdiction of a state regulatory authority with jurisdiction over rates and/or accounting for electric utilities will not:

(1) Request approval of such authority to use accounting methodologies and principles that depart from the provisions herein; or

(2) File with such authority, any documents or information, including without limitation, any filings associated with the borrower's rates, based upon accounting methods and principles inconsistent with the provisions of this part.

(c) If any state regulatory authority with jurisdiction over an RUS borrower prescribes accounting methods or principles for the borrower that are inconsistent with the provisions of this part, the borrower must immediately notify the Director, BAD, and provide such documents, information, and reports as RUS may request to evaluate the impact that such accounting methods or principles may have on the interests of RUS.

(1) If RUS determines that the accounting methods and principles do not adversely impact RUS interests, RUS will permit the borrower to use the accounting methods and principles as prescribed by the state regulatory authority to comply with the provisions of the RUS loan documents.

(2) If RUS determines that the accounting methods and principles may adversely impact RUS's interests, RUS may require that, for the purposes of complying with provisions of RUS loan documents, including, without limitation, those provisions relating to financial coverage standards (e.g. ''TIER''), the borrower continue to maintain books, records, and accounts in accordance with this subpart.

(i) RUS may, however, approve requests by the borrower to maintain such additional books, records, and accounts as necessary to comply with the requirements of the state regulatory authority.

(ii) Such approval will not waive, modify or amend the requirements of the RUS loan documents or of this subpart.

(d) RUS borrowers will not implement the provisions of Statement of Financial Accounting Standards (SFAS) No. 71, Accounting for the Effects of Certain Types of Regulation, SFAS No. 90, Regulated Enterprises—Accounting for Abandonments and Disallowances of Plant Costs, SFAS No. 92, Regulated Enterprises—Accounting for Phase-in Plans, without the prior written approval of RUS except as provided for in paragraphs (d)(1) through (d)(5) of this section. Requests for approval shall be addressed, in writing, to the Director, PASD. The specific deferrals set forth in paragraphs (d)(1) through (d)(5) of this section may be implemented without the prior written

approval of RUS provided that the deferrals comply with Statement No. 71 and that the RUS borrowers implementing such deferrals continue to meet the requirements set forth in Statement No. 71 for doing so:

(1) The deferral and amortization of prior service pension costs (See §1767.41, Interpretation No. 606, Pension Costs), remapping expenses (See §1767.41, Interpretation No. 613, Mapping Costs), and preliminary survey and investigation charges (See §1767.17, Interpretation No. 111, Engineering Contracts for System Planning);

(2) The deferral of any current period expense or expenses, on a cumulative basis for the fiscal year, only if a borrower would have met each of its financial tests or coverage ratios that it has covenanted with RUS to meet for that fiscal year, had the deferral not been made;

(3) The deferral of any cost that will be fully amortized within the next 12 succeeding months;

(4) The accelerated amortization of any previously deferred expense; and

(5) The deferral of revenues coincident with a moratorium imposed by the National Rural Electric Cooperative Association on its Retirement and Security Program, provided, however, that the deferral is for the sole purpose of offsetting future pension costs.

(e) RUS will consider approval of specific departures from this part upon submission of:

(1) A detailed description of the proposed departure;

(2) The specific accounting journal entries that will be used including the account number and title, and the dollar amounts where appropriate;

(3) The total dollar amount of the departure and the impact on margins during the time period of the departure; and

(4) Any additional information RUS may deem necessary to adequately evaluate the borrower's request.

(f) RUS will, within 90 days of final receipt of this information, render a decision on the borrower's request for a departure from the prescribed RUS USoA.

(1) If, due to extenuating circumstances, RUS is unable to reach a decision within the required time period, RUS will notify the borrower of the delay within this same 90-day period, and provide a projected decision date.

(2) The requested departure from the prescribed RUS USoA must not be implemented until final approval is granted by RUS.

[58 FR 59825, Nov. 10, 1993, as amended at 60 FR 55429, Nov. 1, 1995; 62 FR 42289, Aug. 6, 1997]

§1767.14 Interpretations of the RUS Uniform System of Accounts.

To maintain uniformity in accounting, borrowers must submit questions concerning interpretations of the RUS USoA, in writing, to the Director, BAD, for consideration and decision.

(Approved by the Office of Management and Budget under control number 0572–0002)

[60 FR 55429, Nov. 1, 1995]

§1767.15 General instructions.

(a) *Records.* (1) 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.

(2) Each entry shall be supported by such detailed information as will permit ready identification, analysis, and verification of all facts relevant thereto.

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

(4) No utility shall destroy any such books or records unless the destruction thereof is permitted by the rules and regulations of RUS in 7 CFR chapter XVII.

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

(6) All amounts included in the accounts prescribed herein for electric plant and operating expenses shall be

just and reasonable and any payments or accruals by the utility in excess of just and reasonable charges shall be included in Account 426.5, Other Deductions.

(7) The arrangement or sequence of the accounts prescribed herein shall not be controlling as to the arrangement or sequence in report forms which may be prescribed by RUS.

(b) *Numbering system.* (1) The account numbering plan used herein consists of a system of three-digit whole numbers as follows:

100–199 Assets and other debits.
200–299 Liabilities and other credits.
300–399 Plant accounts.
400–432, 434–435 Income accounts.
433, 436–439 Retained earnings accounts.
440–459 Revenue accounts.
500–599 Production, transmission, and distribution expenses.
900–949 Customer accounts, customer service and informational, sales, and general and administrative expenses.

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

(3) The numbers prefixed to account titles are to be considered as parts of the titles.

(i) Each utility, however, may adopt, for its own purposes, a different system of account numbers provided that the numbers herein prescribed shall appear in the descriptive headings of the ledger accounts and in the various sources of original entry.

(ii) If a utility uses a different group of account numbers and it is not practicable to show the prescribed account numbers in the various sources of original entry, such reference to the prescribed account numbers may be omitted from the various sources of original entry.

(iii) Each utility using different account numbers for its own purposes shall keep readily available, a list of such account numbers which it uses and a reconciliation of such account numbers with the account numbers provided herein.

(iv) The utility's records shall be so kept as to permit ready analysis by prescribed accounts (by direct reference to sources of original entry to the extent practicable) and to permit preparation of financial and operating statements directly from such records at the end of each accounting period according to the prescribed accounts.

(c) *Accounting period.* (1) Each utility shall keep its books on a monthly basis so that for each month, all transactions applicable thereto, as nearly as may be ascertained, shall be entered in the books of the utility.

(2) Amounts applicable or assignable to specific utility departments shall be so segregated monthly.

(3) Each utility shall close its books at the end of each fiscal year unless otherwise authorized by RUS.

(d) *Submission of questions.* To maintain uniformity of accounting, utilities shall submit questions of doubtful interpretation to RUS for consideration and decision.

(e) *Item lists.* (1) Lists of ''items'' appearing in the texts of the accounts or elsewhere herein are for the purpose of more clearly indicating the application of the prescribed accounting.

(2) The lists are intended to be representative, but not exhaustive.

(3) 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.

(4) The proper entry in each instance must be determined by the texts of the accounts.

(f) *Extraordinary items.* (1) Net income shall reflect all items of profit and loss during the period with the exception of prior period adjustments as described in § 1767.15 (g) and long-term debt as described in § 1767.15 (q).

(2) 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.

(3) 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.

(i) In determining significance, items of a similar nature should be considered in the aggregate.

(ii) Dissimilar items should be considered individually; however, if they are few in number, they may be considered in the aggregate.

(iii) To be considered as extraordinary under the above guidelines, an item should be more than approximately 5 percent of income, computed before extraordinary items.

(iv) RUS approval must be obtained to treat an item of less than 5 percent, as extraordinary. (See Accounts 434 and 435.)

(g) *Prior period items.* (1) Items of profit and loss related to the following shall be accounted for as prior period adjustments and excluded from the determination of net income for the current year:

(i) Correction of an error in the financial statements of a prior year

(ii) Adjustments that result from realization of income tax benefits of preacquisition operating loss carryforwards of purchased subsidiaries.

(2) All other items of profit and loss recognized during the year shall be included in the determination of net income for that year.

(h) *Unaudited items.* (1) Whenever a financial statement is required by RUS, if it is known that a transaction has occurred which affects the accounts but the amount involved in the transaction and its effect upon the accounts cannot be determined with absolute accuracy, the amount shall be estimated and such estimated amount included in the proper accounts.

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

(i) *Distribution of pay and expenses of employees.* Charges to electric plant, operating expense, 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.

(j) *Payroll distribution.* (1) Underlying accounting data shall be maintained so that the distribution of the cost of labor charged direct to the various accounts will be readily available.

(2) Such underlying data shall permit a reasonably accurate distribution to be made of the cost of labor charged initially to clearing accounts so that the total labor cost may be classified among construction, cost of removal, electric operating functions (steam generation, nuclear generation, hydraulic generation, transmission, distribution, etc.) and nonutility operations.

(k) *Accounting on an accrual basis.* (1) The utility is required to keep its accounts on the accrual basis.

(i) This requires the inclusion, in its accounts, of all known transactions of appreciable amount which affect the accounts.

(ii) 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.

(2) When payments are made in advance for items such as insurance, rents, taxes, or interest, the amount applicable to future periods shall be charged to Account 165, Prepayments, and spread over the periods to which applicable, by credits to Account 165, and charges to the accounts appropriate for the expenditure.

(l) *Records for each plant.* (1) Separate records shall be maintained by electric plant accounts of the book cost of each plant owned, including additions by the utility to plant leased from others, and of the cost of operating and maintaining each plant owned or operated.

(2) The term ''plant'' as used herein includes each generating station and each transmission line or appropriate group of transmission lines.

(m) *Accounting for other departments.* (1) If the utility also operates other utility departments, such as gas or water, 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 such department.

(2) It is not intended that proprietary and similar accounts which apply to the utility as a whole shall be departmentalized.

(n) *Transactions with associated companies.* (1) Each utility shall keep its accounts and records so as to be able to furnish accurately and expeditiously statements of all transactions with associated companies.

(2) The statements may be required to show the general nature of the transactions, the amounts involved therein and the amounts included in each account prescribed herein with respect to such transactions. Transactions with associated companies shall be recorded in the appropriate accounts for transactions of the same nature. Nothing herein contained, however, shall be construed as restraining the utility from subdividing accounts for the purpose of recording separately transactions with associated companies.

(o) *Contingent assets and liabilities.* (1) Contingent assets represent a possible source of value to the utility contingent upon the fulfillment of conditions regarded as uncertain.

(2) Contingent liabilities include items which may, under certain conditions, become obligations of the utility but which are neither direct nor assumed liabilities at the date of the balance sheet. The utility shall be prepared to give a complete statement of significant contingent assets and liabilities (including cumulative dividends on preference stock) in its audited financial statements; its RUS Form 7, Financial and Statistical Report, or its RUS Form 12, Operating Report—Financial; and at such other times as may be requested by RUS.

(p) *Separate accounts or records for each licensed project.* The accounts or records of each borrower shall be so kept as to show for each project (including pumped storage) under license:

(1) The actual legitimate original cost of the project, including the original cost of the original project, the original cost of additions thereto and betterments thereof, and credits for property retired from service, as determined under RUS's regulations in 7 CFR chapter XVII;

(2) The charges for operation and maintenance of the project property directly assignable to the project;

(3) The credits and debits to the depreciation and amortization accounts, and the balances in such accounts; and

(4) The credits and debits to the operating revenue, income, and retained earnings accounts that can be identified with and directly assigned to the project.

NOTE: The purpose of this instruction is to insure that accounts or records are currently maintained by each borrower from which reports may be made to RUS for use in determining the net investment in each licensed project. The instruction covers only the debit and credit items appearing in the borrower's accounts which may be identified with and assigned directly to any project. In the determination of the net investment, allocations of items affecting the net investment may be required where direct assignment is not practicable.

(q) *Long-term debt: premium, discount and expense, and gain or loss on reacquisition*—(1) *Premium, discount and expense.* (i) A separate premium, discount and expense account shall be maintained for each class and series of long-term debt (including receivers' certificates) issued or assumed by the utility.

(ii) The premium will be recorded in Account 225, Unamortized Premium on Long-Term Debt, the discount will be recorded in Account 226, Unamortized Discount on Long-Term Debt—Debit, and the expense of issuance shall be recorded in Account 181, Unamortized Debt Expense.

(iii) The premium, 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.

(A) The amortization shall be charged or credited on a monthly basis with the amounts relating to discount and expense charged to Account 428, Amortization of Debt Discount and Expense.

(B) The amounts relating to premium shall be credited to Account 429, Amortization of Premium on Debt—Credit.

(2) *Reacquisition, without refunding.* (i) When long-term debt is reacquired or redeemed without being converted into another form of long-term debt and when the transaction is not in connection with a refunding operation (primarily redemptions for sinking fund

purposes), the difference between the amount paid upon reacquisition and the face value; plus any unamortized premium less any related unamortized debt expense and reacquisition costs; or less any unamortized discount, related debt expense and reacquisition costs applicable to the debt redeemed, retired and cancelled, shall be included in Account 189, Unamortized Loss on Reacquired Debt, or Account 257, Unamortized Gain on Reacquired Debt, as appropriate.

(ii) The utility shall amortize the recorded amounts equally on a monthly basis over the remaining life of the respective security issues (old original debt).

(iii) The amount so amortized shall be charged to Account 428.1, Amortization of Loss on Reacquired Debt, or credited to Account 429.1, Amortization of Gain on Reacquired Debt—Credit, as appropriate.

(3) *Reacquisition, with refunding.* (i) When the redemption of one issue or series of bonds or other long-term obligations is financed by another issue or series before the maturity date of the first issue, the difference between the amount paid upon refunding and the face value; plus any unamortized premium less related debt expense or less any unamortized discount and related debt expense, applicable to the debt refunded, shall be included in Account 189, Unamortized Loss on Reacquired Debt, or Account 257, Unamortized Gain on Reacquired Debt, as appropriate.

(ii) The utility may elect to account for such amounts as follows:

(A) Write them off immediately when the amounts are insignificant;

(B) Amortize them by equal monthly amounts over the remainder of the original life of the issue retired; or

(C) Amortize them by equal monthly amounts over the life of the new issue.

(iii) Once an election is made, it shall be applied on a consistent basis.

(iv) The amounts in paragraphs (q)(3)(ii)(A), (B), or (C) of this section shall be charged to Account 428.1, Amortization of Loss on Reacquired Debt, or credited to Account 429.1, Amortization of Gain on Reacquired Debt—Credit, as appropriate.

(4) Under methods in paragraphs (q)(3)(ii)(B) and (C) of this section, the increase or reduction in current income taxes resulting from the reacquisition should be apportioned over the remainder of the original life of the issued retired or over the life of the new issue, as appropriate, as directed more specifically in paragraphs (q)(5) and (6) of this section.

(5) When the utility recognizes the loss in the year of reacquisition as a tax deduction, Account 410.1, Provision for Deferred Income Taxes, Utility Operating Income, shall be debited and Account 283, Accumulated Deferred Income Taxes—Other, shall be credited with the amount of the related tax effect, such amount to be allocated to the periods affected in accordance with the provisions of Account 283.

(6) When the utility chooses to recognize the gain in the year of reacquisition as a taxable gain, Account 411.1, Provision for Deferred Income Taxes—Credit, Utility Operating Income, shall be debited with the amount of the related tax effect, such amount to be allocated to the periods affected in accordance with the provisions of Account 190, Accumulated Deferred Income Taxes.

(7) When the utility chooses to use the optional privilege of deferring the tax on the gain attributable to the reacquisition of debt by reducing the depreciable basis of utility property for tax purposes, pursuant to Section 108 of the Internal Revenue Code (26 U.S.C. 108), the related tax effects shall be deferred as the income is recognized for accounting purposes, and the deferred amounts shall be amortized over the life of the associated property on a vintage year basis.

(i) Account 410.1, Provision for Deferred Income Taxes, Utility Operating Income, shall be debited, and Account 282, Accumulated Deferred Income Taxes—Other Property, shall be credited with an amount equal to the estimated income tax effect applicable to the portion of the income, attributable to reacquired debt, recognized for accounting purposes during the period.

(ii) Account 282 shall be debited and Account 411.1, Provision for Deferred Income Taxes—Credit, Utility Operating Income, shall be credited with an

amount equal to the estimated income tax effects, during the life of the property, attributable to the reduction in the depreciable basis for tax purposes.

(8) The tax effects relating to gain or loss shall be allocated as above to utility operations except in cases where a portion of the debt reacquired is directly applicable to nonutility operations.

(i) In that event, the related portion of the tax effects shall be allocated to nonutility operations.

(ii) Where it can be established that reacquired debt is generally applicable to both utility and nonutility operations, the tax effects shall be allocated between utility and nonutility operations based on the ratio of net investment in utility plant to net investment in nonutility plant.

(9) Premium, discount, or expense on debt shall not be included as an element in the cost of construction or acquisition of property (tangible or intangible), except under the provisions of Account 432, Allowance for Borrowed Funds Used During Construction—Credit.

(10) *Alternate method.* Where a regulatory authority or a group of regulatory authorities having prime rate jurisdiction over the utility specifically disallows the rate principle of amortizing gains or losses on reacquisition of long-term debt without refunding, and does not apply the gain or loss to reduce interest charges in computing the allowed rate of return for rate purposes, the following alternate method may be used to account for gains or losses relating to reacquisition of long-term debt, with or without refunding:

(i) The difference between the amount paid upon reacquisition of any long-term debt and the face value, adjusted for unamortized discount, expenses or premium, as the case may be, applicable to the debt redeemed shall be recognized currently in income and recorded in Account 421, Miscellaneous Nonoperating Income, or Account 426.5, Other Deductions.

(ii) When this alternate method of accounting is used, the utility shall include a footnote to each financial statement, prepared for public use, explaining why this method is being used along with the treatment given for ratemaking purposes.

(r) *Comprehensive interperiod income tax allocation.* (1) Where there are timing differences between the periods in which transactions affect taxable income and the periods in which they enter into the determination of pretax accounting income, the income tax effects of such transactions are to be recognized in the periods in which the differences between book accounting income and taxable income arise and in the periods in which the differences reverse using the deferred tax method.

(2) Comprehensive interperiod tax allocation should be followed whenever transactions enter into the determination of pretax accounting income for the period even though some transactions may affect the determination of taxes payable in a different period.

(3) Utilities are not required to utilize comprehensive interperiod income tax allocation until the deferred income taxes are included as an expense in the rate level by the regulatory authority having rate jurisdiction over the utility.

(4) Where comprehensive interperiod tax allocation accounting is not practiced the utility shall include as a note to each financial statement, prepared for public use, a footnote explanation setting forth the utility's accounting policies with respect to interperiod tax allocation and describing the treatment for rate making purposes of the tax timing differences by regulatory authorities having rate jurisdiction.

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

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

(7) Tax effects deferred currently will be recorded as deferred debits or deferred credits in Accounts 190, Accumulated Deferred Income Taxes; 281, Accumulated Deferred Income Taxes—Accelerated Amortization Property; 282, Accumulated Deferred Income Taxes—

Other Property, and 283, Accumulated Deferred Taxes—Other, as appropriate.

(8) The resulting amounts recorded in these accounts shall be disposed of as prescribed in this system of accounts or as otherwise authorized by RUS.

(s) *Criteria for classifying leases.* (1) If, at its inception, a lease meets one or more of the following criteria, the lease shall be classified as a capital lease:

(i) The lease transfers ownership of the property to the lessee by the end of the lease term.

(ii) The lease contains a bargain purchase option.

(iii) The lease term is equal to 75 percent or more of the estimated economic life of the leased property. However, if the beginning of the lease term falls within the last 25 percent of the total estimated economic life of the leased property, including earlier years of use, this criterion shall not be used for purposes of classifying the lease.

(iv) The present value at the beginning of the lease term of the minimum lease payments, excluding that portion of the payments representing executory costs such as insurance, maintenance, and taxes to be paid by the lessor, including any profit thereon, equals or exceed 90 percent of the excess of the fair value of the leased property to the lessor at the inception of the lease over any related investment tax credit retained by the lessor and expected to be realized by lessor.

(A) However, if the beginning of the lease term falls within the last 25 percent of the total estimated economic life of the leased property, including earlier years of use, this criterion shall not be used for purposes of classifying the lease.

(B) The lessee utility shall compute the present value of the minimum lease payments using its incremental borrowing rate, unless it is practicable for the utility to learn the implicit rate computed by the lessor, and the implicit rate computed by the lessor is less than the lessee's incremental borrowing rate. If both of those conditions are met, the lessee shall use the implicit rate.

(2) If, at any time, the lessee and lessor agree to change the provisions of the lease, other than by renewing the lease or extending its term, in a manner that would have resulted in a different classification of the lease under the criteria in paragraph (s)(1) of this section had the changed terms been in effect at the inception of the lease, the revised agreement shall be considered as a new agreement over its term, and the criteria in paragraph (s)(1) of this section shall be applied for purposes of the expiration of the existing lease term, such as the exercise of a lease renewal option other than those already included in the lease term, shall be considered as a new agreement and shall be classified according to the above provision. Changes in estimates (for example, changes in estimates of the economic life or of the residual value of the leased property) or changes in circumstances (for example, default by the lessee) shall not give rise to a new classification of a lease for accounting purposes.

(t) *Accounting for leases.* (1) All leases shall be classified as either capital or operating leases.

(2) The utility shall record a capital lease as an asset in Account 101.1, Property Under Capital Leases, and Account 120.6, Nuclear Fuel Under Capital Leases; as appropriate, and an obligation in Account 227, Obligations Under Capital Leases—Noncurrent, or Account 243, Obligations Under Capital Leases—Current, at an amount equal to the present value at the beginning of the lease term of minimum lease payments during the lease term, excluding that portion of the payments representing executory costs such as insurance, maintenance, and taxes to be paid by the lessor, together with any profit thereon. However, if the amount so determined exceeds the fair value of the leased property at the inception of the lease, the amount recorded as the asset and obligation shall be the fair value.

(3) Rental payments on all leases shall be charged to rent expense, fuel expense, construction work in progress, or other appropriate accounts as they become payable.

(4) For a capital lease, for each period during the lease term, the amounts recorded for the asset and obligation shall be reduced by an amount equal to the portion of each lease payment that

would have been allocated to the reduction of the obligation, if the payment had been treated as a payment on an installment obligation (liability) and allocated between interest expense and a reduction of the obligation so as to produce a constant periodic rate of interest on the remaining balance.

(u) *Allowances.* (1) Title IV of the Clean Air Act Amendments of 1990, Pub. L. 101–549, 104 Stat. 2399, 2584 (42 U.S.C. 7407 and 42 U.S.C. 7651), provides for the issuance of allowances as a means to limit the emissions of certain airborne pollutants by various entities, including utilities. Utilities owning allowances, other than those acquired for speculative purposes, shall account for such allowances at cost in Account 158.1, Allowance Inventory, or Account 158.2, Allowances Withheld, as appropriate. Allowances acquired for speculative purposes and identified as such in contemporaneous records at the time of purchase shall be accounted for in Account 124, Other Investments.

(2) When purchased, allowances become eligible for use in different years, and the allocation of the purchase cost cannot be determined by fair value, the purchase cost allocated to allowances of each vintage shall be determined through use of a present-value based measurement. The interest rate used in the present-value measurement shall be the utility's incremental borrowing rate, in the month in which the allowances are acquired, for a loan with a term similar to the period that it will hold the allowances and in an amount equal to the purchase price.

(3) The underlying records supporting Account 158.1 and Account 158.2 shall be maintained in sufficient detail so as to provide the number of allowances and the related cost by vintage year.

(4) Issuances from inventory included in Account 158.1 and Account 158.2 shall be accounted for on a vintage basis using a monthly weighted-average method of cost determination. The cost of eligible allowances not used in the current year shall be transferred to the vintage for the immediately following year.

(5) Account 158.1 shall be credited and Account 509, Allowances, debited so that the cost of the allowances to be remitted for the year is charged to expense monthly based on each month's emissions. This may, in certain circumstances, require allocation of the cost of an allowance between months on a fractional basis.

(6) In any period in which actual emissions exceed the amount allowable based on eligible allowances owned, the utility shall estimate the cost to acquire the additional allowances needed and charge Account 158.1 with the estimated cost. This estimated cost of future allowance acquisitions shall be credited to Account 158.1 and charged to Account 509 in the same accounting period as the related charge to Account 158.1. Should the actual cost of these allowances differ from the estimated cost, the differences shall be recognized in the then-current period's inventory issuance cost.

(7) Any penalties assessed by the Environmental Protection Agency for the emission of excess pollutants shall be charged to Account 426.3, Penalties.

(8) Gains on dispositions of allowances, other than allowances held for speculative purposes, shall be accounted for as follows. First, if there is uncertainty as to the regulatory treatment, the gain shall be deferred in Account 254, Other Regulatory Liabilities, pending resolution of the uncertainty. Second, if there is certainty as to the existence of a regulatory liability, the gain will be credited to Account 254, with subsequent recognition in income when reductions in charges to customers occur or the liability is otherwise satisfied. Third, all other gains will be credited to Account 411.8, Gains from Disposition of Allowances. Losses on disposition of allowances, other than allowances held for speculative purposes, shall be accounted for as follows. Losses that qualify as regulatory assets shall be charged directly to Account 182.3, Other Regulatory Assets. All other losses shall be charged to Account 411.9, Losses from Disposition of Allowances. (See the definition of regulatory assets and liabilities.) Gains or losses on disposition of allowances held for speculative purposes shall be recognized in Account 421, Miscellaneous Nonoperating Income, or Account 426.5, Other Deductions, as appropriate.

(9) The costs and benefits of exchange-traded allowance futures contracts used to protect the utility from the risk of unfavorable price changes (''hedging transactions'') shall be deferred in Account 186, Miscellaneous Deferred Debits, or Account 253, Other Deferred Credits, as appropriate. Such deferred amounts shall be included in Account 158.1, Allowance Inventory, in the month in which the related allowances are acquired, sold or otherwise disposed of. Where the costs or benefits of hedging transactions are not identifiable with specific allowances, the amounts shall be included in Account 158.1 when the futures contract is closed. The costs and benefits of exchange-traded allowance futures contracts entered into as a speculating activity shall be charged or credited to Account 421, Miscellaneous Nonoperating Income, or Account 426.5, Other Deductions, as appropriate.

§1767.16 Electric plant instructions.

(a) *Classification of electric plant at effective date of system of accounts.* (1) The electric plant accounts provided herein are the same as those contained in the prior system of accounts except for inclusion of accounts for nuclear production plant and some changes in classification in the general equipment accounts. Except for these changes, the balances in the various plant accounts, as determined under the prior system of accounts, should be carried forward. Any remaining balance of plant which has not yet been classified, pursuant to the requirements of the prior system, shall be classified in accordance with the following instructions.

(2) The cost to the utility of its unclassified plant shall be ascertained by analysis of the utility's records. Adjustments shall not be made to record in utility plant accounts amounts previously charged to operating expenses or to income deductions in accordance with the USoA in effect at the time or in accordance with the discretion of management as exercised under a USoA, or under accounting practices previously followed.

(3) The detailed electric plant accounts (301 to 399, inclusive) shall be stated on the basis of cost to the utility of plant constructed by it and the original cost, estimated if not known, of plant acquired as an operating unit or system. The difference between the original cost, as above, and the cost to the utility of electric plant after giving effect to any accumulated provision for depreciation or amortization shall be recorded in Account 114, Electric Plant Acquisition Adjustments. The original cost of electric plant shall be determined by analysis of the utility's records or those of the predecessor or vendor companies with respect to electric plant previously acquired as operating units or systems and the difference between the original cost so determined, less accumulated provisions for depreciation and amortization and the cost to the utility with necessary adjustments for retirements from date of acquisition, shall be entered in Account 114, Electric Plant Acquisition Adjustments. Any difference between the cost of electric plant and its book cost, when not properly includible in other accounts, shall be recorded in Account 116, Other Electric Plant Adjustments.

(b) *Electric plant to be recorded at cost.* (1) All amounts included in the accounts for electric plant acquired as an operating unit or system, except as otherwise provided in the texts of the intangible plant accounts, shall be stated at the cost incurred by the person who first devoted the property to utility service. All other electric plant shall be included in the accounts at the cost incurred by the utility except for property acquired by lease which qualifies as capital lease property under §1767.15 (s), Criteria for Classifying Leases, and is recorded in Account 101.1, Property Under Capital Lease, or Account 120.6, Nuclear Fuel Under Capital Leases. Where the term ''cost'' is used in the detailed plant accounts, it shall have the meaning stated in this paragraph (b).

(2) When the consideration given for property is other than cash, the value of such consideration shall be determined on a cash basis (see, however, the definition of cost in §1767.10). In the entry recording such transition, the actual consideration shall be described with sufficient particularity to identify it. The utility shall be prepared to furnish RUS the particulars of

its determination of the cash value of the consideration if other than cash.

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

(4) The electric plant accounts shall not include the cost or other value of electric plant contributed to the company. Contributions in the form of money or its equivalent toward the construction of electric plant shall be credited to accounts charged with the cost of such construction. Plant constructed from contributions of cash or its equivalent shall be shown as a reduction to gross plant constructed when assembling cost data in work orders for posting to plant ledgers of accounts. The accumulated gross costs of plant accumulated in the work order shall be recorded as a debit in the plant ledger of accounts along with the related amount of contributions concurrently be recorded as a credit.

(c) *Components of construction cost.* The cost of construction properly includible in the electric plant accounts shall include, where applicable, the direct and overhead costs as listed and defined hereunder:

(1) *Contract work* includes amounts paid for work performed under contract by other companies, firms, or individuals, costs incident to the award of such contracts, and the inspection of such work.

(2) *Labor* includes the pay and expenses of employees of the utility engaged on construction work, and related workmen's compensation insurance, payroll taxes, and similar items of expense. It does not include the pay and expenses of employees which are distributed to construction through clearing accounts nor the pay and expenses included in other items hereunder.

(3) *Materials and supplies* includes the purchase price at the point of free delivery plus customs duties, excise taxes, the cost of inspection, loading and transportation, the related stores expenses, and the cost of fabricated materials from the utility's shop. In determining the cost of materials and supplies used for construction, proper allowance shall be made for unused materials and supplies, for materials recovered from temporary structures used in performing the work involved, and for discounts allowed and realized in the purchase of materials and supplies.

NOTE: The cost of individual items of equipment of small value (for example, $500 or less) or of short life, including small portable tools and implements, shall not be charged to utility plant accounts unless the correctness of the accounting therefor is verified by current inventories. The cost shall be charged to the appropriate operating expense or clearing accounts, according to the use of such items, or, if such items are consumed directly in construction work, the cost shall be included as part of the cost of the construction.

(4) *Transportation* includes the cost of transporting employees, materials and supplies, tools, purchased equipment, and other work equipment (when not under own power) to and from points of construction. It includes amounts paid to others as well as the cost of operating the utility's own transportation equipment. (See Item in paragraph (c)(5) of this section.)

(5) *Special machine service* includes the cost of labor (optional), materials and supplies, depreciation, and other expenses incurred in the maintenance, operation and use of special machines, such as steam shovels, pile drivers, derricks, ditchers, scrapers, material unloaders, and other labor saving machines; also expenditures for rental, maintenance and operation of machines of others. It does not include the cost of small tools and other individual items of small value or short life which are included in the cost of materials and supplies. (See Item in paragraph (c)(3) of this section.) When a particular construction job requires the use for an extended period of time of special machines, transportation or other equipment, the net book cost thereof, less the appraised or salvage value at time of release from the job, shall be include in the cost of construction.

(6) *Shop service* includes the proportion of the expense of the utility's shop department assignable to construction work except that the cost of fabricated materials from the utility's shop shall be included in ''materials and supplies.''

(7) *Protection* includes the cost of protecting the utility's property from fire or other casualties and the cost of preventing damages to others, or to the property of others, including payments for discovery or extinguishment of fires, cost of apprehending and prosecuting incendiaries, witness fees in relation thereto, amounts paid to municipalities and others for fire protection, and other analogous items of expenditures in connection with construction work.

(8) *Injuries and damages* includes expenditures or losses in connection with construction work on account of injuries to persons and damages to the property of others; also the cost of investigation of and defense against actions for such injuries and damages. Insurance recovered or recoverable on account of compensation paid for injuries to persons incident to construction shall be credited to the account or accounts to which such compensation is charged. Insurance recovered or recoverable on account of property damages incident to construction shall be credited to the account or accounts charged with the cost of the damages.

(9) *Privileges and permits* includes payments for and expenses incurred in securing temporary privileges, permits or rights in connection with construction work, such as for the use of private or public property, streets, or highways, but it does not include rents, or amounts chargeable as franchises and consents for which see Account 302, Franchises and Consents.

(10) *Rents* includes amounts paid for the use of construction quarters and office space occupied by construction forces and amounts properly includible in construction costs for such facilities jointly used.

(11) *Engineers and supervision* includes the portion of the pay and expenses of engineers, surveyors, draftsmen, inspectors, superintendents and their assistants applicable to construction work.

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

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

(14) *Insurance* includes premiums paid or amounts provided or reserved as self-insurance for the protection against loss and damages in connection with construction, by fire or other casualty, injuries or deaths of persons other than employees, damages to property of others, defalcation of employees and agents, and the nonperformance of contractual obligations of others. It does not include workmen's compensation or similar insurance on employees included as ''labor'' in Item in paragraph (c)(2) of this section.

(15) *Law expenditures* includes the general law expenditures incurred in connection with construction and the court and legal costs directly related thereto, other than law expenses included in ''Protection,'' Item in paragraph (c)(7) of this section, and in Injuries and damages, Item in paragraph (c)(8) of this section.

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

(17) *Allowance for funds used during construction* includes the net cost for the period of construction of borrowed funds used for construction purposes and a reasonable rate on other funds when so used, not to exceed, without prior approval of RUS, allowances computed in accordance with the formula prescribed in Item in paragraph (c)(17)(i) of this section. No allowance for funds used during construction charges shall be included in these accounts upon expenditures for construction projects which have been abandoned.

(i) The formula and elements for the computation of the allowance for funds used during construction shall be:

$$A_i = s\left(\frac{S}{W}\right) + d\left(\frac{D}{D+P+C}\right)\left(1-\frac{S}{W}\right)$$

$$A_c = \left[1-\frac{S}{W}\right]\left[P\left(\frac{P}{D+P+C}\right) + c\left(\frac{C}{D+P+C}\right)\right]$$

Where:

A_i = Gross allowance for borrowed funds used during construction rate.

A_c = Allowance for other funds used during construction rate.

S = Average short-term debt.

s = Short-term debt interest rate.

D = Long-term debt.

d = Long-term debt interest rate.

P = Preferred stock.

p = Preferred stock cost rate.

C = Patronage capital assigned.

c = Entity's incremental borrowing rate.

W = Average balance in construction work in progress plus nuclear fuel in process of refinement, conversion, enrichment, and fabrication.

(ii) The rate shall be determined annually.

(A) The balance for long-term debt, preferred stock, and patronage capital assigned shall be the actual book balances as of the end of the prior year.

(B) The cost rate for long-term debt and preferred stock shall be the weighted average cost.

(C) The cost rate for patronage capital assigned shall be the entity's incremental borrowing rate.

(D) The short-term debt balances and related cost and the average balance for construction work in progress plus nuclear fuel in process of refinement, conversion, enrichment, and fabrication shall be estimated for the current year with appropriate adjustments as actual data becomes available.

NOTE: When only a portion of a plant or project is placed in operation or is completed and ready for service but the construction work as a whole is incomplete, that part of the cost of the property placed in operation or ready for service shall be treated as ''Electric Plant in Service,'' and an allowance for funds used during construction thereon as a charge to construction shall cease. Allowance for funds used during construction on that part of the cost of the plant which is incomplete may continue to be charged to construction until such time as it is placed in operation or is ready for service, except as limited in Item in paragraph (c)(17) of this section.

(18) *Earnings and expenses during construction.* The earnings and expenses during construction shall constitute a component of construction costs.

(i) The earnings shall include revenues received or earned for power produced by generating plants during the construction period and sold or used by the utility.

(A) Where such power is sold to an independent purchaser before intermingling with power generated by other plants, the credit shall consist of the selling price of the energy.

(B) Where the power generated by a plant under construction is delivered to the utility's electric system for distribution and sale, or is delivered to an associated company, or is delivered to and used by the utility for purposes other than distribution and sale (for manufacturing or industrial use, for example), the credit shall be the fair value of the energy so delivered.

(C) Revenue shall also include rentals for lands, buildings, and other property, and miscellaneous receipts not properly includible in other accounts.

(ii) Expenses shall consist of the cost of operating the power plant, and other costs incident to the production and delivery of the power for which construction is credited under paragraph (c)(18)(i) of this section, including the cost of repairs and other expenses of operating and maintaining lands, buildings, and other property, and other miscellaneous and like expenses not properly includible in other accounts.

(19) *Training costs.* (i) When it is necessary that employees be trained to operate or maintain plant facilities that are being constructed and such facilities are not conventional in nature, or are new to the company's operations,

these costs may be capitalized as a component of construction cost.

(ii) Once plant is placed in service, the capitalization of training costs shall cease and subsequent training costs shall be expensed. (See § 1767.17 (d).)

(20) *Studies.* (i) Studies include the costs of studies such as nuclear operational, safety, or seismic studies, or environmental studies mandated by regulatory bodies relative to plant under construction.

(ii) Studies relative to facilities in service shall be charged to Account 183, Preliminary Survey and Investigation Charges.

(d) *Overhead construction costs.* (1) All overhead construction costs, such as engineering, supervision, general office salaries and expenses, construction engineering and supervision performed by others than the accounting utility, law expenses, insurance, injuries and damages, relief and pensions, taxes and interest, shall be charged to particular jobs or units on the basis of the amounts of such overheads reasonably applicable thereto, to the end that each job or unit shall bear its equitable proportion of such costs and that the entire cost of the unit, both direct and overhead, shall be deducted from the plant accounts as the time the property is retired.

(2) As far as practicable, the determination of payroll charges includible in construction overheads shall be based on time card distributions thereof.

(i) Where this procedure is impractical, special studies shall be made periodically of the time of supervisory employees devoted to construction activities to the end that only such overhead costs as have a definite relation to construction shall be capitalized.

(ii) The addition to direct construction cost of arbitrary percentages or amounts to cover assumed overhead costs is not permitted.

(3) The records supporting the entries for overhead constructions costs shall be so kept as to show:

(i) The total amount of each overhead for each year;

(ii) The nature and amount of each overhead expenditure charged to each construction work order and to each electric plant account; and

(iii) The bases of distribution of such costs.

(e) *Electric plant purchased or sold.* (1) When electric plant constituting an operating unit or system is acquired by purchase, merger, consolidation, liquidation, or otherwise, after the effective date of this system of accounts, the costs of acquisition, including expenses incidental thereto properly includible in electric plant, shall be charged to Account 102, Electric Plant Purchased or Sold.

(2) The accounting for the acquisition shall then be completed as follows:

(i) The original cost of plant, estimated if not known, shall be credited to Account 102, Electric Plant Purchased or Sold, and concurrently charged to the appropriate electric plant in service accounts and to Account 104, Electric Plant Leased to Others; Account 105, Electric Plant Held for Future Use; and Account 107, Construction Work in Progress—Electric, as appropriate.

(ii) The depreciation and amortization applicable to the original cost of the properties purchased shall be charged to Account 102, Electric Plant Purchased or Sold, and concurrently credited to the appropriate account for accumulated provision for depreciation or amortization.

(iii) The cost to the utility of any property includible in Account 121, Nonutility Property, shall be transferred thereto.

(iv) The amount remaining in Account 102, Electric Plant Purchased or Sold, shall then be closed to Account 114, Electric Plant Acquisition Adjustments.

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

(4) When any property acquired as an operating unit or system includes duplicate or other plant which will be retired by the accounting utility in the

reconstruction of the acquired property or its consolidation with previously owned property, the proposed accounting for such property shall be presented to RUS.

(5) In connection with the acquisition of electric plant constituting an operating unit or system, the utility shall procure, if possible, all existing records relating to the property acquired or certified copies thereof, and shall preserve such records in conformity with regulations or practices governing the preservation of records of its own construction.

(6) When electric plant constituting an operating unit or system is sold, conveyed, or transferred to another by sale, merger, consolidation, or otherwise, the book cost of the property sold or transferred to another shall be credited to the appropriate utility plant accounts, including amounts carried in Account 114, Electric Plant Acquisition Adjustments, and 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, shall be charged to such accounts and contra entries made to Account 102, Electric Plant Purchased or Sold. Unless otherwise ordered by RUS, the difference, if any, between:

(i) The net amount of debits and credits, and

(ii) The consideration received for the property (less commissions and other expenses of making the sale) shall be included in Account 421.1, Gain on Disposition of Property, or Account 421.2, Loss on Disposition of Property. (See Account 102, Electric Plant Purchased or Sold.)

NOTE: 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 RUS, may be combined. In the event original cost has not been determined, the resulting utility shall proceed to determine such cost as outlined herein.

(f) *Expenditures on leased property*. (1) The cost of substantial initial improvements (including repairs, rearrangements, additions, and betterments) made in the course of preparing for utility service property leased for a period of more than one year, and the cost of subsequent substantial additions, replacements, or betterments to such property, shall be charged to the electric plant account appropriate for the class of property leased.

(i) If the service life of the improvements is terminable by action of the lease, the cost, less net salvage, of the improvements shall be spread over the life of the lease by charges to Account 404, Amortization of Limited-Term Electric Plant.

(ii) If the service life is not terminated by action of the lease but by depreciation proper, the cost of the improvements, less net salvage, shall be accounted for as depreciable plant. The provisions of (1) are applicable to property leased under either capital leases or operating leases.

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

(g) *Land and land rights.* (1) The accounts for land and land rights shall include the cost of land owned in fee by the utility and rights, interests, and privileges held by the utility in land owned by others, such as leaseholds, easements, water and water power rights, diversion rights, submersion rights, rights-of-way, and other like interests in land.

(i) Do not include in the accounts for land and land rights and rights-of-way costs incurred in connection with first clearing and grading of land and rights-of-way and the damage costs associated with the construction and installation of plant.

(ii) Such costs shall be included in the appropriate plant accounts directly benefited.

(2) 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.

(i) Interest on unpaid balances shall be charged to the appropriate interest account.

(ii) 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.

(3) The net profit from the sale of timber, cord wood, sand, gravel, other resources or other property acquired with the rights-of-way or other lands shall be credited to the appropriate plant accounts to which related. Where land is held for a considerable period of time and timber and other natural resources on the land at the time of purchase increase in value, the net profit (after giving effect to the cost of the natural resources) from the sale of timber or its products or other natural resources shall be credited to the appropriate utility operating income account when such land has been recorded in Account 105, Electric Plant Held for Future Use, or classified as plant in service, otherwise to Account 421, Miscellaneous Nonoperating Income.

(4) Separate entries shall be made for the acquisition, transfer, or retirement of each parcel of land, and each land right (except rights-of-way for distribution lines), or water right, having a life of more than one year.

(i) A record shall be maintained showing the nature of ownership, full legal description, area, map reference, purpose for which used, city, county, and tax district on which situated, from whom purchased or to whom sold, payment given or received, other costs, contract date and number, date of recording of deed, and book and page of record.

(ii) Entries transferring or retiring land or land rights shall refer to the original entry recording its acquisition.

(5) Any difference between the amount received from the sale of land or land rights, less agents' commissions and other costs incident to the sale, and the book cost of such land or rights, shall be included in Account 411.6, Gains from Disposition of Utility Plant, or 411.7, Losses from Disposition of Utility Plant, when such property has been recorded in Account 105, Electric Plant Held for Future Use, otherwise to Account 421.1, Gain on Disposition of Property, or 421.2, Loss on Disposition of Property, as appropriate, unless a reserve therefor has been authorized and provided. Appropriate adjustments of the accounts shall be made with respect to any structures or improvements located on land sold.

(6) 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 a 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 land is recorded.

(7) When the purchase of land for electric 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 105, Electric Plant Held for Future Use, or Account 121, Nonutility Property, as appropriate.

(8) Provisions shall be made for amortizing amounts carried in the accounts for limited-term interest in land so as to apportion equitably the cost of each interest over the life thereof. (See Account 111, Accumulated Provision for Amortization of Electric Utility Plant, and Account 404, Amortization of Limited-Term Electric Plant.)

(9) The items of cost to be included in the accounts for land and land rights are as follows:

(i) Bulkheads, buried, not requiring maintenance or replacement;

(ii) First cost of acquisition including mortgages and other liens assumed (but not subsequent interest thereon);

(iii) Condemnation proceedings, including court and counsel costs;

(iv) Consents and abutting damages;

(v) Conveyancers' and notaries' fees;

(vi) Fees, commissions, and salaries to brokers, agents, and other in connection with the acquisition of the land or land rights;

(vii) Leases, cost of voiding upon purchase to secure possession of land;

(viii) Removing, relocating, or reconstructing property of others, such as buildings, highways, railroads, bridges, cemeteries, churches, telephone and power lines, etc., in order to acquire quiet possession;

(ix) Retaining walls unless identified with structures;

(x) Special assessments levied by public authorities for public improvements on the basis of benefits for new roads, new bridges, new sewers, new curbing, new pavements, and other public improvements, but not taxes levied to provide for the maintenance of such improvements;

(xi) Surveys in connection with the acquisition, but not amounts paid for topographical surveys and maps where such costs are attributable to structures or plant equipment erected or to be erected or installed on such land;

(xii) Taxes assumed, accrued to date of transfer of title;

(xiii) Title, examining, clearing, insuring, and registering in connection with the acquisition and defending against claims relating to the period prior to the acquisition;

(xiv) Appraisals prior to closing title;

(xv) Cost of dealing with distributees or legatees residing outside of the state or county, such as recording power of attorney, recording will or exemplification of will, recording satisfaction of state tax;

(xvi) Filing satisfaction of mortgage;

(xvii) Documentary stamps;

(xviii) Photographs of property at acquisition;

(xix) Fees and expenses incurred in the acquisition of water rights and grants;

(xx) Cost of fill to extend bulkhead line over land under water, where riparian rights are held, which is not occasioned by the erection of a structure;

(xxi) Sidewalks and curbs constructed by the utility on public property; and

(xxii) Labor and expenses in connection with securing rights of way, where performed by company employees and company agents.

(h) *Structures and improvements.* (1) The accounts for structures and improvements shall include the cost of all buildings and facilities to house, support, or safeguard property or persons, including all fixtures permanently attached to and made a part of buildings and which cannot be removed therefrom without cutting into the walls, ceilings, or floors, or without in some way impairing the buildings, and improvements of a permanent character on or to land.

(2) Also include those costs incurred in connection with the first clearing and grading of land and rights-of-way and the damage costs associated with construction and installation of plant.

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

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

(5) 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.

(6) Where the structure of a dam forms also the foundation of the power plant building, such foundation shall be considered a part of the dam.

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

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

(9) The items of cost to be included in the accounts for structures and improvements are as follows:

(i) Architects' plans and specifications including supervision;

(ii) Ash pits (when located within the building);

(iii) Athletic field structures and improvements;.

(iv) Boilers, furnaces, piping, wiring, fixtures, and machinery for heating, lighting, signaling, ventilating, and air conditioning systems, plumbing, vacuum cleaning systems, incinerator and smoke pipe, flues, etc;

(v) Bulkheads, including dredging, riprap fill, piling, decking, concrete, fenders, etc., when exposed and subject to maintenance and replacement;

(vi) Chimneys;

(vii) Coal bins and bunkers;

(viii) Commissions and fees to brokers, agents, architects and others;

(ix) Conduit (not to be removed) with its contents;

(x) Damages to abutting property during construction;

(xi) Docks;

(xii) Door checks and door stops;

(xiii) Drainage and sewerage systems;

(xiv) Elevators, cranes, hoists, etc., and the machinery for operating them;

(xv) Excavation, including shoring, bracing, bridging, refill and disposal of excess excavated material, cofferdams around foundation, pumping water from cofferdams during construction and test borings;

(xvi) Fences and fence curbs (not including protective fences isolating items of equipment, which shall be charged to the appropriate equipment accounts);

(xvii) Fire protection systems when forming a part of a structure;

(xviii) Flagpole;

(xix) Floor covering (permanently attached);

(xx) Foundations and piers for machinery, constructed as a permanent part of a building or other item listed herein;

(xxi) Grading and clearing when directly occasioned by the building of a structure;

(xxii) Intrasite communication system, poles, pole fixtures, wires, and cable;

(xxiii) Landscaping, lawns, shrubbery, etc.;

(xxiv) Leases, voiding upon purchase to secure possession of structures;

(xxv) Leased property, expenditures on;

(xxvi) Lighting fixtures and outside lighting system;

(xxvii) Mailchutes when part of a building;

(xxviii) Marquee, permanently attached to the building;

(xxix) Painting, first cost;

(xxx) Permanent paving, concrete, brick, flagstone, asphalt, etc., within the property lines;

(xxxi) Partitions, including movable;

(xxxii) Permits and privileges;

(xxxiii) Platforms, railings and gratings when constructed as a part of a structure;

(xxxiv) Power boards for services to a building;

(xxxv) Refrigerating systems for general use;

(xxxvi) Retaining walls except when identified with land;

(xxxvii) Roadways, railroads, bridges, and trestles intrasite except railroads provided for in equipment accounts;

(xxxviii) Roofs;

(xxxix) Scales, connected to and forming a part of a structure;

(xl) Screens;

(xli) Sewer systems, for general use;

(xlii) Sidewalks, culverts, curbs and streets constructed by the utility on its property;

(xliii) Sprinkling systems;

(xliv) Sump pumps and pits;

(xlv) Stacks—brick, steel, or concrete, when set on foundation forming part of general foundation and steelwork of a building;

(xlvi) Steel inspection during construction;

(xlvii) Storage facilities constituting a part of a building;

(xlviii) Storm doors and windows;

(xlix) Subways, areaways, and tunnels, directly connected to and forming part of a structure;

(l) Tanks, constructed as part of a building or as a distinct structural unit;

(li) Temporary heating during construction (net cost);

(lii) Temporary water connection during construction (net cost);

(liii) Temporary shanties and other facilities used during construction (net cost);

(liv) Topographical maps;

(lv) Tunnels, intake and discharge, when constructed as part of a structure, including sluice gates, and those constructed to house mains;

(lvi) Vaults constructed as part of a building;

(lvii) Watchmen's sheds and clock systems (net cost when used during construction only);

(lviii) Water basins or reservoirs;

(lix) Water front improvements;

(lx) Water meters and supply system for a building or for general company purposes;

(lxi) Water supply piping, hydrants, and wells;

(lxii) Wharves;

(lxiii) Window shades and ventilators;

(lxiv) Yard drainage system;

(lxv) Yard lighting system; and

(lxvi) Yard surfacing, gravel, concrete, or oil (First cost only).

NOTE: Structures and improvements accounts shall be credited with the cost of coal bunkers, stacks, foundations, subways, and tunnels, the use of which has terminated with the removal of the equipment with which they are associated even though they have not been physically removed.

(i) *Equipment.* (1) The cost of equipment chargeable to the electric 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.

(2) Also include those costs incurred in connection with the first clearing and grading of land and rights-of-way and the damage costs associated with construction and installation of plant.

(3) Exclude from equipment accounts hand and other portable tools, which are likely to be lost or stolen or which have relatively small value (for example, $500 or less) or short life, unless the correctness of the accounting therefor as electric plant is verified by current inventories.

(i) Special tools acquired and included in the purchase price of equipment shall be included in the appropriate plant accounts.

(ii) Portable drills and similar tool equipment when used in connection with the operation and maintenance of a particular plan or department, such as production, transmission, or distribution or in ''stores'', shall be charged to the plant accounts appropriate for their use.

(4) 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.

(5) The equipment accounts shall include the necessary costs of testing or running a plant or parts thereof during an experimental or test period prior to such plant becoming ready for or placed in service.

(i) The utility shall furnish RUS with full particulars of and justification for

any test or experimental run extending beyond a period of 120 days for nuclear plant, and a period of 90 days for all other plant.

(ii) Such particulars shall include a detailed operational and downtime log showing days of production, gross kilowatts generated by hourly increments, types, and periods of outages by hours with explanation thereof, beginning with the first date the equipment was either tested or synchronized on the line to the end of the test period.

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

(j) *Additions and retirements of electric plant.* (1) For the purpose of avoiding undue refinement in accounting for additions to and retirements and replacements of electric plant, all property shall be considered as consisting of retirement units and minor items of property.

(2) The addition and retirement of retirement units shall be accounted for as follows:

(i) When a retirement unit is added to electric plant, the cost thereof shall be added to the appropriate electric plant account, except that when units are acquired in the acquisition of any electric plant constituting an operating system, they shall be accounted for as provided in paragraph (e) of this section.

(ii) When a retirement unit is retired from electric plant, with or without replacement, the book cost thereof shall be credited to the electric plant account in which it is included, determined in the manner set forth in Item in paragraph (j)(4) of this section. If the retirement unit is of a depreciable class, the book cost of the unit retired and credited to electric plant shall be charged to the accumulated provision for depreciation applicable to such property. The cost of removal and the salvage shall be charged or credited, as appropriate, to such depreciation account.

(3) The addition and retirement of minor items of property shall be accounted for as follows:

(i) When a minor item of property which did not previously exist is added to plant, the cost thereof shall be accounted for in the same manner as for the addition of a retirement unit, as set forth in Item in paragraph (j)(2)(i) of this section, if a substantial addition results, otherwise the charge shall be to the appropriate maintenance expense account.

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

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

(4) The book cost of electric plant retired shall be the amount at which such property is included in the electric 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.

(5) The book cost of land retired shall be credited to the appropriate land accounts. If the land is sold, the difference between the book cost (less any accumulated provision for depreciation or amortization therefore which has been authorized and provided) and the sale price of the land (less commissions and other expenses of making the sale) shall be recorded in Account 411.6, Gains from Disposition of Utility Plant, or Account 411.7, Losses from Disposition of Utility Plant, when the property has been recorded in Account 105, Electric Plant Held for Future Use, otherwise to Accounts 421.1, Gain on Disposition of Property, or 421.2, Loss on Disposition of Property, as appropriate. If the land is not used in utility service but is retained by the utility, the book cost shall be charged to Account 105, Electric Plant Held for Future Use, or Account 121, Nonutility Property, as appropriate.

(6) The book cost less net salvage of depreciable electric plant retired shall be charged in its entirety to Account 108, Accumulated Provision for Depreciation of Electric Utility Plant in Service. Any amounts which, by approval or order of RUS, are charged to Account 182.1, Extraordinary Property Losses, shall be credited to Account 108.

(7) The accounting for the retirement of amounts included in Account 302, Franchises and Consents, and Account 303, Miscellaneous Intangible Plant, and the items of limited-term interest in land included in the accounts for land and land rights, shall be as provided for in the text of Account 111, Accumulated Provision for Amortization of Electric Utility Plant in Service; Account 404, Amortization of Limited-Term Electric Plant; and Account 405, Amortization of Other Electric Plant.

(k) *Work order and property record system required.* (1) Each utility shall record all construction and retirements of electric plant by means of work orders or job orders. Separate work orders may be opened for additions to and retirements of electric plant or the retirements may be included with the construction work order, provided, however, that all items relating to the retirements shall be kept separate from those relating to construction and provided, further, that any maintenance costs involved in the work shall likewise be segregated.

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

(3) Each utility shall maintain records in which, for each plant account, the amounts of the annual additions and retirements are classified so as to show the number and cost of the various record units or retirement units.

(l) *Transfers of property.* When property is transferred from one electric plant account to another, from one utility department to another, such as from electric to gas, from one operating division or area to another, to or from Account 101, Electric Plant in Service; Account 104, Electric Plant Leased to Others; Account 105, Electric Plant Held for Future Use, and Account 121, Nonutility Property, the transfer shall be recorded by transferring the original cost thereof from the one account, department, or location to the other. Any related amounts carried in the accounts for accumulated provision for depreciation or amortization shall be transferred in accordance with the segregation of such accounts.

(m) *Common utility plant.* (1) If the utility is engaged in more than one utility service, such as electric, gas, and water, and any of its utility plant is used in common for several utility services or for other purposes to such an extent and in such manner that it is impracticable to segregate it by utility services currently in the accounts, such property, with the approval of RUS, may be designated and classified as ''common utility plant.''

(2) The book amount of utility plant designated as common plant shall be

included in Account 118, Other Utility Plant, and if applicable in part to the electric department, shall be segregated and accounted for in subaccounts as electric plant is accounted for in Accounts 101 to 107, inclusive, and electric plant adjustments in Account 116, Other Electric Plant Adjustments; any amounts classifiable as common plant acquisition adjustments or common plant adjustments shall be subject to disposition as provided in Paragraphs C and B of Accounts 114 and 116, respectively, for amounts classified in those accounts. The original cost of common utility plant in service shall be classified according to the detailed utility plant accounts appropriate for the property.

(3) The utility shall be prepared to show, at any time, and to report to RUS annually, or more frequently, if required, and by utility plant accounts (301 to 399) the book cost of common utility plant, the allocation of such cost to the respective departments using the common utility plant, and the basis of the allocation.

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

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

(n) *Transmission and distribution plant.* For the purpose of this system of accounts:

(1) *Transmission system* is all land, conversion structures, and equipment employed at a primary source of supply (i.e. generating station, or point of receipt in the case of purchased power) to change the voltage or frequency of electricity for the purpose of its more efficient or convenient transmission; all land, structures, lines, switching and conversion stations, high tension apparatus, and their control and protective equipment between a generating or receiving point and the entrance to a distribution center or wholesale point; and all lines and equipment whose primary purpose is to augment, integrate or tie together the sources of power supply.

(2) *Distribution system* is all land, structures, conversion equipment, lines, line transformers, and other facilities employed between the primary source of supply (i.e. generating station, or point of receipt in the case of purchased power) and of delivery to customers, which are not includible in transmission system, as defined in Item in paragraph (n)(1) of this section, whether or not such land, structures, and facilities are operated as part of a transmission system or as part of a distribution system.

NOTE: Stations which change electricity from transmission to distribution voltage shall be classified as distribution stations.

(3) Where poles or towers support both transmission and distribution conductors, the poles, towers, anchors, guys, and rights-of-way shall be classified as transmission system. The conductors, cross-arms, braces, grounds, tiewire, and insulators shall be classified as transmission or distribution facilities, according to the purpose for which used.

(4) Where underground conduit contains both transmission and distribution conductors, the underground conduit and right-of-way shall be classified as distribution system. The conductors shall be classified as transmission or distribution facilities according to the purpose for which used.

(5) Land (other than rights-of-way) and structures used jointly for transmission and distribution purposes shall be classified as transmission or distribution according to the major use thereof.

(o) *Hydraulic production plant.* For purpose of this system of accounts hydraulic production plant is all land and land rights, structures and improvements used in connection with hydraulic power generation, reservoirs, dams and waterways, water wheels, turbines, generators, accessory electric equipment, roads, railroads, and bridges and structures and improvements used in connection with fish and wildlife, and recreation.

(p) *Nuclear fuel records required.* Each utility shall keep all the necessary records to support the entries to the various nuclear fuel plant accounts classified under ''Assets and Other Debits,'' Utility Plant Accounts 120.1 through 120.5, inclusive; Account 518, Nuclear Fuel Expense; and Account 157, Nuclear Materials Held for Sale. These records shall be so kept as to readily furnish the basis of the computation of the net nuclear fuel costs.

§ 1767.17 Operating expense instructions.

(a) *Supervision and engineering.* The supervision and engineering includible in the operating expense accounts shall consist of the salary, employee pensions and benefits, social security and other payroll taxes, injuries and damages, and other expenses of superintendents, engineers, clerks, other employees, and consultants engaged in supervising and directing the operation and maintenance of each utility function. Whenever allocations are necessary in order to arrive at the amount to be included in any account, the method and basis of allocation shall be reflected by underlying records.

(1) Labor items:

(i) Special tests to determine efficiency of equipment operation;

(ii) Preparing or reviewing budgets, estimates, and drawings relating to operation or maintenance for departmental approval;

(iii) Preparing instructions for operations and maintenance activities;

(iv) Reviewing and analyzing operating results;

(v) Establishing organizational setup of departments and executing changes therein;

(vi) Formulating and reviewing routines of departments and executing changes therein;

(vii) General training and instruction of employees by supervisors whose pay is chargeable hereto. Specific instructions and training in a particular type of work is chargeable to the appropriate functional account (See paragraph (c)(19) of this section); and

(viii) Secretarial work for supervisory personnel, but not general clerical and stenographic work chargeable to other accounts.

(2) Expense items:

(i) Employee pensions and benefits;

(ii) Social security and other payroll taxes;

(iii) Injuries and damages;

(iv) Consultants' fees and expenses; and

(v) Meals, traveling, and incidental expenses.

(b) *Maintenance.* (1) The cost of maintenance chargeable to the various operating expense and clearing accounts includes labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, materials, overheads, and other expenses incurred in maintenance work. A list of work operations applicable generally to utility plant is included in this paragraph (b). Other work operations applicable to specific classes of plant are listed in functional maintenance expense accounts.

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

(3) If the book cost of any property is carried in Account 102, Electric Plant Purchased or Sold, the cost of maintaining such property shall be charged to the accounts for maintenance of property of the same class and use, the book cost of which is carried in other electric plant in service accounts. Maintenance of property leased from others shall be treated as provided in paragraph (c) of this section.

(4) Items:

(i) Direct field supervision of maintenance;

(ii) Inspecting, testing, and reporting on condition of plant specifically to determine the need for repairs, replacements, rearrangements, and changes and inspecting and testing the adequacy of repairs which have been made;

(iii) Work performed specifically for the purpose of preventing failure, restoring serviceability or maintaining life of plant;

(iv) Rearranging and changing the location of plant not retired;

(v) Repairing for reuse materials recovered from plant;

(vi) Testing for, locating, and clearing trouble;

(vii) Net cost of installing, maintaining, and removing temporary facilities to prevent interruptions in service; and

(viii) Replacing or adding minor items of plant which do not constitute a retirement unit.

(c) *Rents.* (1) The rent expense accounts provided under the several functional groups of expense accounts shall include all rents, including taxes paid by the lessee on leased property, for property used in utility operations, except minor amounts paid for occasional or infrequent use of any property or equipment and all amounts paid for use of equipment that, if owned, would be includible in plant Accounts 391 to 398 inclusive, which shall be treated as an expense item and included in the appropriate function account and rents which are chargeable to clearing accounts, and distributed therefrom to the appropriate account.

(2) If rents cover property used for more than one function such as production and transmission, or by more than one department, the rents shall be apportioned to the appropriate rent expense or clearing accounts of each department on an actual, or if necessary, an estimated basis.

(3) When a portion of property or equipment rented from others for use in connection with utility operations is subleased, the revenue derived from such subleasing shall be credited to the rent revenue account in operating revenues; provided, however, that in case the rent was charged to a clearing account, amounts received from subleasing the property shall be credited to such clearing account.

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

(5) The cost incurred by the lessee of additions and replacements to electric plant leased from others shall be account for as provided in §1767.16 (f).

(d) *Training costs.* (1) When it is necessary that employees be trained to specifically operate or maintain plant facilities that are being constructed, the related costs shall be accounted for as a current operating and maintenance expense.

(2) These expenses shall be charged to the appropriate functional accounts currently as they are incurred.

(3) When the training costs involved relate to facilities which are not conventional in nature, or are new to the company's operations, see §1767.16 (c)(19), for the accounting.

[58 FR 59825, Nov. 10, 1993, as amended at 62 FR 42290, Aug. 6, 1997]

§1767.18 Assets and other debits.

The asset and other debits accounts identified in this section shall be used by all RUS borrowers.

ASSETS AND OTHER DEBITS

Utility Plant

101 Electric Plant in Service
101.1 Property Under Capital Leases
102 Electric Plant Purchased or Sold
103 Experimental Electric Plant Unclassified
104 Electric Plant Leased to Others
105 Electric Plant Held for Future Use
106 Completed Construction not Classified—Electric
107 Construction Work in Progress—Electric
107.1 Construction Work in Progress—Contract
107.2 Construction Work in Progress—Force Account
107.3 Construction Work in Progress—Special Equipment
108 Accumulated Provision for Depreciation of Electric Utility Plant
108.1 Accumulated Provision for Depreciation of Steam Production Plant
108.2 Accumulated Provision for Depreciation of Nuclear Production Plant
108.3 Accumulated Provision for Depreciation of Hydraulic Production Plant
108.4 Accumulated Provision for Depreciation of Other Production Plant
108.5 Accumulated Provision for Depreciation of Transmission Plant
108.6 Accumulated Provision for Depreciation of Distribution Plant
108.7 Accumulated Provision for Depreciation of General Plant
108.8 Retirement Work in Progress
109 [Reserved]
110 [Reserved]
111 Accumulated Provision for Amortization of Electric Utility Plant
112 [Reserved]
113 [Reserved]
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115 Accumulated Provision for Amortization of Electric Plant Acquisition Adjustments
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ASSETS AND OTHER DEBITS

Utility Plant

101 Electric Plant in Service

A. This account shall include the original cost of electric plant, included in Accounts 301 to 399, prescribed herein, owned and used

by the utility in its electric utility operations, 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.

B. (See also Account 106 for unclassified construction costs of completed plant actually in service.)

C. The cost of additions to and betterments of property leased from others, which are includible in this account, shall be recorded in subdivisions separate and distinct from those relating to owned property. (See §1767.16 (f).)

101.1 Property Under Capital Leases

A. This account shall include the amount recorded under capital leases for plant leased from others and used by the utility in its utility operations.

B. The electric property included in this account shall be classified separately according to the detailed accounts (301 to 399) prescribed for electric plant in service.

C. Records shall be maintained with respect to each capital lease reflection: (1) name of lessor, (2) basic details of lease, (3) terminal date, (4) original cost or fair market value of property leased, (5) future minimum lease payments, (6) executory costs, (7) present value of minimum lease payments, (8) the amount representing interest and the interest rate used, and (9) expenses paid.

102 Electric Plant Purchased or Sold

A. This account shall be charged with the cost of electric plant acquired as an operating unit or system by purchase, merger, consolidation liquidation, or otherwise, and shall be credited with the selling price of like property transferred to others pending the distribution to appropriate accounts in accordance with §1767.16 (e).

B. Within 6 months from the date of acquisition or sale of property recorded herein, the borrower shall file with RUS the proposed journal entries to clear from this account the amounts recorded herein.

103 Experimental Electric Plant Unclassified

A. This account shall include the cost of electric plant which was constructed as a research, development, and demonstration plant under the provisions of Paragraph C, Account 107, Construction Work in Progress—Electric, and due to the nature of the plant, it is desirous to operate it for a period of time in an experimental status.

B. Amounts in this account shall be transferred to Account 101, Electric Plant in Service, or Account 121, Nonutility Property, as appropriate when the project is no longer considered as experimental.

C. The depreciation on property in this account shall be charged to Account 403, Depreciation Expense, and credited to Account 108, Accumulated Provision for Depreciation of Electric Utility Plant. The amounts herein shall be depreciated over a period which would correspond to the estimated useful life of the relevant project considering the characteristics involved. However, when projects are transferred to Account 101, Electric Plant in Service, a new depreciation rate based upon the remaining service life and undepreciated amounts, will be established.

D. Records shall be maintained with respect to each unit of experiment so that full details may be obtained as to the cost, depreciation, and the experimental status.

E. Should it be determined that experimental plant recorded in this account will fail to satisfactorily perform its function, the costs thereof shall be accounted for as directed or authorized by RUS.

104 Electric Plant Leased to Others

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

B. The property included in this account shall be classified according to the detailed accounts (301 to 399) prescribed for electric 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.

105 Electric Plant Held for Future Use

A. This account shall include the original cost of electric plant (except land and land rights) owned and held for future use in electric service under a definite plan for such use, to include: (1) Property acquired (except land and land rights) but never used by the utility in electric service, but held for such service in the future under a definite plan, and (2) property (except land and land rights) previously used by the utility in service but retired from such service and held pending its reuse in the future, under a definite plan, in electric service.

B. This account shall also include the original cost of land and land rights owned and held for future use in electric service under a plan for such use, to include land and land rights: (1) Acquired but never used by the utility in electric service, but held for such service in the future under a plan, and (2) previously held by the utility in service, but retired from such service and held pending its reuse in the future under a plan, in electric service. (See §1767.16 (g).)

C. In the event that property recorded in this account shall no longer be needed or appropriate for future utility operations, the borrower shall notify RUS of such condition and request approval of journal entries to remove such property from this account.

D. Gains or losses from the sale of land and land rights or other disposition of such property previously recorded in this account and not placed in utility service shall be recorded directly in Accounts 411.6 or 411.7, as appropriate, except when determined to be significant by RUS. Upon such a determination, the amounts shall be transferred to Account 256, Deferred Gains from Disposition of Utility Plant, or Account 187, Deferred Losses from Disposition of Utility Plant, and amortized to Account 411.6, Gains from Disposition of Utility Plant, or Account 411.7, Losses from Disposition of Utility Plant, as appropriate.

E. The property included in this account shall be classified according to the detail accounts (301 to 399) prescribed for electric plant in service and the account shall be maintained in such detail as though the property were in service.

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

106 Completed Construction not Classified—Electric

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

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

107 Construction Work in Progress—Electric

A. This account shall include the total of the balances of work orders for electric plant in process of construction.

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

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

D. Account 107 shall be subaccounted as follows:

107.1 Construction Work in Progress—Contract

107.2 Construction Work in Progress—Force Account

107.3 Construction Work in Progress—Special Equipment

108 Accumulated Provision for Depreciation of Electric Utility Plant

A. This account shall be credited with the following:

1. Amounts charged to Account 403, Depreciation Expense, or to clearing accounts for current depreciation expense for electric plant in service.

2. Amounts charged to Account 421, Miscellaneous Nonoperating Income, for depreciation expense on property included in Account 105, Electric Plant Held for Future Use. Include, also, the balance of accumulated provision for depreciation on property when transferred to Account 105, Electric Plant Held for Future Use, from other property accounts. Normally, Account 108 will not be used for current depreciation provision because, as provided herein, the service life during which depreciation is computed commences with the date property is includible in electric plant in service; however, if special circumstances indicate the propriety of current accruals for depreciation, such charges shall be made to Account 421, Miscellaneous Nonoperating Income.

3. Amounts charged to Account 413, Expenses of Electric Plant Leased to Others, for electric plant included in Account 104, Electric Plant Leased to Others.

4. Amounts charged to Account 416, Costs and Expenses of Merchandising, Jobbing, and Contract Work, or to clearing accounts for current depreciation expense.

5. Amounts of depreciation applicable to electric properties acquired as operating units or systems. (See § 1767.16 (e).)

6. Amounts charged to Account 182.1, Extraordinary Property Losses, when authorized by RUS.

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

The utility shall maintain separate subaccounts for depreciation applicable to electric plant in service, electric plant leased to others, and electric plant held for future use.)

B. At the time of retirement of depreciable electric 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. When retirement, costs of removal and salvage are entered originally in retirement work orders, the net total of such work orders may be included in a separate subaccount hereunder. Upon completion of the work order, the proper distribution to subdivisions of this account shall be made as provided in the following paragraph.

C. Account 108 shall be subaccounted as follows:

108.1 Accumulated Provision for Depreciation of Steam Production Plant
108.2 Accumulated Provision for Depreciation of Nuclear Production Plant
108.3 Accumulated Provision for Depreciation of Hydraulic Production Plant
108.4 Accumulated Provision for Depreciation of Other Production Plant
108.5 Accumulated Provision for Depreciation of Transmission Plant
108.6 Accumulated Provision for Depreciation of Distribution Plant
108.7 Accumulated Provision for Depreciation of General Plant
108.8 Retirement Work in Progress

These subsidiary records shall reflect the current credits and debits to this account in sufficient detail to show separately for each such functional classification: (1) the amount of accrual for depreciation, (2) the book cost of property retired, (3) cost of removal, (4) salvage, and (5) other items, including recoveries from insurance.

D. When transfers of plant are made from one electric plant account to another, or from or to another utility department, of from or to nonutility property accounts, the accounting for depreciation shall be as provided in § 1767.16 (l).

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

109 [Reserved]

110 [Reserved]

111 Accumulated Provision for Amortization of Electric Utility Plant

A. This account shall be credited with the following:

1. Amounts charged to Account 404, Amortization of Limited-Term Electric Plant, for the current amortization of limited-term electric plant investments.

2. Amounts charged to Account 421, Miscellaneous Nonoperating Income, for amortization expense on property included in Account 105, Electric Plant Held for Future Use. Include also the balance of accumulated provision for amortization on property when transferred to Account 105, Electric Plant Held for Future Use, from other property accounts. See also Paragraph A(2), Account 108, Accumulated Provision for Depreciation of Electric Utility Plant.

3. Amounts charged to Account 405, Amortization of Other Electric Plant.

4. Amounts charged to Account 413, Expenses of Electric Plant Leased to Others, for the current amortization of limited-term or other investments subject to amortization included in Account 104, Electric Plant Leased to Others.

5. Amounts charged to Account 425, Miscellaneous Amortization, for the amortization of intangible or other electric plant which does not have a definite or terminable life and is not subject to charges for depreciation expense, with RUS approval.

(The utility shall maintain subaccounts of this account for the amortization applicable to electric plant in service, electric plant leased to others and electric plant held for future use.)

B. When any property to which this account applies is sold, relinquished, or otherwise retired from service, this account shall be charged with the amount previously credited in respect to such property. The book cost of the property so retired less the amount chargeable to this account and less the net proceeds realized at retirement shall be included in Account 421.1, Gain on Disposition of Property, or Account 421.2, Loss on Disposition of Property, as appropriate.

C. For general ledger and balance sheet purposes, this account shall be regarded and treated as a single composite provision for amortization. For purposes of analysis, however, each utility shall maintain subsidiary records in which this account is segregated according to the following functional classification for electric plant: (1) Steam production, (2) Nuclear production, (3) Hydraulic production, (4) Other production, (5) Transmission, (6) Distribution, and (7) General. These subsidiary records shall reflect the current credits and debits to this account in sufficient detail to show separately for each such functional classification: (1) the amount of accrual for 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 accumulated provision for amortization to the purposes set forth above. It shall not transfer any portion of this account to retained earnings or make any other use thereof without authorization by RUS.

112 [Reserved]

113 [Reserved]

114 Electric Plant Acquisition Adjustments

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

B. With respect to acquisitions after the effective date of this system of accounts, this account shall be subdivided so as to show the amounts included herein for each property acquisition and to electric plant in service, electric plant held for future use, and electric plant leased to others. (See § 1767.16 (e).)

C. Debit amounts recorded in this account related to plant and land acquisition may be amortized to Account 425, Miscellaneous Amortization, over a period not longer than the estimated remaining life of the properties to which such amounts relate. Amounts related to the acquisition of land only may be amortized to Account 425 over a period of not more than 15 years. Should a utility wish to account for debit amounts in this account in any other manner, it shall petition RUS for authority to do so. Credit amounts recorded in this account shall be accounted for as directed by RUS.

115 Accumulated Provision for Amortization of Electric Plant Acquisition Adjustments

This account shall be credited or debited with amounts which are includible in Account 406, Amortization of Electric Plant Acquisition Adjustments, or Account 425, Miscellaneous Amortization, for the purpose of providing for the extinguishment of amounts in Account 114, Electric Plant Acquisition Adjustments, in instances where the amortization of Account 114 is not being made by direct write-off of the account.

116 Other Electric Plant Adjustments

A. This account shall include the difference between the original cost, estimated if not known, and the book cost of electric plant to the extent that such difference is not properly includible in Account 114, Electric Plant Acquisition Adjustments. (See § 1767.16 (a)(3))

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 RUS may approve or direct.

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

118 Other Utility Plant

This account shall include the balances in accounts for utility plant, other than electric plant, such as gas, or railway.

119 Accumulated Provision for Depreciation and Amortization of Other Utility Plant

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

120.1 Nuclear Fuel in Process of Refinement, Conversion, Enrichment, and Fabrication

A. This account shall include the original cost to the utility of nuclear fuel materials while in process of refinement, conversion, enrichment, and fabrication into nuclear fuel assemblies and components, including processing, fabrication, and necessary shipping costs. This account shall also include the salvage value of nuclear materials which are actually being reprocessed for use and were transferred from Account 120.5, Accumulated Provision for Amortization of Nuclear Fuel Assemblies. (See § 1767.10 (a)(27).)

B. This account shall be credited and Account 120.2, Nuclear Fuel Materials and Assemblies—Stock Account, shall be debited for the cost of completed fuel assemblies delivered for use in refueling or to be held as spares. In the case of the initial core loading, the transfer shall be made directly to Account 120.3, Nuclear Fuel Assemblies in Reactor, upon the conclusion of the experimental or test period of the plant prior to its becoming available for service.

Items

1. Cost of natural uranium, uranium ores concentrates or other nuclear fuel sources, such as thorium, plutonium, and U–233.
2. Value of recovered nuclear materials being reprocessed for use.
3. Milling process costs.
4. Sampling and weighing, and assaying costs.
5. Purification and conversion process costs.
6. Costs of enrichment by gaseous diffusion or other methods.
7. Costs of fabrication into fuel forms suitable for insertion in the reactor.
8. All shipping costs of materials and components, including shipping of fabricated fuel assemblies to the reactor site.
9. Use charges on leased nuclear materials while in process of refinement, conversion, enrichment, and fabrication.

120.2 Nuclear Fuel Materials and Assemblies—Stock Account

A. This account shall be debited and Account 120.1, Nuclear Fuel in Process of Refinement, Conversion, Enrichment and Fabrication, shall be credited with the cost of fabricated fuel assemblies delivered for use in refueling or to be carried in stock as spares. It shall also include the original cost of fabricated fuel assemblies purchased in completed form. This account shall also include the original cost of partially irradiated fuel assemblies being held in stock for reinsertion in a reactor which had been transferred from Account 120.3, Nuclear Fuel Assemblies in Reactor.

B. When fuel assemblies included in this account are inserted in a reactor, this account shall be credited and Account 120.3, Nuclear Fuel Assemblies in Reactor, debited for the cost of such assemblies.

C. This account shall also include the cost of nuclear materials and byproduct materials being held for future use and not actually in process in Account 120.1, Nuclear Fuel in Process of Refinement, Conversion, Enrichment and Fabrication.

120.3 Nuclear Fuel Assemblies in Reactor

A. This account shall include the cost of nuclear fuel assemblies when inserted in a reactor for the production of electricity. The amounts included herein shall be transferred from Account 120.2, Nuclear Fuel Materials and Assemblies—Stock Account, except for the initial core loading which will be transferred directly from Account 120.1, Nuclear Fuel in Process of Refinement, Conversion, Enrichment and Fabrication.

B. Upon removal of fuel assemblies from a reactor, the original cost of the assemblies removed shall be transferred to Account 120.4, Spent Nuclear Fuel, or Account 120.2, Nuclear Fuel Materials and Assemblies—Stock Account, as appropriate.

120.4 Spent Nuclear Fuel

A. This account shall include the original cost of nuclear fuel assemblies, in the process of cooling, transferred from Account 120.3, Nuclear Fuel Assemblies in Reactor, upon removal from a reactor pending reprocessing.

B. This account shall be credited and Account 120.5, Accumulated Provision for Amortization of Nuclear Fuel Assemblies, debited for fuel assemblies, after the cooling period is over, at the cost recorded in this account.

120.5 Accumulated Provision for Amortization of Nuclear Fuel Assemblies

A. This account shall be credited and Account 518, Nuclear Fuel Expense, shall be debited for the amortization of the net cost of nuclear fuel assemblies used in the production of energy. The net cost of nuclear fuel assemblies subject to amortization shall be the original cost of nuclear fuel assemblies, plus or less the expected net salvage value of uranium, plutonium, and other by-products.

B. This account shall be credited with the net salvage value of uranium, plutonium, and other nuclear by-products when such items are sold, transferred or otherwise disposed. Account 120.1, Nuclear Fuel in Process of Refinement, Conversion, Enrichment and Fabrication, shall be debited with the net salvage value of nuclear materials to be reprocessed. Account 157, Nuclear Materials Held for Sale, shall be debited for the net salvage value of nuclear materials not to be reprocessed but to be sold or otherwise disposed of and Account 120.2, Nuclear Fuel Materials and Assemblies—Stock Account, will be debited with the net salvage value of nuclear materials that will be held for future use and not actually in process, in Account 120.1, Nuclear Fuel in Process of Refinement, Conversion, Enrichment, and Fabrication.

C. This account shall be debited and Account 120.4, Spent Nuclear Fuel, shall be credited with the cost of fuel assemblies at the end of the cooling period.

120.6 Nuclear Fuel Under Capital Leases

A. This account shall include the amount recorded under capital leases for nuclear fuel leased from others for use by the utility in its utility operations.

B. Records shall be maintained with respect to each capital lease reflecting: (1) name of lessor, (2) basic details of lease, (3) terminal date, (4) original cost or fair market value of nuclear fuel leased, (5) future minimum lease payments, (6) the amount representing interest and the interest rate used, and (7) expenses paid.

Other Property and Investments

121 Nonutility Property

A. This account shall include the book cost of land, structures, equipment, or other tangible or intangible property owned by the utility, but not used in utility service and not properly includible in Account 105, Electric Plant Held for Future Use.

B. This account shall also include the amount recorded under capital leases for property leased from others and used by the utility in its nonutility operations. Records shall be maintained with respect to each lease reflecting: (1) name of lessor, (2) basic details of lease, (3) terminal date, (4) original cost or fair market value of property leased, (5) future minimum lease payments, (6) executory costs, (7) present value of minimum lessee payments, (8) the amount representing interest and the interest rate used, and (9) expenses paid.

C. This account shall be subdivided so as to show the amount of property used in operations which are nonutility in character but nevertheless constitute a distinct operating activity of the company (such as operation of an ice department where such activity is not classed as a utility) and the amount of miscellaneous property not used in operations. The records in support of each subaccount shall be maintained so as to show an appropriate classification of the property.

NOTE: The gain from the sale or other disposition of property included in this account which had been previously recorded in Account 105, Electric Plant Held for Future Use, shall be accounted for in accordance with Paragraph C of Account 105.

122 Accumulated Provision for Depreciation and Amortization of Nonutility Property

This account shall include the accumulated provision for depreciation and amortization applicable to nonutility property.

123 Investment in Associated Companies

A. This account shall include the book cost of investments in securities issued or assumed by associated companies and investment advances to such companies, including interest accrued thereon when such interest is not subject to current settlement, provided that the investment does not relate to a subsidiary company. (If the investment relates to a subsidiary company, it shall be included in Account 123.11, Investment in Subsidiary Companies.) Include herein the offsetting entry to the recording of amortization of discount or premium on interest bearing investments. (See Account 419, Interest and Dividend Income.)

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

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

NOTE B: Securities of associated companies held as temporary cash investments are includible in Account 136, Temporary Cash Investments.

NOTE C: Balances in open accounts with associated companies, which are subject to current settlement, are includible in Account 146, Accounts Receivable from Associated Companies.

NOTE D: The utility may write down the cost of any security in recognition of a decline in the value thereof. Securities shall be written off or written down to a nominal value if there is no reasonable prospect of substantial value. Fluctuations in market value shall not be recorded but a permanent impairment in the value of securities shall be recognized in the accounts. When securities are written off or written down, the amount of the adjustment shall be charged to Account 426.5, Other Deductions, or to an appropriate account for accumulated provisions for loss in value established as a separate subdivision of this account.

C. Account 123 shall be subaccounted as follows:

123.1 Patronage Capital from Associated Cooperatives
123.3 Investment in Associated Organizations—Federal Economic Development Loans
123.4 Investment in Associated Organizations—Non-Federal Economic Development Loans
123.11 Investment in Subsidiary Companies
123.21 Subscriptions to Capital Term Certificates—Supplemental Financing
123.22 Investment in Capital Term Certificates—Supplemental Financing
123.23 Other Investments in Associated Organizations

123.1 Patronage Capital from Associated Cooperatives

This account shall include patronage capital credits allocated to the accounting borrower by G&T cooperatives. It shall also include capital credits, deferred patronage refunds, or like items from other associated cooperatives. The account shall be maintained so as to reflect separately, the allocations of patronage capital and patronage refunds from each organization that makes such allocations to the borrower.

123.3 Investment in Associated Organizations—Federal Economic Development Loans

This account shall include investment advances of Federal funds received from a Rural Economic Development Grant to associated organizations for authorized rural economic development projects.

123.4 Investment in Associated Organizations—Non-Federal Economic Development Loans

This account shall include investment advances of non-Federal funds from the Rural Economic Development Grant revolving fund to associated organizations for authorized rural economic development projects.

123.11 Investment in Subsidiary Companies

A. This account shall include the cost of investments in securities issued or assumed by subsidiary companies and investment advances to such companies, including interest

accrued thereon when such interest is not subject to current settlement, plus the equity in undistributed earnings or losses of such subsidiary companies since acquisition. This account shall be credited with any dividends declared by such subsidiaries.

B. This account shall be maintained in such a manner as to show separately for each subsidiary: the cost of such investments in the securities of the subsidiary at the time of acquisition; the amount of equity in the subsidiary's undistributed net earnings or net losses since acquisition; advances or loans to such subsidiary; and full particulars regarding any such investments that are pledged.

123.21 Subscriptions to Capital Term Certificates—Supplemental Financing

This account shall include the total subscriptions to capital term certificates of CFC. When subscriptions are paid, this account shall be credited and Account 123.22, Investments in Capital Term Certificates—Supplemental Financing, debited.

123.22 Investments in Capital Term Certificates—Supplemental Financing

This account shall include paid subscriptions in capital term certificates of CFC or other supplemental lenders.

123.23 Other Investments in Associated Organizations

This account shall include investments in capital stock, securities, membership fees, and investment advances to associated organizations other than provided for elsewhere. This account shall be maintained in such a manner as to show the investment in stock and securities of and advances to each associated organization.

Items

1. Investments in capital stock of associated organizations.
2. Investments in securities issued by associated organizations.
3. Membership fees in associated organizations, including NRECA, and Statewide associations of RUS-financed borrowers.
4. Investment advances to associated organizations.

124 Other Investments

A. This account shall include the book cost of investments in securities issued or assumed by nonassociated 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.

C. Account 124 shall be subaccounted as follows:

124.1 Other Investments—Federal Economic Development Loans
124.2 Other Investments—Non-Federal Economic Development Loans

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

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

NOTE C: See Note D of Account 123.

124.1 Other Investments—Federal Economic Development Loans

This account shall include investment advances of Federal funds received from a Rural Economic Development Grant to nonassociated organizations for authorized rural economic development projects.

124.2 Other Investments—Non-Federal Economic Development Loans

This account shall include investment advances of non-Federal funds from the Rural Economic Development Grant revolving fund to nonassociated organizations for authorized rural economic development projects.

125 Sinking Funds

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

126 Depreciation Fund

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

128 Other Special Funds

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

NOTE: Amounts deposited with a trustee under the terms of an irrevocable trust agreement for pensions or other employee

benefits shall not be included in this account.

Current and Accrued Assets

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

131 Cash

A. This account shall include the amount of current cash funds except working funds.

B. Account 131 shall be subaccounted as follows:

131.1 Cash—General
131.2 Cash—Construction Fund—Trustee
131.3 Cash—Installation Loan and Collection Fund
131.4 Transfer of Cash
131.12 Cash—General—Economic Development Loan Funds
131.13 Cash—General—Economic Development Grant Funds
131.14 Cash—General—Economic Development Non-Federal Revolving Funds

131.1 Cash—General

This account shall include all cash of the organization not provided for elsewhere. Separate subaccounts may be maintained for each bank account in which general cash is maintained. Funds held by others for current obligations shall be recorded in Account 134, Other Special Deposits.

131.2 Cash—Construction Fund—Trustee

This account shall include the cash received from the Rural Utilities Service, CFC, and any other source of supplemental financing for financing the construction, purchase, and operation of electric facilities. RUS construction loan fund advances shall be charged to this account and credited to Account 224.4, RUS Notes Executed—Construction—Debit. CFC and other supplemental lender construction loan fund advances shall be charged to this account and credited to Account 224.13, Supplemental Financing Notes Executed—Debit.

131.3 Cash—Installation Loan and Collection Fund

A. This account shall include the cash advanced on installation loans made subsequent to September 13, 1957. Such advances shall be debited to this account as received and credited to Account 224.10, RUS Notes Executed—Installation—Debit. This account shall also include interest and principal collections received on consumers' loans financed from RUS loans made subsequent to September 13, 1957.

B. Payments shall be made from this account solely for financing consumers' loans for the purpose of wiring of consumers' premises, and the acquisition and installation of electrical and plumbing appliances and equipment by consumers. The cash in this account is also used for the payment of principal and interest on installation loans made by RUS, subsequent to September 13, 1957, in accordance with the terms of the loan agreement.

131.4 Transfer of Cash

This account shall be used in transferring funds from one bank account to another. This account is charged when the check is drawn for the transfer and entered in the check register, and credited when the amount transferred is entered in the cash receipts book. This account is to be used as a clearing account and should not have a balance at the end of an accounting period.

131.12 Cash—General—Economic Development Funds

This account shall include the cash received from the Rural Utilities Service for Rural Economic Development Loans. Economic development loan advances shall be charged to this account and credited to Account 224.17, RUS Notes Executed—Economic Development—Debit.

131.13 Cash—General—Economic Development Grant Funds

This account shall include cash received from the Rural Utilities Service for Rural Economic Development Grants. Economic development grant funds shall be charged to this account and credited to Account 224.18, Other Long-Term Debt—Grant Funds; Account 208, Donated Capital; or Account 421, Miscellaneous Nonoperating Income, as appropriate. This account shall be credited and either Account 123.3, Investment in Associated Organizations—Federal Economic Development Loans, or Account 124.1, Other Investments—Federal Economic Development Loans, shall be debited, as appropriate, with the amount of an economic development revolving fund loan.

131.14 Cash—General—Economic Development Non-Federal Revolving Funds

This account shall include all non-Federal funds comprising the economic development revolving fund. It shall include all funds supplied by the borrower as well as all cash received from the repayment of loans made from the economic development revolving fund. This account shall be credited and either Account 123.4, Investment in Associated Organizations—Non-Federal Economic Development Loans, or Account 124.2, Other Investments—Non-Federal Economic Development Loans, shall be debited, as appropriate, with the amount of an economic development revolving fund loan.

132 Interest Special Deposits

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

133 Dividend Special Deposits

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

134 Other Special Deposits

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

NOTE: Assets available for general corporate purposes shall not be included in this account. Further, deposits for more than one year, which are not offset by current liabilities, shall not be charged to this account but to Account 128, Other Special Funds.

135 Working Funds

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

136 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

A. This account shall include the book cost, not includible elsewhere, of all collectible obligations in the form of notes receivable and similar evidences (except interest coupons) of money due on demand or within one year from the date of issue, except, however, notes receivable from associated companies. (See Account 136, Temporary Cash Investments, and Account 145, Notes Receivable from Associated Companies.)

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

B. Account 141 shall be subaccounted as follows:

141.1 Accumulated Provision for Uncollectible Notes—Credit

141.1 Accumulated Provision for Uncollectible Notes—Credit

This account shall be credited with amounts provided for losses on notes receivable which may become uncollectible, and also with collections on notes previously charged hereto. Concurrent charges shall be made to Account 904, Uncollectible Accounts.

142 Customer Accounts Receivable

A. This account shall include amounts due from customers for utility service and for merchandising, jobbing, and contract work. This account shall not include amounts due from associated companies.

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

C. Account 142 shall be subaccounted as follows:

142.1 Customer Accounts Receivable—Electric

142.2 Customer Accounts Receivable—Other

142.1 Customer Accounts Receivable—Electric

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

142.2 Customer Accounts Receivable—Other

This account shall include amounts due from customers 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 associated companies and 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. The account shall not include amounts advanced to officers or others as working funds. (See Account 135, Working Funds.)

144 Accumulated Provision for Uncollectible Accounts—Credit

A. This account shall include amounts provided for losses on accounts receivable which may become uncollectible, and also with collections on accounts previously charged hereto. Concurrent charges shall be made to Account 904, Uncollectible Accounts, for amounts applicable to utility 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.

B. Account 144 shall be subaccounted as follows:

144.1 Accumulated Provision for Uncollectible Customer Accounts—Credit
144.2 Accumulated Provision for Uncollectible Merchandising Accounts—Credit
144.3 Accumulated Provision for Uncollectible Accounts, Officers and Employees—Credit
144.4 Accumulated Provision for Other Uncollectible Accounts—Credit

144.1 Accumulated Provision for Uncollectible Customer Accounts—Credit

This account shall be credited with amounts provided for losses on accounts receivable which may become uncollectible, and also with collections on accounts previously charged hereto. Concurrent charges shall be made to Account 904, Uncollectible Accounts.

144.2 Accumulated Provision for Uncollectible Merchandising Accounts—Credit

This account shall be credited with amounts provided for losses on merchandising, jobbing, and contract work which may become uncollectible, and also with collections on accounts previously charged hereto. Concurrent charges shall be made to Account 904, Uncollectible Accounts, for amounts applicable to utility operations, and to corresponding accounts for other operations.

144.3 Accumulated Provision for Uncollectible Accounts, Officers and Employees—Credit

This account shall be credited with amounts provided for losses on accounts receivable from officers and employees which may become uncollectible and also with collections on accounts previously charged hereto. Concurrent charges shall be made to Account 904, Uncollectible Accounts.

144.4 Accumulated Provision for Other Uncollectible Accounts—Credit

This account shall be credited with amounts provided for losses on accounts receivable which may become uncollectible and for which the recording of this credit has not been provided for elsewhere. This account shall also be credited with collections on accounts previously charged hereto. Concurrent charges shall be made to Account 904, Uncollectible Accounts, for amounts applicable to utility operations and to corresponding accounts for other operations.

145 Notes Receivable from Associated Companies

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

NOTE: 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 the financial statements of any contingent liability arising from such transactions.

146 Accounts Receivable from Associated Companies

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

NOTE: On the balance sheet, accounts receivable from an associated company may be

offset against accounts payable to the same company.

151 Fuel Stock

This account shall include the book cost of fuel on hand.

Items

1. Invoice price of fuel less any cash or other discounts.
2. Freight, switching, demurrage, and other transportation charges, not including, however, any charges for unloading from the shipping medium.
3. Excise taxes, purchasing agents' commissions, insurance, and other expenses directly assignable to cost of fuel.
4. Operating, maintenance and depreciation expenses, and ad valorem taxes on utility-owned transportation equipment used to transport fuel from the point of acquisition to the unloading point.
5. Lease or rental costs of transportation equipment used to transport fuel from the point of acquisition to the unloading point.

152 Fuel Stock Expenses Undistributed

A. This account may include the cost of labor and of supplies used and expenses incurred in unloading fuel from the shipping medium and in the handling thereof prior to its use, if such expenses are sufficiently significant in amount to warrant being treated as a part of the cost of fuel inventory rather than being charged direct to expense as incurred.

B. Amounts included herein shall be charged to expense as the fuel is used to the end that the balance herein shall not exceed the expenses attributable to the inventory of fuel on hand.

Items

Labor:

1. Procuring and handling of fuel.
2. All routine fuel analyses.
3. Unloading from shipping facility and placing in storage.
4. Moving of fuel in storage and transferring from one station to another.
5. Handling from storage or shipping facility to first bunker, hopper, bucket, tank, or holder of boiler house structure.
6. Operation of mechanical equipment such as locomotives, trucks, cars, boats, barges, and cranes.

Supplies and Expenses:

1. Tools, lubricants and other supplies.
2. Operating supplies for mechanical equipment.
3. Transportation and other expenses in moving fuel.
4. Stores expenses applicable to fuel.

153 Residuals

This account shall include the book cost of any residuals produced in the production or manufacturing processes.

154 Plant Materials and Operating Supplies

A. This account shall include the cost of materials purchased primarily for use in the utility business for construction, operation and maintenance purposes. 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 realizable therefrom. The difference between the amounts realized for scrap and nonusable materials sold and the net amount at which the materials were carried in this account, as far as practicable, shall be adjusted to the accounts credited when the materials were charged to this account.

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.

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: Where expenses applicable to materials purchased cannot be directly assigned

to particular purchases, they shall be charged to Account 163, Stores Expense Undistributed.

155 Merchandise

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

156 Other Materials and Supplies

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

157 Nuclear Materials Held for Sale

This account shall include the net salvage value of uranium, plutonium, and other nuclear materials held by the company for sale or other disposition that are not to be reused by the company in its electric utility operations. This account shall be debited and Account 120.5, Accumulated Provision for Amortization of Nuclear Fuel Assemblies, credited for such net salvage value. Any difference between the amount recorded in this account and the actual amount realized from the sale of materials shall be debited or credited, as appropriate, to Account 518, Nuclear Fuel Expense, at the time of such sale.

158.1 Allowance Inventory

A. This account shall include the cost of allowances owned by the utility and not withheld by the Environmental Protection Agency. See § 1767.15 (u) and Account 158.2, Allowances Withheld.

B. This account shall be credited and Account 509, Allowances, shall be debited concurrent with the monthly emission of sulfur dioxide.

C. Separate subdivisions of this account shall be maintained so as to separately account for those allowances usable in the current year and in each subsequent year. The underlying records of these subdivisions shall be maintained in sufficient detail so as to identify each allowance included; the origin of each allowance; and the acquisition cost, if any, of the allowance.

158.2 Allowances Withheld

A. This account shall include the cost of allowances owned by the utility but withheld by the Environmental Protection Agency. (See § 1767.15 (u).)

B. The inventory cost of the allowances released by the Environmental Protection Agency for use by the utility shall be transferred to Account 158.1, Allowance Inventory.

C. The underlying records of this account shall be maintained in sufficient detail so as to identify each allowance included; the origin of each allowance; and the acquisition cost, if any, of the allowances.

163 Stores Expense Undistributed

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

B. This account shall be cleared by adding to the cost of materials and supplies issued, a suitable loading charge which will distribute the expense equitably over stores issues. The balance in the account at the close of the year shall not exceed the amount of stores expenses reasonably attributable to the inventory of materials and supplies, exclusive of fuel, as any amount applicable to fuel costs should be included in Account 152, Fuel Stock Expenses Undistributed.

Items

Labor:

1. Inspecting and testing materials and supplies when not assignable to specific items.
2. Unloading from shipping facility and placing in storage.
3. Supervision of purchasing and stores department to extent assignable to materials handled through stores.
4. Getting materials from stock and in readiness to go out.
5. Inventorying stock received or stock on hand by stores employees but not including inventories by general department employees as part of internal or general audits.
6. Purchasing department activities in checking material needs, investigating sources of supply, analyzing prices, preparing and placing orders, and related activities to extent applicable to materials handled through stores. (Optional: Purchasing department expenses may be included in administrative and general expenses.)
7. Maintaining stores equipment.
8. Cleaning and tidying storerooms and stores offices.
9. Keeping stock records, including the recording and posting of material receipts and issues and maintaining inventory records of stock.
10. Collecting and handling scrap materials in stores.

Supplies and Expenses:

1. Adjustments of inventories of materials and supplies but not including large differences which can readily be assigned to important classes of materials and equitably distributed among the accounts to which

such classes of materials have been charged since the previous inventory.

2. Cash and other discounts not practically assignable to specific materials.

3. Freight and express charges when not assignable to specific items.

4. Heat, light, and power for storerooms and store offices.

5. Brooms, brushes, sweeping compounds and other supplies used in cleaning and tidying storerooms and stores offices.

6. Injuries and damages.

7. Insurance on materials and supplies and on stores equipment.

8. Losses due to breakage, leakage, evaporation, fire or other causes, less credits for amounts received from insurance, transportation companies, or others in compensation of such losses.

9. Postage, printing, stationery, and office supplies.

10. Rent of storage space and facilities.

11. Communication service.

12. Excise and other similar taxes not assignable to specific materials.

13. Transportation expense on inward movement of stores and on transfer between storerooms but not including charges on materials recovered from retirements which shall be accounted for as part of the cost of removal.

NOTE: A physical inventory of each class of materials and supplies shall be made at least every two years.

165 Prepayments

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

B. Account 165 shall be subaccounted as follows:

165.1 Prepayments—Insurance
165.2 Other Prepayments

171 Interest and Dividends Receivable

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

NOTE A: Interest which is not subject to current settlement shall not be included herein but in the account in which the associated principle is recorded.

NOTE B: Interest and dividends receivable from associated companies shall be included in Account 146, Accounts Receivable from Associated Companies.

172 Rents Receivable

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

NOTE: Rents receivable from associated companies shall be included in Account 146, Accounts Receivable from Associated Companies.

173 Accrued Utility Revenues

At the option of the utility, the estimated amount accrued for service rendered, but not billed at the end of any accounting period, may be included herein. If accruals are made for unbilled revenues, accruals shall also be made for unbilled expenses, such as the purchase of energy.

174 Miscellaneous Current and Accrued Assets

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

Deferred Debits

181 Unamortized Debt Expense

This account shall include expenses related to the issuance or assumption of debt securities. Amounts recorded in this account shall be amortized over the life of each respective issue under a plan which will distribute the amount equitably over the life of the security. The amortization shall be on a monthly basis, and the amounts thereof shall be charged to Account 428, Amortization of Debt Discount and Expense. Any unamortized amounts outstanding at the time that the related debt is prematurely reacquired shall be accounted for as indicated in § 1767.15 (q).

182.1 Extraordinary Property Losses

A. When authorized or directed by RUS, this account shall include extraordinary losses which could not reasonably have been anticipated and which are not covered by insurance or other provisions, such as unforeseen damages to property.

B. Application to RUS for permission to use this 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.

182.2 Unrecovered Plant and Regulatory Study Costs

A. This account shall include: (1) nonrecurring costs of studies and analyses mandated by regulatory bodies related to plants

in service, transferred from Account 183, Preliminary Survey and Investigations Charges, and not resulting in construction; and (2) when authorized by RUS, significant unrecovered costs of plant facilities where construction has been cancelled or which have been prematurely retired.

B. This account shall be credited and Account 407, Amortization of Property Losses, Unrecovered Plant and Regulatory Study Costs, shall be debited over the period specified by RUS.

C. Any additional costs incurred, relative to the cancellation or premature retirement, may be included in this account and amortized over the remaining period of the original amortization period. Should any gains or recoveries be realized relative to the cancelled or prematurely retired plant, such amounts shall be used to reduce the unamortized amount of the costs recorded herein.

D. In the event that the recovery of costs included herein is disallowed in the rate proceedings, the disallowed costs shall be charged to Account 426.5, Other Deductions, in the year of such disallowance.

182.3 Other Regulatory Assets

A. This account shall include the amounts of regulatory-created assets, not includable in other accounts, resulting from the ratemaking actions of regulatory agencies. (See the definition of regulatory assets and liabilities.)

B. The amounts included in this account are to be established by those charges which would have been included in net income determinations in the current period under the general requirements of the Uniform System of Accounts but for it being probable that such items will be included in a different period(s) for purposes of developing the rates that the utility is authorized to charge for its utility services. When specific identification of the particular source of a regulatory asset cannot be made, such as in plant phase-ins, rate moderation plans, or rate levelization plans, Account 407.4, Regulatory Credits, shall be credited. The amounts recorded in this account are generally to be charged, concurrently with the recovery of the amounts in rates, to the same account that would have been charged if included in income when incurred, except all regulatory assets established through the use of Account 407.4 shall be charged to Account 407.3, Regulatory Debits, concurrent with the recovery of the amounts in rates.

C. If rate recovery of all or part of an amount included in this account is disallowed, the disallowed amount shall be charged to Account 426.5, Other Deductions, or Account 435, Extraordinary Deductions, in the year of the disallowance.

D. The records supporting the entries to this account shall be kept so that the utility can furnish full information as to the nature and amount of each regulatory asset included in this account, including justification for inclusion of such amounts in this account.

183 Preliminary Survey and Investigation Charges

A. This account shall be charged with all expenditures for preliminary surveys, plans, and investigations made for the purpose of determining the feasibility of utility projects under contemplation. If construction results, this account shall be credited and the appropriate utility plant account charged. If the work is abandoned, the charge shall be made to Account 426.5, Other Deductions, or to the appropriate operating expense account.

B. This account shall also include costs of studies and analyses mandated by regulatory bodies related to plant in service. If construction results from such studies, this account shall be credited and the appropriate utility plant account charged with an equitable portion of such study costs directly attributable to new construction. The portion of such study costs not attributable to new construction or the entire cost if construction does not result shall be charged to Account 182.2, Unrecovered Plant and Regulatory Study Costs, or the appropriate operating expense account. The costs of such studies relative to plant under construction shall be included directly inAccount 107, Construction Work in Progress—Electric.

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

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

184 Clearing Accounts

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

B. Account 184 shall be subaccounted as follows:

184.1 Transportation Expense—Clearing
184.2 Clearing Accounts—Other

185 Temporary Facilities

This account shall include amounts shown by work orders for plant installed for temporary use in utility service for periods of less than one year. Such work orders shall be

charged with the cost of temporary facilities and credited with payments received from customers and net salvage realized on removal of the temporary facilities. Any net credit or debit resulting shall be cleared to Account 451, Miscellaneous Service Revenues.

186 Miscellaneous Deferred Debits

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

187 Deferred Losses from Disposition of Utility Plant

This account shall include losses from the sale or other disposition of property previously recorded in Account 105, Electric Plant Held for Future Use, under the provisions of Paragraphs B, C, and D thereof, where such losses are significant and are to be amortized over a period of 5 years, unless otherwise authorized by RUS. The amortization of the amounts in this account shall be made by debits to Account 411.7, Losses from Disposition of Utility Plant. (See Account 105, Electric Plant Held for Future Use.)

188 Research, Development, and Demonstration Expenditures

A. This account shall be charged with the cost of all expenditures coming within the meaning of Research, Development, and Demonstration (RD&D) of this USoA (See § 1767.10 (a)(34)) except those expenditures properly chargeable to Account 107, Construction Work in Progress—Electric.

B. Costs that are minor or of a general or recurring nature shall be transferred from this account to the appropriate operating expense function or if such costs are common to the overall operations or cannot be feasibly allocated to the various operating accounts, such costs shall be recorded in Account 930.2, Miscellaneous General Expenses.

C. In certain instances, a company may incur large and significant research, development, and demonstration expenditures which are nonrecurring and which would distort the annual research, development, and demonstration charges for the period. In such a case, the portion of such amounts that cause the distortion may be amortized to the appropriate operating expense account over a period not to exceed 5 years unless otherwise authorized by RUS.

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

189 Unamortized Loss on Reacquired Debt

This account shall include the losses on long-term debt reacquired or redeemed. The amounts in this account shall be amortized in accordance with § 1767.15 (q).

190 Accumulated Deferred Income Taxes

A. This account shall be debited and Account 411.1, Provision for Deferred Income Taxes—Credit, Utility Operating Income, or Account 411.2, Provision for Deferred Income Taxes—Credit, Other Income and Deductions, as appropriate, shall be credited with an amount equal to that by which income taxes payable for the year are higher because of the inclusion of certain items in income for tax purposes, which items for general accounting purposes will not be fully reflected in the utility's determination of annual net income until subsequent years.

B. This account shall be credited and Account 410.1, Provision for Deferred Income Taxes, Utility Operating Income, or Account 410.2, Provision for Deferred Income Taxes, Other Income and Deductions, as appropriate, shall be debited with an amount equal to that by which income taxes payable for the year are lower because of prior payment of taxes as provided by Paragraph A above, because of difference in timing for tax purposes of particular items of income or income deductions from that recognized by the utility for general accounting purposes. Such credit to this account and debit to Account 410.1 or Account 410.2 shall, in general, represent the effect on taxes payable in the current year of the smaller amount of book income recognized for tax purposes as compared to the amount recognized in the utility's current accounts with respect to the item or class of items for which deferred tax accounting by the utility was authorized by RUS.

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

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

be debited to Account 410.1, Provision for Deferred Income Taxes, Utility Operating Income, or Account 410.2, Provision for Deferred Income Taxes, Other Income and Deductions, as appropriate, or otherwise disposed of as RUS may authorize or direct. (See § 1767.15 (t).)

[58 FR 59825, Nov. 10, 1993, as amended at 59 FR 27436, May 27, 1994; 60 FR 55429, 55430, Nov. 1, 1995]

§ 1767.19 Liabilities and other credits.

The liabilities and other credit accounts identified in this section shall be used by all RUS borrowers.

LIABILITIES AND OTHER CREDITS

Margins and Equities

200 Memberships
200.1 Memberships Issued
200.2 Memberships Subscribed But Unissued
201 Patronage Capital
201.1 Patronage Capital Credits
201.2 Patronage Capital Assignable
202 [Reserved]
203 [Reserved]
204 [Reserved]
205 [Reserved]
206 [Reserved]
207 [Reserved]
208 Donated Capital
209 [Reserved]
210 [Reserved]
211 Consumers' Contributions for Debt Service
212 [Reserved]
213 [Reserved]
214 [Reserved]
215 Appropriated Margins
215.1 Unrealized Gains and Losses—Debt and Equity Securities
216 [Reserved]
216.1 Unappropriated Undistributed Subsidiary Earnings
217 Retired Capital Credits—Gain
218 Capital Gains and Losses
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222 Reacquired Bonds
223 Advances from Associated Companies
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224.2 RUS Loan Contract—Construction—Debit
224.3 Long-Term Debt—RUS Construction Notes Executed
224.4 RUS Notes Executed—Construction—Debit
224.5 Interest Accrued—Deferred—RUS Construction
224.6 Advance Payments Unapplied—RUS Long-Term Debt—Debit
224.7 Long-Term Debt—Installation Loan Contract
224.8 RUS Loan Contract—Installation—Debit
224.9 Long-Term Debt—Installation Notes Executed
224.10 RUS Notes Executed—Installation—Debit
224.11 Other Long-Term Debt—Subscriptions
224.12 Other Long-Term Debt—Supplemental Financing
224.13 Supplemental Financing Notes Executed—Debit
224.14 Other Long-Term Debt—Miscellaneous
224.15 Notes Executed—Other—Debit
224.16 Long-Term Debt—RUS Economic Development Notes Executed
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233 Notes Payable to Associated Companies
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235 Customer Deposits
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236.2 Accrued U.S. Social Security Tax—Unemployment
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242 Miscellaneous Current and Accrued Liabilities
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242.3 Accrued Employees' Vacations and Holidays
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281 Accumulated Deferred Income Taxes—Accelerated Amortization Property
282 Accumulated Deferred Income Taxes—Other Property
283 Accumulated Deferred Income Taxes—Other

LIABILITIES AND OTHER CREDITS

Margins and Equities

200 Memberships

A. This account shall include the total amount of memberships issued and subscribed.

B. Account 200 shall be subaccounted as follows:

200.1 Memberships Issued
200.2 Memberships Subscribed But Unissued

200.1 Memberships Issued

A. This account shall include the face value of membership certificates outstanding. A detailed record shall be maintained to show for each member, the name, address, date of payment, amount paid, and certificate number.

B. If membership fees are applied against energy bills, this account shall be debited for the full amount of the membership with the offsetting credit to the appropriate accounts receivable, and to accounts payable for any refundable amounts. Any balances that cannot be refunded, due to inability to locate the member or because of bylaw restrictions, shall be credited to Account 208, Donated Capital. If determination of the ultimate disposition of the fees cannot be made immediately, the amount involved should be transferred to Account 253, Other Deferred Credits, until the determination is made.

C. When a transfer fee is collected, the transaction shall be recorded by debiting Account 131.1, Cash—General, and crediting Account 451, Miscellaneous Service Revenues, with the fee collected.

200.2 Memberships Subscribed But Unissued

This account shall include the face value of memberships subscribed for but not issued. When certificates are issued, the amount of the memberships shall be transferred to Account 200.1, Memberships Issued.

201 Patronage Capital

A. This account shall include the total amount of patronage capital assignable and assigned.

B. Account 201 shall be subaccounted as follows:

201.1 Patronage Capital Credits
201.2 Patronage Capital Assignable

201.1 Patronage Capital Credits

A. This account shall include the amounts of patronage capital which have been assigned to individual patrons. A subsidiary record, ''patronage capital ledger,'' shall be maintained, containing an account for each patron who has furnished capital under a capital credits plan.

B. When the return of patrons' capital to individual patrons has been authorized by the board of directors (or trustees), the amounts authorized shall be transferred to Account 238.1, Patronage Capital Payable. (See also Account 217, Retired Capital Credits-Gain.)

201.2 Patronage Capital Assignable

A. This account shall include all amounts transferred from Account 219.1, Operating Margins; Account 219.2, Nonoperating Margins; Account 219.3, Other Margins; and Account 219.4, Other Margins and Equities—Prior Periods, which are assignable to individual patrons' capital accounts.

B. Entries to this account shall be made so as to clearly disclose the nature and source of each transaction. Amounts so assigned shall be transferred to Account 201.1, Patronage Capital Credits.

202 [Reserved]

203 [Reserved]

204 [Reserved]

205 [Reserved]

206 [Reserved]

207 [Reserved]

208 Donated Capital

This account shall include credits arising from forfeiture of membership fees and from donations of capital not otherwise provided for. Entries to this account shall be made so as to clearly disclose the nature and source of each transaction.

209 [Reserved]

210 [Reserved]

211 Consumers' Contributions for Debt Service

This account shall include the amounts billed to consumers as ''amortization charges'' for the purpose of servicing long-term debt.

212 [Reserved]

213 [Reserved]

214 [Reserved]

215 Appropriated Margins

This account shall include all amounts appropriated as reserves from margins. The account shall be so maintained as to show the amount of each separate reserve and the nature and amounts of the debits and credits thereto.

215.1 Unrealized Gains and Losses—Debt and Equity Securities

This account shall include the unrealized holding gains and losses for available-for-sale securities.

216 [Reserved]

216.1 Unappropriated Undistributed Subsidiary Earnings

This account shall include the balances, either debit or credit, of undistributed retained earnings of subsidiary companies since their acquisition. When dividends are received from subsidiary companies relating to amounts included in this account, this account shall be debited and Account 219.2, Nonoperating Margins, credited.

217 Retired Capital Credits—Gain

A. This account shall include credits resulting from the retirement of patronage capital through settlement of individual patrons' capital credits at less than 100 percent of the capital assigned to the patron. The portion of patronage capital not returned to the patrons, under such settlements, shall be debited to Account 201.1, Patronage Capital Credits, and credited to this account.

B. This account shall also include amounts representing patronage capital authorized to be retired to patrons who cannot be located. Returned checks issued for retirements of patronage capital, after an appropriate waiting period, shall be credited to this account, and a record maintained adequate to enable the cooperative to make payment to the patron if and when a claim has been established by the consumer.

218 Capital Gains and Losses

No entries shall be made to this account without the prior approval of RUS unless it is to distribute past capital gains and losses as capital credits or to eliminate accumulated capital losses in conformance with the bylaws of the cooperative.

219 Other Margins and Equities

A. This account shall include total amount of margins and equities from all sources.

B. Account 219 shall be subaccounted as follows:

219.1 Operating Margins
219.2 Nonoperating Margins
219.3 Other Margins
219.4 Other Margins and Equities—Prior Periods

219.1 Operating Margins

This account shall be debited or credited with the balances arising from transactions, the details of which have been recorded in Accounts 400, 401, 402, 403, 404, 405, 406, 407, 408, 412, 413, 414, 423, 424, 425, 426, 427, 428, and 431. Accounts 400, 401, and 402 are control accounts and, at the option of the borrower may or may not be used. If they are not used, the detailed revenue and expense accounts shall be closed directly to this account.

219.2 Nonoperating Margins

This account shall be debited or credited with the balances arising from transactions, the details of which have been recorded in Accounts 415, 416, 417, 417.1, 418, 419, 419.1, 421, 421.1, 421.2, 422, 434, and 435.

219.3 Other Margins

No entries shall be made to this account unless it is to distribute or eliminate prior balances in conformance with the bylaws of the cooperative.

219.4 Other Margins and Equities—Prior Periods

A. This account shall include significant nonrecurring transactions relating to prior

periods. To be significant, the transaction must be of sufficient magnitude to justify redistribution of patronage capital credits already allocated for such prior periods.

B. All entries to this account must receive RUS prior approval.

C. These transactions are limited to items to (1) correct an error in the financial statements of a prior year, and (2) make adjustments that result from realization of income tax benefits of preacquisition operating loss carryforwards. This account shall also include the related income taxes (state and Federal) on items included herein.

D. Amounts in this account shall be transferred at the end of the year to Account 219.1, Operating Margins, or Account 219.2, Nonoperating Margins, as appropriate. Also, at the end of the year, these amounts should be transferred from Account 219.1, or Account 219.2 to Account 201.2, Patronage Capital Assignable, when appropriate.

Long-Term Debt

221 Bonds

This account shall include, in a separate subdivision for each class and series of bonds, 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.

222 Reacquired Bonds

A. This account shall include the face value of bonds actually issued or assumed by the utility and reacquired by it and not 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, expenses or premium, and the amount paid upon reacquisition, shall be included in Account 189, Unamortized Loss on Reacquired Debt, or Account 257, Unamortized Gain on Reacquired Debt, as appropriate. (See § 1767.15 (q).)

223 Advances from Associated Companies

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

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 long-term 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 the date of issue or assumption.

B. Account 224 shall be subaccounted as follows:

224.1 Long-Term Debt—RUS Construction Loan Contract
224.2 RUS Loan Contract—Construction—Debit
224.3 Long-Term Debt—RUS Construction Notes Executed
224.4 RUS Notes Executed—Construction—Debit
224.5 Interest Accrued—Deferred—RUS Construction
224.6 Advance Payments Unapplied—RUS Long-Term Debt—Debit
224.7 Long-Term Debt—Installation Loan Contract
224.8 RUS Loan Contract—Installation—Debit
224.9 Long-Term Debt—Installation Notes Executed
224.10 RUS Notes Executed—Installation—Debit
224.11 Other Long-Term Debt—Subscriptions
224.12 Other Long-Term Debt—Supplemental Financing
224.13 Supplemental Lender Notes Executed—Debit
224.14 Other Long-Term Debt—Miscellaneous
224.15 Notes Executed—Other—Debit
224.16 Long-Term Debt—RUS Economic Development Notes Executed
224.17 RUS Notes Executed—Economic Development—Debit

224.1 Long-Term Debt—RUS Construction Loan Contract

A. This account shall include the contractual obligation to RUS on construction loans covered by loan contract but not by executed notes.

B. This account is to be used at the option of the borrower.

224.2 RUS Loan Contract—Construction—Debit

A. This account shall include the total loans (for construction purposes) which are covered by loan contract but not by executed notes.

B. This account is to be used at the option of the borrower.

224.3 Long-Term Debt—RUS Construction Notes Executed

This account shall include the contractual liability to RUS on construction notes executed. Records shall be maintained to show separately for each class of obligation all details as to the date of obligation, date of maturity, interest date and rate, and securities for the obligation.

224.4 RUS Notes Executed—Construction—Debit

This account shall include the total amount of the unadvanced RUS loans for construction purposes, which are covered by executed notes. When advances are received from the RUS for construction, this account shall be credited and Account 131.2, Cash—Construction Fund—Trustee, debited with the amount of cash advanced.

224.5 Interest Accrued—Deferred—RUS Construction

This account shall include interest on RUS construction obligations deferred by the terms of mortgage notes or extension agreements.

224.6 Advance Payments Unapplied—RUS Long-Term Debt—Debit

A. This account shall include principal payments on mortgage notes paid in advance of the date due and not applied to a specific note. Also, include in this account interest savings which are accrued and added to the advance payment unapplied.

B. At such time as these payments are applied to a specific note or loan balances, this account shall be credited and the long-term debt account debited with the amount so applied.

224.7 Long-Term Debt—Installation Loan Contract

A. This account shall include the contractual obligation to RUS on installation loans covered by loan contract but not covered by executed notes.

B. This account is to be used at the option of the borrower.

224.8 RUS Loan Contract—Installation—Debit

A. This account shall include the total loans for installation purposes which are covered by loan contract but not by executed notes.

B. This account is to be used at the option of the borrower.

224.9 Long-Term Debt—Installation Notes Executed

This account shall include the contractual liability to RUS on installation notes executed.

224.10 RUS Notes Executed—Installation—Debit

This account shall include the total amount of unadvanced loans for installation purposes, which are covered by executed note. When advances are received from RUS, this account shall be credited and Account 131.3, Cash—Installation Loan and Collection Fund, debited with the amount of cash advanced.

224.11 Other Long-Term Debt—Subscriptions

This account shall include the contractual obligation to purchase CFC Capital Term Certificates and any other similar obligation relating to supplemental financing.

224.12 Other Long-Term Debt—Supplemental Financing

This account shall include the contractual liability to CFC or other supplemental lenders for that portion of funds borrowed which mature in more than one year.

224.13 Supplemental Financing Notes Executed—Debit

This account shall include the total amount of the unadvanced loans for construction purposes, which are covered by executed notes to CFC or other supplemental lender. This account shall be debited with the face amount of notes executed. When advances are received from a supplemental lender for construction, this account shall be credited and Account 131.2, Cash—Construction Fund—Trustee, debited with the amount of cash advanced.

224.14 Other Long-Term Debt—Miscellaneous

This account shall include the amount of other long-term debt not provided for elsewhere.

224.15 Notes Executed—Other—Debit

This account shall include the total amount of the unadvanced loans for construction purposes, which are covered by executed notes to others not included in the foregoing accounts. When advances are received from such supplemental lender, this account shall be credited and Account 131.2, Cash—Construction Fund—Trustee, debited with the amount of cash so advanced.

224.16 Long-Term Debt—RUS Economic Development Notes Executed

This account shall include the contractual liability to RUS on rural economic development notes executed. Records shall be maintained to show separately for each class of obligation all details as to the date of obligation, date of maturity, interest date and rate, and securities for the obligation.

224.17 RUS Notes Executed—Economic Development—Debit

This account shall include the total amount of the unadvanced RUS loans for rural economic development purposes, which are covered by executed notes. When advances are received from the RUS for rural economic development projects, this account shall be credited and Account 131.12, Cash—General—Economic Development Funds, debited with the amount of cash advanced.

225 Unamortized Premium on Long-Term Debt

A. This account shall include the excess of the cash value of consideration received over the face value upon the issuance or assumption of long-term debt securities.

B. Amounts recorded in this account shall be amortized over the life of each respective issue under a plan which will distribute the amount equitably over the life of the security. The amortization shall be on a monthly basis, with the amounts thereof to be credited to Account 429, Amortization of Premium on Debt—Credit. (See § 1767.15 (q).)

226 Unamortized Discount on Long-Term Debt—Debit

A. This account shall include the excess of the face value of long-term debt securities over the cash value of consideration received therefor, related to the issue or assumption of all types and classes of debt.

B. Amounts recorded in this account shall be amortized over the life of the respective issues under a plan which will distribute the amount equitably over the life of the securities. The amortization shall be on a monthly basis, wit the amounts thereof charged to Account 428, Amortization of Debt Discount and Expense. (See § 1767.15 (q).)

Other Noncurrent Liabilities

227 Obligations Under Capital Leases—Noncurrent

This account shall include the portion not due within one year, of the obligations recorded for the amounts applicable to leased property recorded as assets in Account 101.1, Property Under Capital Leases; Account 120.6, Nuclear Fuel Under Capital Leases; or Account 121, Nonutility Property.

SPECIAL INSTRUCTIONS

No amounts shall be credited to Accounts 228.1 through 228.4 unless authorized by a regulatory authority or authorities to be collected in the utility's rates.

228.1 Accumulated Provision for Property Insurance

A. This account shall include amounts reserved by the utility for losses through accident, fire, flood, or other hazards to its own property or property leased from others, not covered by insurance. The amounts charged to Account 924, Property Insurance, or other appropriate accounts to cover such risks shall be credited to this account. A schedule of risks covered 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, not to exceed the account balance. Details of these charges shall be maintained according to the year the casualty occurred which gave rise to the loss.

228.2 Accumulated Provision for Injuries and Damages

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

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

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

228.3 Accumulated Provision for Pensions and Benefits

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

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

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

NOTE: If employee pension or benefit plan funds are not included among the assets of the utility but are held by outside trustees, payments into such funds, or accruals therefor, shall not be included in this account.

228.4 Accumulated Miscellaneous Operating Provisions

A. This account shall include all operating provisions which are not provided for elsewhere.

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

NOTE: This account includes only provisions as may be created for operating purposes and does not include any reservations of income, the credits for which should be recorded in Account 215, Appropriated Margins.

229 Accumulated Provision for Rate Refunds

A. This account shall be credited with amounts charged to Account 449.1, Provision for Rate Refunds, to provide for estimated refunds where the utility is collecting amounts in rates subject to refund.

B. When a refund of any amount recorded in this account is ordered by a regulatory authority, such amount shall be charged hereto and credited to Account 242, Miscellaneous Current and Accrued Liabilities.

C. Records supporting the entries to this account shall be kept so as to identify each amount recorded by the respective rate filing docket number.

Current and Accrued Liabilities

Current and accrued liabilities are those obligations which have either matured or which become due within 1 year from the date thereof; except however, bonds, receivers' certificates, and similar obligations which shall be classified as long-term debt until date of maturity; accrued taxes, such as income taxes, which shall be classified as accrued liabilities even though payable more than one year from date; compensation awards, which shall be classified as current liabilities regardless of date due; and minor amounts payable in installments which may be classified as current liabilities. If a liability is due more than 1 year from the date of issuance or assumption by the utility, it shall be credited to a long-term debt account appropriate for the transaction; except however, the current liabilities previously mentioned.

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 1 year from the date of issue, to other than associated companies.

232 Accounts Payable

A. This account shall include all amounts payable by the utility within 1 year, which are not provided for in other accounts.

B. Account 232 shall be subaccounted as follows:

232.1 Accounts Payable—General
232.2 Accounts Payable—RUS Construction
232.3 Accounts Payable—Other

233 Notes Payable to Associated Companies

This account shall include amounts owing to associated companies on notes, drafts, acceptances, or other similar evidences of indebtedness payable on demand or not more than 1 year from the date of issue or creation.

NOTE: Notes which are includible in Account 223, Advances from Associated Companies, shall be excluded from this account.

234 Accounts Payable to Associated Companies

This account shall include amounts owing to associated companies on open accounts payable on demand.

NOTE: Accounts which are includible in Account 223, Advances from Associated Companies, shall be excluded from this account.

235 Customer Deposits

This account shall include all amounts deposited with the utility by its 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.

C. Accruals for taxes shall be based upon the net amounts 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. Account 236 shall be subaccounted as follows:

236.1 Accrued Property Taxes
236.2 Accrued U.S. Social Security Tax—Unemployment
236.3 Accrued U.S. Social Security Tax—F.I.C.A.
236.4 Accrued State Social Security Tax—Unemployment
236.5 Accrued State Sales Tax—Consumers
236.6 Accrued Gross Revenue or Gross Receipts Tax
236.7 Accrued Taxes—Other

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 Patronage Capital and Patronage Refunds Payable

A. This account shall include the total amount of patronage capital authorized to be returned and paid to patrons.

B. Account 238 shall be subaccounted as follows:

238.1 Patronage Capital Payable
238.2 Patronage Refunds Payable

238.1 Patronage Capital Payable

This account shall include the amount of patronage capital which has been authorized to be returned to the patron.

238.2 Patronage Refunds Payable

This account shall include the amount of patronage refunds which have been authorized to be paid to patrons.

239 Matured Long-Term Debt

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

240 Matured Interest

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

241 Tax Collections Payable

This account shall include the amount of taxes collected by the utility through payroll deductions or otherwise, pending transmittal of such taxes to the proper taxing authority.

NOTE: Do not include liabilities for taxes assessed directly against the utility which are accounted for as part of the utility's own tax expense.

242 Miscellaneous Current and Accrued Liabilities

A. 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.

B. Account 242 shall be subaccounted as follows:

242.1 Accrued Rentals
242.2 Accrued Payroll
242.3 Accrued Employees' Vacations and Holidays
242.4 Accrued Insurance
242.5 Other Current and Accrued Liabilities

242.1 Accrued Rentals

This account shall include unpaid joint use pole rentals and other rentals. The records supporting the entries to this account shall be maintained so as to show for each class of rental, the amount accrued, the basis for the accrual, the accounts to which charged, and the amount of rentals paid.

242.2 Accrued Payroll

This account shall include the accrued liability for salaries and wages at the end of an accounting period for which the appropriate expense or other accounts have been charged. This account is to be used whether salaries and wages are paid on a weekly, semimonthly, or monthly basis.

242.3 Accrued Employees' Vacations and Holidays

This account shall include the liability for accrued wages for employees' vacation, holidays, and sick leave.

242.4 Accrued Insurance

A. This account shall most commonly be used in case of workmen's compensation and public liability insurance for recording the excess amounts of earned premium over the advance premiums. Earned premiums are computed each month by applying the insurance rates to the actual payrolls.

B. Until the amount of the advance premiums is exhausted, the earned premium is credited to Account 165, Prepayments. Earned premiums in excess of the advance premiums are credited to this account.

242.5 Other Current and Accrued Liabilities

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

243 Obligations Under Capital Leases—Current

This account shall include the portion, due within 1 year, of the obligations recorded for the amounts applicable to leased property recorded as assets in Account 101.1, Property Under Capital Leases; Account 120.6, Nuclear Fuel Under Capital Leases; or Account 121, Nonutility Property.

Deferred Credits

251 [Reserved]

252 Customer Advances for Construction

This account shall include consumer advances 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 the respective plant accounts.

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.

253.1 Other Deferred Credits—Consumers' Energy Prepayments

This account shall include the amount of advance payments made by consumers in connection with electric service.

254 Other Regulatory Liabilities

A. This account shall include the amounts of regulatory liabilities, not includible in other accounts, imposed on the utility by the ratemaking actions of regulatory agencies.

B. The amounts included in this account are to be established by those credits which would have been included in net income determinations in the current period under the general requirements of the Uniform System of Accounts but for it being probable that: (1) such items will be included in a different period(s) for purposes of developing the rates that the utility is authorized to charge for its utility services; or (2) refunds to customers, not provided for in other accounts, will be required. When specific identification of the particular source of the regulatory liability cannot be made or when the liability arises from revenues collected pursuant to tariffs on file at a regulatory agency, Account 407.3, Regulatory Debits, shall be debited. The amounts recorded in this account generally are to be credited to the same account that would have been credited if included in income when earned except: (1) all regulatory liabilities established through the use of Account 407.3 shall be credited to Account 407.4, Regulatory Credits; and (2) in the case of refunds, a cash account or other appropriate account should be credited when the obligation is satisfied.

C. If it is later determined that the amounts recorded in this account will not be returned to customers through rates or refunds, such amounts shall be credited to Account 421, Miscellaneous Nonoperating Income, or Account 434, Extraordinary Income, as appropriate, in the year such determination is made.

D. The records supporting the entries to this account shall be kept in such a manner that the utility can furnish full information as to the nature and amount of each regulatory liability included in this account, including justification for inclusion of such amounts in this account.

255 Accumulated Deferred Investment Tax Credits

A. This account shall be credited with all investment tax credits deferred by companies which have elected to follow deferral accounting, partial or full, rather than recognizing, in the income statement, the total benefits of the tax credit as realized. After such election, a company may not transfer amounts from this account, except as authorized herein and in Account 411.4, Investment Tax Credit Adjustments, Utility Operations; Account 411.5, Investment Tax Credit Adjustments, Nonutility Operations; and Account 420, Investment Tax Credits, or with approval of RUS.

B. Where the company's accounting provides that investment tax credits are to be passed on to customers, this account shall be debited and Account 411.4 credited with a proportionate amount determined in relation to the average useful life of electric utility property to which the tax credits relate or such lesser period of time as allowed by a regulatory agency having rate jurisdiction. If, however, the deferral procedure provides that investment tax credits are not to be passed on to customers, the proportionate restorations to income shall be credited to Account 420.

C. Subdivisions of this account, by department, shall be maintained for deferred investment tax credits that are related to nonelectric utility or other operations. Contra entries affecting such account subdivisions shall be appropriately recorded in Account 413, Expenses of Electric Plant Leased to Others; or Account 414, Other Utility Operating Income. Use of deferral or nondeferral accounting procedures adopted for nonelectric utility or other operations are to be followed on a consistent basis.

D. Separate records for electric and nonelectric utility or other operations 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 Utility Plant

This account shall include gains from the sale or other disposition of property previously recorded in Account 105, Electric Plant Held for Future Use, under the provisions of Paragraphs B, C, and D thereof, where such gains are significant and are to be amortized over a period of 5 years, unless otherwise authorized by RUS. The amortization of the amounts in this account shall be made by credits to Account 411.6, Gains from Disposition of Utility Plant. (See Account 105, Electric Plant Held for Future Use.)

257 Unamortized Gain on Reacquired Debt

This account shall include the amounts of discount realized upon reacquisition or redemption of long-term debt. The amounts in this account shall be amortized in accordance with §1767.15 (q).

SPECIAL INSTRUCTIONS

Accumulated Deferred Income Taxes

Before using the deferred tax accounts provided below, refer to §1767.15 (r), Comprehensive Interperiod Income Tax Allocation. The text of these accounts are designed primarily to cover deferrals of Federal income taxes. However, they are also to be used when making deferrals of state and local income taxes. Utilities and licensees which, in addition to an electric utility department, have another utility department, gas or water and nonutility property, and which have deferred taxes on income with respect thereto shall separately classify such deferrals in the accounts provided below so as to allow ready identification of items relating to each utility deductions.

281 Accumulated Deferred Income Taxes—Accelerated Amortization Property

A. This account shall include tax deferrals resulting from adoption of the principles of comprehensive interperiod tax allocation described in §1767.15 (s) that relate to property for which the utility has availed itself of the use of accelerated (5-year) amortization of (1) certified defense facilities as permitted by Section 168 of the Internal Revenue Code, and (2) certified pollution control facilities as permitted by Section 169 of the Internal Revenue Code.

B. This account shall be credited and Account 410.1, Provision for Deferred Income Taxes, Utility Operating Income, or Account 410.2, Provision for Deferred Income Taxes, Other Income and Deductions, as appropriate, shall be debited with tax effects related to property described in Paragraph A above where taxable income is lower than pretax accounting income due to differences between the periods in which revenue and expense transactions affect taxable income and the periods in which they enter into the determination of pretax accounting income.

C. This account shall be debited and Account 411.1, Provision for Deferred Income Taxes—Credit, Utility Operating Income, or Account 411.2, Provision for Deferred Income Taxes-Credit, Other Income and Deductions, as appropriate, shall be credited with taxes related to property described in Paragraph A above where taxable income is higher than pretax accounting income due to differences between the periods in which revenue and expense transactions affect taxable income and the periods in which they enter into the determination of pretax accounting income.

D. 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 RUS. Upon the disposition by sale, exchange, transfer, abandonment, or premature retirement of plant on which there is a related balance therein, this account shall be charged with an amount equal to the related income tax expense, if any, arising from such disposition and Account 411.1, Provision for Deferred Income Taxes—Credit, Utility Operating Income, or Account 411.2, Provision for Deferred Income Taxes—Credit, Other Income and Deductions, as appropriate, shall be credited. When the remaining balance, after consideration of any related income tax expense, is less than $25,000, this account shall be charged and Account 411.1 or Account 411.2, as appropriate, credited with such balance. If after consideration of any related income tax expense, there is a remaining amount of $25,000 or more, RUS shall authorize or direct how such amount shall be accounted for at the time approval for the disposition of accounting is granted. When plant is disposed of by transfer to a wholly owned subsidiary, the related balance in this account shall also be transferred. When the disposition relates to retirement of an item or items under a group method of depreciation where there is no tax effect in the year of retirement, no entries are required in this account if it can be determined that the related balances would be necessary to be retained to offset future group item tax deficiencies.

282 Accumulated Deferred Income Taxes—Other Property

A. This account shall include the tax deferrals resulting from adoption of the principle

of comprehensive interperiod income tax allocation described in § 1767.15 (r) which are related to all property other than accelerated amortization property.

B. This account shall be credited and Account 410.1, Provision for Deferred Income Taxes, Utility Operating Income, or Account 410.2, Provision for Deferred Income Taxes, Other Income and Deductions, as appropriate, shall be debited with tax effects related to property described in Paragraph A above where taxable income is lower than pretax accounting income due to differences between the periods in which revenue and expense transactions affect taxable income and the periods in which they enter into the determination of pretax accounting income.

C. This account shall be debited and Account 411.1, Provision for Deferred Income Taxes—Credit, Utility Operating Income, or Account 411.2, Provision for Deferred Income Taxes—Credit, Other Income and Deductions, as appropriate, shall be credited with tax effects related to property described in Paragraph A above where taxable income is higher than pretax accounting income due to differences between the periods in which revenue and expense transactions affect taxable income and the periods in which they enter into the determination of pretax accounting income.

D. 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 RUS. Upon the disposition by sale, exchange, transfer, abandonment, or premature retirement of plant on which there is a related balance herein, this account shall be charged with an amount equal to the related income tax expense, if any, arising from such disposition and Account 411.1, Provision for Deferred Income Taxes—Credit, Utility Operating Income, or Account 411.2, Provision for Deferred Income Taxes—Credit, Other Income and Deductions, shall be credited. When the remaining balance after consideration of any related tax expenses, is less than $25,000, this account shall be charged and Account 411.1 or Account 411.2, as appropriate, credited with such balance. If after consideration any related income tax expense, there a remaining amount of $25,00 or more, RUS shall authorize or direct how such amount shall be accounted for at the time approval for the disposition of accounting is granted. When plant is disposed of by transfer to a wholly owned subsidiary, the related balance in this account shall also be transferred. When the disposition relates to retirement of an item or items under a group method of depreciation where there is no tax effect in the year of retirement, no entries are required in this account if it can be determined that the related balance would be necessary to be retained to offset future group item tax deficiencies.

283 Accumulated Deferred Income Taxes—Other

A. This account shall include all credit tax deferrals resulting from the adoption of the principles of comprehensive interperiod income tax allocation described in § 1767.15 (r) other than those deferrals which are includible in Account 281, Accumulated Deferred Income Taxes—Accelerated Amortization Property, and Account 282, Accumulated Deferred Income Taxes—Other Property.

B. This account shall be credited and Account 410.1, Provision for Deferred Income Taxes, Utility Operating Income, or Account 410.2, Provision for Deferred Income Taxes, Other Income and Deductions, as appropriate, shall be debited with tax effects related to items described in Paragraph A above where taxable income is lower than pretax accounting income due to differences between the periods in which revenue and expense transactions affect taxable income and the periods in which they enter into the determination of pretax accounting income.

C. This account shall be debited and Account 411.1, Provision for Deferred Income Taxes—Credit, Utility Operating Income or Account 411.2, Provision for Deferred Income Taxes—Credit, Other Income and Deductions, as appropriate, shall be credited with tax effects related to items described in Paragraph A above where taxable income is higher than pretax accounting income due to differences between the periods in which revenue and expense transactions affect taxable income and the periods in which they enter into the determination of pretax accounting income.

D. Records with respect to entries to this account, as described above, and the account balance, shall be so maintained as to show the factors of calculation with respect to each annual amount of the item or class of items.

E. 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 to any other account or make any use thereof except as provided in the text of this account, without prior approval of RUS. Upon the disposition by sale, exchange, transfer, abandonment, or premature retirement of items on which there is a related balance herein, this account shall be charged with an amount equal to the related income tax effect, if any, arising from such disposition and Account 411.1, Provision For Deferred Income Taxes—Credit, Utility Operating Income, or Account 411.2, Provision For Deferred Income Taxes-Credit, Other Income and Deductions, as appropriate, shall be credited. When the remaining balance,

after consideration of any related tax expenses, is less than $25,000, this account shall be charged and Account 411.1 or Account 411.2, as appropriate, credited with such balance. If after consideration of any related income tax expense, there is a remaining amount of $25,000 or more, RUS shall authorize or direct how such amount shall be accounted for at the time approval for the disposition of accounting is granted.

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

[58 FR 59825, Nov. 10, 1993, as amended at 59 FR 27436, May 27, 1994; 60 FR 55430, Nov. 1, 1995]

§1767.20 Plant accounts.

The plant accounts identified in this section shall be used by all RUS borrowers.

INTANGIBLE PLANT

301 Organization
302 Franchises and Consents
303 Miscellaneous Intangible Plant

PRODUCTION PLANT

Steam Production

310 Land and Land Rights
311 Structures and Improvements
312 Boiler Plant Equipment
313 Engines and Engine Driven Generators
314 Turbogenerator Units
315 Accessory Electric Equipment
316 Miscellaneous Power Plant Equipment

Nuclear Production

320 Land and Land Rights
321 Structures and Improvements
322 Reactor Plant Equipment
323 Turbogenerator Units
324 Accessory Electric Equipment
325 Miscellaneous Power Plant Equipment

Hydraulic Production

330 Land and Land Rights
331 Structures and Improvements
332 Reservoirs, Dams and Waterways
333 Water Wheels, Turbines and Generators
334 Accessory Electric Equipment
335 Miscellaneous Power Plant Equipment
336 Roads, Railroads and Bridges

Other Production

340 Land and Land Rights
341 Structures and Improvements
342 Fuel Holders, Producers and Accessories
343 Prime Movers
344 Generators
345 Accessory Electric Equipment
346 Miscellaneous Power Plant Equipment

TRANSMISSION PLANT

350 Land and Land Rights
351 [Reserved]
352 Structures and Improvements
353 Station Equipment
354 Tower and Fixtures
355 Poles and Fixtures
356 Overhead Conductors and Devices
357 Underground Conduit
358 Underground Conductors and Devices
359 Roads and Trails

DISTRIBUTION PLANT

360 Land and Land Rights
361 Structures and Improvements
362 Station Equipment
363 Storage Battery Equipment
364 Poles, Towers and Fixtures
365 Overhead Conductors and Devices
366 Underground Conduit
367 Underground Conductors and Devices
368 Line Transformers
369 Services
370 Meters
371 Installations on Customers' Premises
372 Leased Property on Customers' Premises
373 Street Lighting and Signal Systems

GENERAL PLANT

389 Land and Land Rights
390 Structures and Improvements
391 Office Furniture and Equipment
392 Transportation Equipment
393 Stores Equipment
394 Tools, Shop and Garage Equipment
395 Laboratory Equipment
396 Power Operated Equipment
397 Communication Equipment
398 Miscellaneous Equipment
399 Other Tangible Property

INTANGIBLE PLANT

301 Organization

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

Items

1. Cost of obtaining certificates authorizing an enterprise to engage in the public-utility business.
2. Fees and expenses for incorporation.
3. Fees and expenses for mergers or consolidations.

4. Office expenses incident to organizing the utility.

5. Stock and minute books and corporate seal.

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

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

302 Franchises and Consents

A. This account shall include amounts paid to the Federal Government, to a state or to a political subdivision thereof in consideration for franchises, consents, water power licenses, 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, water power licenses, 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, water power license, 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 426.5, Other Deductions.

C. When any franchise has expired, the book cost thereof shall be credited hereto and charged to Account 426.5, Other Deductions, or to Account 111, Accumulated Provision for Amortization of Electric Utility Plant, as appropriate.

D. Records supporting this account shall be kept 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 426.5, Other Deductions, or Account 111, Accumulated Provision for Amortization of Electric 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.

PRODUCTION PLANT

Steam Production

310 Land and Land Rights

This account shall include the cost of land and land rights used in connection with steam-power generation. (See § 1767.16 (g).)

311 Structures and Improvements

This account shall include the cost, in place, of structures and improvements used in connection with steam-power generation. (See § 1767.16 (h).)

NOTE: Include steam production roads and railroads in this account.

312 Boiler Plant Equipment

This account shall include the cost installed of furnaces, boilers, coal and ash handling and coal preparing equipment, steam and feed water piping, boiler apparatus, and accessories used in the production of steam, mercury, or other vapor, to be used primarily for generating electricity.

Items

1. Ash handling equipment, including hoppers, gates, cars, conveyors, hoists, sluicing equipment, including pumps and motors, sluicing water pipe and fittings, sluicing trenches and accessories, except sluices which are a part of a building.

2. Boiler feed system, including feed water heaters, evaporator condensers, heater drain pumps, heater drainers, deaerators, and vent condensers, boiler feed pumps, surge tanks, feed water regulators, feed water measuring equipment, and all associated drives.

3. Boiler plant cranes and hoists and associated drives.

4. Boilers and equipment, including boilers and baffles, economizers, superheaters, soot blowers, foundations and settings, water walls, arches, grates, insulation, blowdown system, drying out of new boilers, also associated motors or other power equipment.

5. Breeching and accessories, including breeching, dampers, soot spouts, hoppers and

gates, cinder eliminators, breeching insulation, soot blowers and associated motors.

6. Coal handling and storage equipment, including coal towers, coal lorries, coal cars, locomotives and tracks when devoted principally to the transportation of coal, hoppers, downtakes, unloading and hoisting equipment, skip hoists and conveyors, weighing equipment, magnetic separators, cable ways, and housings and supports for coal handling equipment.

7. Draft equipment, including air preheaters and accessories, induced and forced draft fans, air ducts, combustion control mechanisms, and associated motors or other power equipment.

8. Gas-burning equipment, including holders, burner equipment and piping, and control equipment.

9. Instruments and devices, including all measuring, indicating, and recording equipment for boiler plant service together with mountings and supports.

10. Lighting systems.

11. Oil-burning equipment, including tanks, heaters, pumps with drive, burner equipment and piping, and control equipment.

12. Pulverized fuel equipment, including pulverizers, accessory motors, primary air fans, cyclones and ducts, dryers, pulverized fuel bins, pulverized fuel conveyors and equipment, burners, burner piping, priming equipment, air compressors, and motors.

13. Stacks, including foundations and supports, stack steel and ladders, stack brickwork, stack concrete, stack lining, stack painting (first), when set on separate foundations, independent of substructures or superstructures of building.

14. Station piping, including pipe, valves, fittings, separators, traps, desuperheaters, hangers, excavation, and covering for station piping system, including all steam, condensate, boiler feed and water supply piping, but not condensing water, plumbing, building heating, oil, gas, air piping or piping specifically provided for in Account 313.

15. Stoker or equivalent feeding equipment, including stokers and accessory motors, clinker grinders, fans and motors.

16. Ventilating equipment.

17. Water purification equipment, including softeners and accessories, evaporators and accessories, heat exchanges, filters, tanks for filtered or softened water, pumps, and motors.

18. Water-supply systems, including pumps, motors, strainers, raw-water storage tanks, boiler wash pumps, intake and discharge pipes, and tunnels not a part of a building.

19. Wood fuel equipment, including hoppers, fuel hogs and accessories, elevators and conveyors, bins and gates, spouts, measuring equipment and associated drives.

NOTE: When the system for supplying boiler or condenser water is elaborate, and when it includes a dam, reservoir, canal, pipe line, cooling ponds, or where gas or oil is used as a fuel for producing steam and is supplied through a pipe line system owned by the utility, the cost of such special facilities shall be charged to a subdivision of Account 311, Structures and Improvements.

313 Engines and Engine Driven Generators

This account shall include the cost installed of steam engines, reciprocating or rotary, and their associated auxiliaries; and engine-driven main generators, except turbogenerator units.

Items

1. Air cleaning and cooling apparatus, including blowers, drive equipment, air ducts, not a part of building, louvers, pumps, and hoods.

2. Belting, shafting, pulleys, and reduction gearing.

3. Circulating pumps, including connections between condensers and intake and discharge tunnels.

4. Cooling system, including towers, pumps, tank, and piping.

5. Condensers, including condensate pumps, air and vacuum pumps, ejector unloading valves and vacuum breakers, expansion devices, and screens.

6. Cranes and hoists, including items wholly identified with items listed herein.

7. Engines, reciprocating or rotary.

8. Fire-extinguishing systems.

9. Foundations and settings, especially constructed for and not expected to outlast the apparatus for which provided.

10. Generators-Main, a.c. or d.c., including field rheostats and connections for self-excited units, and excitation systems when identified with the generating unit.

11. Governors.

12. Lighting systems.

13. Lubricating systems, including gauges, filters, tanks, pumps, piping, and motors.

14. Mechanical meters, including gauges, recording instruments, sampling and testing equipment.

15. Piping-main exhaust, including connections between generator and condenser and between condenser and hotwell.

16. Piping-main stream, including connections from main throttle valve to turbine inlet.

17. Platforms, railings, steps, and gratings appurtenant to apparatus listed herein.

18. Pressure oil system, including accumulators, pumps, piping, and motors.

19. Throttle and inlet valve.

20. Tunnels, intake and discharge, for condenser system, when not a part of a structure.

21. Water screens and motors.

314 Turbogenerator Units

This account shall include the cost installed of main turbine-driven units and accessory equipment used in generating electricity by steam.

Items

1. Air leaning and cooling apparatus, including blowers, drive equipment, air ducts not a part of building, louvers, pumps, and hoods.
2. Circulating pumps, including connections between condensers and intake and discharge tunnels.
3. Condensers, including condensate pumps, air and vacuum pumps, ejectors, unloading valves and vacuum breakers, expansion devices, and screens.
4. Generator hydrogen, gas piping, and detrainment equipment.
5. Cooling system, including towers, pumps, tanks, and piping.
6. Cranes and hoists, including items wholly identified with items listed herein.
7. Excitation system, when identified with main generating units.
8. Fire-extinguishing systems.
9. Foundations and settings, especially constructed for and not expected to outlast the apparatus for which provided.
10. Governors.
11. Lighting systems.
12. Lubricating systems, including gauges, filters, water separators, tanks, pumps, piping, and motors.
13. Mechanical meters, including gauges, recording instruments, sampling and testing equipment.
14. Piping-main exhaust, including connections between turbogenerator and condenser and between condenser and hotwell.
15. Piping-main steam, including connections from main throttle valve to turbine inlet.
16. Platforms, railings, steps, and gratings appurtenant to apparatus listed herein.
17. Pressure oil systems, including accumulators, pumps, and piping motors.
18. Steelwork, specially constructed for apparatus listed herein.
19. Throttle and inlet valve.
20. Tunnels, intake and discharge, for condenser system, when not a part of structure, and water screens.
21. Turbogenerators-main, including turbine and generator, field rheostats and electric connections for self-excited units.
22. Water screens and motors.
23. Moisture separator for turbine steam.
24. Turbine lubricating oil (initial charge).

315 Accessory Electric Equipment

This account shall include the cost installed of auxiliary generating apparatus, conversion equipment, and equipment used primarily in connection with the control and switching of electric energy produced by steam power, and the protection of electric circuits and equipment, except electric motors used to drive equipment included in other accounts. Such motors shall be included in the account in which the equipment with which they are associated is included.

Items

1. Auxiliary generators, including boards, compartments, switching equipment, control equipment, and connections to auxiliary power bus.
2. Excitation system, including motor, turbine and dual-drive exciter sets and rheostats, storage batteries and charging equipment, circuit breakers, panels and accessories, knife switches and accessories, surge arresters, instrument shunts, conductors and conduit, special supports for conduit, generator field and exciter switch panels, exciter bus tie panels, generator and exciter rheostats and special housing and protective screens.
3. Generator main connections, including oil circuit breakers and accessories, disconnecting switches and accessories, operating mechanisms and interlocks, current transformers, potential transformers, protective relays, isolated panels and equipment, conductors and conduit, special supports for generator main leads, grounding switch, and special housings and protective screens.
4. Station buses including main, auxiliary, transfer, synchronizing and fault ground buses, including oil circuit breakers and accessories, disconnecting switches and accessories, operating mechanisms and interlocks, reactors and accessories, voltage regulators and accessories, compensators, resistors, starting transformers, current transformers, potential transformers, protective relays, storage batteries and charging equipment, isolated panels and equipment, conductors and conduit, special supports, special housings, concrete pads, general station grounding system, special fire-extinguishing system, and test equipment.
5. Station control system, including station switchboards with panel wiring, panels with instruments and control equipment only, panels with switching equipment mounted or mechanically connected, truck-type boards complete, cubicles, station supervisory control boards, generator and exciter signal stands, temperature recording devices, frequency-control equipment, master clocks, watt-hour meters and synchronoscope in the turbine room, station totalizing wattmeter, boiler-room load indicator equipment, storage batteries, panels and charging sets, instrument transformers for supervisory metering, conductors and conduit, special supports for conduit, switchboards, batteries, special housing for batteries, protective screens, and doors.

NOTE A: Do not include in this account transformers and other equipment used for changing the voltage or frequency of electricity for the purposes of transmission or distribution.

NOTE B: When any item of equipment listed herein is used wholly to furnish power to equipment included in another account, its cost shall be included in such other account.

316 Miscellaneous Power Plant Equipment

This account shall include the cost installed of miscellaneous equipment in and about the steam generating plant devoted to general station use, and which is not properly includible in any of the foregoing steam-power production accounts.

Items

1. Compressed air and vacuum cleaning systems, including tanks, compressors, exhausters, air filters, and piping.
2. Cranes and hoisting equipment, including cranes, cars, crane rails, monorails, and hoists with electric and mechanical connections.
3. Fire-extinguishing equipment for general station use.
4. Foundations and settings specially constructed for and not expected to outlast the apparatus for which provided.
5. Locomotive cranes not includible elsewhere.
6. Locomotives not includible elsewhere.
7. Marine equipment, including boats and barges.
8. Miscellaneous belts, pulleys, and countershafts.
9. Miscellaneous equipment, including atmospheric and weather indicating devices, intrasite communication equipment, laboratory equipment, signal systems, callophones, emergency whistles and sirens, fire alarms, insect-control equipment, and other similar equipment.
10. Railway cars not includible elsewhere.
11. Refrigerating systems, including compressors, pumps, and cooling coils.
12. Station maintenance equipment, including lathes, shapers, planers, drill presses, hydraulic presses, and grinders with motors, shafting, hangers, and pulleys.
13. Ventilating equipment, including items wholly identified with apparatus listed herein.

NOTE: When any item of equipment listed herein is wholly used in connection with equipment included in another account, its cost shall be included in such other account.

Nuclear Production

320 Land and Land Rights

This account shall include the cost of land and land rights used in connection with nuclear power generation. (See § 1767.16(g).)

321 Structures and Improvements

This account shall include the cost, in place, of structures and improvements used and useful in connection with nuclear power generation. (See § 1767.16 (h).)

NOTE: Include vapor containers and nuclear production roads and railroads in this account.

322 Reactor Plant Equipment

This account shall include the installed cost of reactors, reactor fuel handling and storage equipment, pressurizing equipment, coolant charging equipment, purification and discharging equipment, radioactive waste treatment and disposal equipment, boilers, steam and feed water piping, reactor and boiler apparatus and accessories and other reactor plant equipment used in the production of steam to be used primarily for generating electricity, including auxiliary superheat boilers and associated equipment in systems which change temperatures or pressure of steam from the reactor system.

Items

1. Auxiliary superheat boilers and associated fuel storage handling preparation and burning equipment. (See Account 312, Boiler Plant Equipment, for items, but exclude water supply, water flow lines, and steam lines, as well as other equipment not strictly within the superheat function.)
2. Boiler feed system, including feed water heaters, evaporator condensers, heater drain pumps, heater drainers, deaerators, and vent condensers, boiler feed pumps, surge tanks, feed water regulators, feed water measuring equipment, and all associated drivers.
3. Boilers and heat exchangers.
4. Instruments and devices, including all measuring, indicating, and recording equipment for reactor and boiler plant service together with mountings and supports.
5. Lighting systems.
6. Moderators, such as heavy water, and graphite, initial charge.
7. Reactor coolant; primary and secondary systems, initial charge.
8. Radioactive waste treatment and disposal equipment, including tanks, ion exchangers, incinerators, condensers, chimneys, and diluting fans and pumps.
9. Foundations and settings, especially constructed for and not expected to outlast the apparatus for which provided.
10. Reactor including shielding, control rods and mechanisms.
11. Reactor fuel handling equipment, including manipulating and extraction tools, underwater viewing equipment, seal cutting and welding equipment, fuel transfer equipment, and fuel disassembly machinery.
12. Reactor fuel element failure detection system.

13. Reactor emergency poison container and injection system.

14. Reactor pressuring and pressure relief equipment, including pressurizing tanks and immersion heaters.

15. Reactor coolant or moderator circulation charging, purification, and discharging equipment, including tanks, pumps, heat exchangers, demineralizers, and storage.

16. Station piping, including pipes, valves, fittings, separators, traps, desuperheaters, hangers, excavation, and covering for station piping system, including all-reactor coolant, steam, condensate, boiler feed and water supply piping, but not condensing water, plumbing, building heating, oil, gas, or air piping.

17. Ventilating equipment.

18. Water purification equipment, including softeners, demineralizers and accessories, evaporators and accessories, heat exchangers, filters, tanks for filtered or softened water, pumps, and motors.

19. Water supply systems, including pumps, motors, strainers, raw-water storage tanks, boiler wash pumps, intake and discharge pipes and tunnels not a part of a building.

20. Reactor plant cranes and hoists, and associated drives.

NOTE: When the system for supplying boiler or condenser water is elaborate, as when it includes a dam, reservoir, canal, pipe lines, or cooling ponds, the cost of such special facilities shall be charged to a subdivision of Account 321, Structures and Improvements.

323 Turbogenerator Units

This account shall include the cost installed of main turbine-driven units and accessory equipment used in generating electricity by steam.

Items

1. Air cleaning and cooling apparatus, including blowers, drive equipment, air ducts, not a part of building, louvers, pumps, and hoods.

2. Circulating pumps, including connections between condensers, and intake and discharge tunnels.

3. Condensers, including condensate pumps, air and vacuum pumps, ejectors, unloading valves and vacuum breakers, expansion devices, and screens.

4. Generator hydrogen gas piping system and hydrogen detrainment equipment, and bulk hydrogen gas storage equipment.

5. Cooling system, including towers, pumps, tanks, and piping.

6. Cranes and hoists, including items wholly identified with items listed herein.

7. Excitation system, when identified with main generating units.

8. Fire extinguishing systems.

9. Foundations and settings, especially constructed for and not expected to outlast the apparatus for which provided.

10. Governors.

11. Lighting systems.

12. Lubricating systems, including gauges, filters, water separators, tanks, pumps, piping, and motors.

13. Mechanical meters, including gauges, recording instruments, sampling and testing equipment.

14. Piping-main steam, including connections between turbogenerator and condenser and between condenser and hotwell.

15. Piping-main steam, including connections from main throttle valve to turbine inlet.

16. Platforms, railings, steps, and gratings appurtenant to apparatus listed herein.

17. Pressure oil systems, including accumulators, pumps, piping, and motors.

18. Steelwork, specially constructed for apparatus listed herein.

19. Throttle and inlet valve.

20. Tunnels, intake and discharge, for condenser system, when not a part of structure, and water screens.

21. Turbogenerators-main, including turbine and generator, field rheostats and electric connections for self-excited units.

22. Water screens and motors.

23. Moisture separators for turbine steam.

24. Turbine lubricating oil, initial charge.

324 Accessory Electric Equipment

This account shall include the cost installed of auxiliary generating apparatus, conversion equipment, and equipment used primarily in connection with the control and switching of electric energy produced by nuclear power, and the protection of electric circuits and equipment, except electric motors used to drive equipment included in other accounts. Such motors shall be included in the account in which the equipment with which they are associated is included.

NOTE: Do not include in this account transformers and other equipment used for changing the voltage or frequency of electric energy for the purpose of transmission or distribution.

Items

1. Auxiliary generators, including boards, compartments, switching equipment, control equipment, and connections to auxiliary power bus.

2. Excitation system, including motor, turbine and dual-drive exciter sets and rheostats, storage batteries, and charging equipment, circuit breakers, panels and accessories, knife switches and accessories, surge arresters, instrument shunts, conductors and conduit, special supports for conduit, generator field and exciter switch panels, exciter

bus tie panels, generator and exciter rheostats and special housing and protective screens.

3. Generator main connections, including oil circuit breakers and accessories, disconnecting switches and accessories, operating mechanisms and interlocks, current transformers, potential transformers, protective relays, isolated panels and equipment, conductors and conduit, special supports for generator main leads, grounding switch, special housings and protective screens.

4. Station buses, including main, auxiliary, transfer, synchronizing and fault ground buses, including oil circuit breakers and accessories, operating mechanisms and interlocks, reactors and accessories, voltage regulators and accessories, compensators, resistors, starting transformers, current transformers, potential transformers, protective relays, storage batteries and charging equipment, isolated panels and equipment, conductors and conduit, special supports, special housings, concrete pads, general station grounding system, fire-extinguishing system, and test equipment.

5. Station control system, including station switchboards with panel wiring, panels with instruments and control equipment only, panels with switching equipment mounted or mechanically connected, truck-type boards complete, cubicles, station supervisory control boards, generator and exciter signal stands, temperature recording devices, frequency-control equipment, master clocks, watt-hour meters and synchronoscope in the turbine room, station totalizing wattmeter, boiler-room load indicator equipment, storage batteries, panels and charging sets, instrument transformers for supervisory metering, conductors and conduit, special supports for conduit, switchboards, batteries, special housing for batteries, protective screens, and doors.

NOTE: When any item of equipment listed herein is used wholly to furnish power to equipment included in another account, its cost shall be included in such other account.

325 Miscellaneous Power Plant Equipment

This account shall include the cost installed of miscellaneous equipment in and about the nuclear generating plant devoted to general station use, which is not properly includible in any of the foregoing nuclear-power production accounts.

Items

1. Compressed air and vacuum cleaning systems, including tanks, compressors, exhausters, air filters, and piping.

2. Cranes and hoisting equipment, including cranes, cars, crane rails, monorails, and hoists with electric and mechanical connections.

3. Fire-extinguishing equipment for general station and site use.

4. Foundations and settings specially constructed for and not expected to outlast the apparatus for which provided.

5. Locomotive cranes not includible elsewhere.

6. Locomotives not included elsewhere.

7. Marine equipment, including boats and barges.

8. Miscellaneous belts, pulleys, and countershafts.

9. Miscellaneous equipment, including atmospheric and weather recording devices, intrasite communication equipment, laboratory equipment, signal systems, callophones, emergency whistles and sirens, fire alarms, insect-control equipment, and other similar equipment.

10. Railway cars or special shipping containers not includible elsewhere.

11. Refrigerating systems, including compressors, pumps, and cooling coils.

12. Station maintenance equipment, including lathes, shapers, planers, drill presses, hydraulic presses, and grinders with motors, shafting, hangers, and pulleys.

13. Ventilating equipment, including items wholly identified with apparatus listed herein.

14. Station and area radiation monitoring equipment.

NOTE: When any item of equipment listed herein is wholly used in connection with equipment included in another account, its cost shall be included in such other account.

Hydraulic Production

330 Land and Land Rights

This account shall include the cost of land and land rights used in connection with hydraulic power generation. (See § 1767.16 (g).) It shall also include the cost of land and land rights used in connection with (1) the conservation of fish and wildlife, and (2) recreation. Separate subaccounts shall be maintained for each of the above.

331 Structures and Improvements

This account shall include the cost, in place, of structures and improvements used in connection with hydraulic power generation. (See § 1767.16 (h).) It shall also include the cost, in place, of structures and improvements used in connection with (1) the conservation of fish and wildlife, and (2) recreation. Separate subaccounts shall be maintained for each of the above.

332 Reservoirs, Dams, and Waterways

This account shall include the cost in place of facilities used for impounding, collecting, storage, diversion, regulation, and delivery of water used primarily for generating electricity. It shall also include the cost in place

of facilities used in connection with (1) the conservation of fish and wildlife, and (2) recreation. Separate subaccounts shall be maintained for each of the above. (See § 1767.16 (h)(3).)

Items

1. Bridges and culverts, when not a part of roads or railroads.
2. Clearing and preparing land.
3. Dams, including wasteways, spillways, flash boards, spillway gates with operating and control mechanisms, tunnels, gate houses, and fish ladders.
4. Dikes and embankments.
5. Electric system, including conductors, control system, transformers, and lighting fixtures.
6. Excavation, including shoring, bracing, bridging, refill, and disposal of excess excavated material.
7. Foundations and settings specially constructed for and not expected to outlast the apparatus for which provided.
8. Intakes, including trash racks, rack cleaners, control gates and valves with operating mechanisms, and intake house when not a part of station structure.
9. Platforms, railings, steps, and gratings appurtenant to structures listed herein.
10. Power line wholly identified with items included herein.
11. Retaining walls.
12. Water conductors and accessories, including canals, tunnels, flumes, penstocks, pipe conductors, forebays, tailraces, navigation locks and operating mechanisms, water-hammer and surge tanks, and supporting trestles and structures.
13. Water storage reservoirs, including dams, flashboards, spillway gates and operating mechanisms, inlet and outlet tunnels, regulating valves and valve towers, silt and mud sluicing tunnels with valve or gate towers, and all other structures wholly identified with any of the foregoing items.

333 Water Wheels, Turbines and Generators

This account shall include the cost installed of water wheels and hydraulic turbines (from connection with penstock or flume to tailrace) and generators driven thereby devoted to the production of electricity by water power or for the production of power for industrial or other purposes, if the equipment used for such purposes is a part of the hydraulic power plant works.

Items

1. Exciter water wheels and turbines, including runners, gates, governors, pressure regulators, oil pumps, operating mechanisms, scroll cases, draft tubes, and draft-tube supports.
2. Fire-extinguishing equipment.
3. Foundations and settings, specially constructed for and not expected to outlast the apparatus for which provided.
4. Generator cooling system, including air cooling and washing apparatus, air fans and accessories, and air ducts.
5. Generators-main, a.c. or d.c., including field rheostats and connections for self-excited units and excitation system when identified with the generating unit.
6. Lighting systems.
7. Lubricating systems, including gauges, filters, tanks, pumps, and piping.
8. Main penstock valves and appurtenances, including main valves, control equipment, bypass valves and fittings, and other accessories.
9. Main turbines and water wheels, including runners, gates, governors, pressure regulators, oil pumps, operating mechanisms, scroll cases, draft tubes, and draft-tube supports.
10. Mechanical meters and recording instruments.
11. Miscellaneous water-wheel equipment, including gauges, thermometers, meters, and other instruments.
12. Platforms, railings, steps, and gratings appurtenant to apparatus listed herein.
13. Scroll case filling and drain system, including gates, pipe, valves, and fittings.
14. Water-actuated pressure-regulator system, including tanks and housings, pipes, valves, fittings and insulators, piers and anchorage, and excavation and backfill.

334 Accessory Electric Equipment

This account shall include the cost installed of auxiliary generating apparatus, conversion equipment, and equipment used primarily in connection with the control and switching of electric energy produced by hydraulic power and the protection of electric circuits and equipment, except electric motors used to drive equipment included in other accounts, such motors being included in the account in which the equipment with which they are associated is included.

Items

1. Auxiliary generators, including boards, compartments, switching equipment, control equipment, and connections to auxiliary power bus.
2. Excitation system, including motor, turbine, and dual-drive exciter sets and rheostats, storage batteries and charging equipment, circuit breakers, panels and accessories, knife switches and accessories, surge arresters, instrument shunts, conductors and conduit, special supports for conduit, generator field and exciter switch panels, exciter bus tie panels, generator and exciter rheostats and special housings and protective screens.

3. Generator main connections, including oil circuit breakers and accessories, disconnecting switches and accessories, operating mechanisms and interlocks, current transformers, potential transformers, protective relays, isolated panels and equipment, conductors and conduit, special supports for generator main leads, grounding switch, and special housings and protective screens.

4. Station buses, including main, auxiliary, transfer, synchronizing, and fault ground buses, including oil circuit breakers and accessories, disconnecting switches and accessories, operating mechanisms and interlocks, reactors and accessories, voltage regulators and accessories, compensators, resistors starting transformers, current transformers, potential transformers, protective relays, storage batteries, and charging equipment, isolated panels and equipment, conductors and conduit, special supports, special fire-extinguishing system, and test equipment.

5. Station control system, including station switchboards with panel wiring, panels with instruments and control equipment only, panels with switching equipment mounted for mechanically connected, truck-type boards complete, cubicles, station supervisory control devices, frequency control equipment, master clocks, watt-hour meter, station totalizing watt-meter, storage batteries, panels and charging sets, instrument transformers for supervisory metering, conductors and conduit, special supports for conduit, switchboards, batteries, special housings for batteries, protective screens, and doors.

NOTE A: Do not include in this account transformers and other equipment used for changing the voltage or frequency of electricity for the purpose of transmission or distribution.

NOTE B: When any item of equipment listed herein is used wholly to furnish power to equipment, it shall be included in such equipment account.

335 Miscellaneous Power Plant Equipment

This account shall include the cost installed of miscellaneous equipment in and about the hydroelectric generating plant which is devoted to general station use and is not properly includible in other hydraulic production accounts. It shall also include the cost of equipment used in connection with (1) the conservation of fish and wildlife, and (2) recreation. Separate subaccounts shall be maintained for each of the above.

Items

1. Compressed air and vacuum cleaning systems, including tanks, compressors, exhausters, air filters, and piping.

2. Cranes and hoisting equipment, including cranes, cars, crane rails, monorails, and hoists with electric and mechanical connections.

3. Fire-extinguishing equipment for general station use.

4. Foundations and settings, specially constructed for and not expected to outlast the apparatus for which provided.

5. Locomotive cranes not includible elsewhere.

6. Locomotives not includible elsewhere.

7. Marine equipment, including boats and barges.

8. Miscellaneous belts, pulleys, and countershafts.

9. Miscellaneous equipment, including atmospheric and weather indicating devices. Intrasite communication equipment, laboratory equipment, insect control equipment, signal systems, callophones, emergency whistles and sirens, fire alarms, and other similar equipment.

10. Railway cars, not includible elsewhere.

11. Refrigerating system, including compressors, pumps, and cooling coils.

12. Station maintenance equipment, including lathes, shapers, planers, drill presses, hydraulic presses, and grinders with motors, shafting, hangers, and pulleys.

13. Ventilating equipment, including items wholly identified with apparatus listed herein.

NOTE: When any item of equipment, listed herein, is used wholly in connection with equipment included in another account, its cost shall be included in such other account.

336 Roads, Railroads, and Bridges

This account shall include the cost of roads, railroads, trails, bridges, and trestles used primarily as production facilities. It also includes those roads necessary to connect the plant with highway transportation systems, except when such roads are dedicated to public use and maintained by public authorities.

Items

1. Bridges, including foundations, piers, girders, trusses, and flooring.

2. Clearing land.

3. Railroads, including grading, ballast, ties, rails, culverts, and hoists.

4. Roads, including grading, surfacing, and culverts.

5. Structures, constructed and maintained in connection with items listed herein.

6. Trails, including grading, surfacing, and culverts.

7. Trestles, including foundations, piers, girders, trusses, and flooring.

NOTE A: Roads intended primarily for connecting employees' houses with the power plant, and roads used primarily in connection with fish and wildlife, and recreation activities, shall not be included herein but in Account 331, Structures and Improvements.

NOTE B: The cost of temporary roads and bridges necessary during the period of construction but abandoned or dedicated to public use upon completion of the plant, shall not be included herein but shall be charged to the accounts appropriate for the construction.

Other Production

340 Land and Land Rights

This account shall include the cost of land and land rights used in connection with other power generation. (See § 1767.16 (g).)

341 Structures and Improvements

This account shall include the cost in place of structures and improvements used in connection with other power generation. (See § 1767.16 (h).)

342 Fuel Holders, Producers, and Accessories

This account shall include the cost installed of fuel handling and storage equipment used between the point of fuel delivery to the station and the intake pipe through which fuel is directly drawn to the engine, also the cost of gas producers and accessories devoted to the production of gas for use in prime movers driving main electric generators.

Items

1. Blower and fans.
2. Boilers and pumps.
3. Economizers.
4. Exhauster outfits.
5. Flues and piping.
6. Pipe system.
7. Producers.
8. Regenerators.
9. Scrubbers.
10. Steam injectors.
11. Tanks for storage of oil and gasoline.
12. Vaporizers.

343 Prime Movers

This account shall include the cost installed of Diesel or other prime movers devoted to the generation of electric energy, together with their auxiliaries.

Items

1. Air-filtering system.
2. Belting, shafting, pulleys, and reduction gearing.
3. Cooling system, including towers, pumps, tanks, and piping.
4. Cranes and hoists, including items wholly identified with apparatus listed herein.
5. Engines, Diesel, gasoline, gas, or other internal combustion.
6. Foundations and settings specially constructed for and not expected to outlast the apparatus for which provided.
7. Governors.
8. Ignition system.
9. Inlet valve.
10. Lighting systems.
11. Lubricating systems, including filters, tanks, pumps, and piping.
12. Mechanical meters, including gauges, recording instruments, sampling, and testing equipment.
13. Mufflers.
14. Piping.
15. Starting systems, compressed air, or other, including compressors and drives, tanks, piping, motors, boards and connections, and storage tanks.
16. Steelwork, specially constructed for apparatus listed herein.
17. Waste heat boilers and antifluctuators.

344 Generators

This account shall include the cost installed of Diesel or other power driven main generators.

Items

1. Cranes and hoists, including items wholly identified with such apparatus.
2. Fire-extinguishing equipment.
3. Foundations and settings, specially constructed for and not expected to outlast the apparatus for which provided.
4. Generator cooling system, including air cooling and washing apparatus, air fans and accessories, and air ducts.
5. Generators-main, a.c. or d.c., including field rheostats and connections for self-excited units and excitation system when identified with the generating unit.
6. Lighting systems.
7. Lubricating system, including tanks, filters, strainers, pumps, piping, and coolers.
8. Mechanical meters and recording instruments.
9. Platforms, railings, steps, and gratings appurtenant to apparatus listed herein.

NOTE: If prime movers and generators are so integrated that it is not practical to classify them separately, the entire unit may be included in Account 344, Generators.

345 Accessory Electric Equipment

This account shall include the cost installed of auxiliary generating apparatus, conversion equipment, and equipment used primarily in connection with the control and switching of electric energy produced in other power generating stations, and the protection of electric circuits and equipment, except electric motors used to drive equipment included in other accounts. Such motors shall be included in the account in which the equipment with which it is associated is included.

Items

1. Auxiliary generators, including boards, compartments, switching equipment, control equipment, and connections to auxiliary power bus.

2. Excitation system, including motor, turbine and dual-drive exciter sets and rheostats, storage batteries and charging equipment, circuit breakers, panels and accessories, knife switches and accessories, surge arresters, instrument shunts, conductors and conduit, special supports for conduit, generator field and exciter switch panels, exciter bus tie panels, generator and exciter rheostats and special housings and protective screens.

3. Generator main connections, including oil circuit breakers and accessories, disconnecting switches and accessories, operating mechanisms and interlocks, current transformers, potential transformers, protective relays, isolated panels and equipment, conductors and conduit, special supports for generator main leads, grounding switch, and special housing and protective screens.

4. Station control system, including station switchboards with panel wiring, panels with instruments and control equipment only, panels with switching equipment mounted or mechanically connected, trunk-type boards complete, cubicles, station supervisory control boards, generator and exciter signal stands, temperature-recording devices, frequency control equipment, master clocks, watt-hour meter, station totalizing wattmeter, storage batteries, panels and charging sets, instrument transformers for supervisory metering, conductors and conduit, special supports for conduit, switchboards, batteries, special housing for batteries, protective screens, and doors.

5. Station buses, including main, auxiliary, transfer, synchronizing and fault ground buses, including oil circuit breakers and accessories, disconnecting switches and accessories, operating mechanisms and interlocks, reactors and accessories, voltage regulators and accessories, compensators, resistors, starting transformers, current transformers, potential transformers, protective relays, storage batteries and charging equipment, isolated panels and equipment, conductors and conduit, special supports, special housings, concrete pads, general station ground system, special fire-extinguishing system, and test equipment.

NOTE A: Do not include in this account transformers and other equipment used for changing the voltage or frequency of electric energy for the purpose of transmission or distribution.

NOTE B: When any item of equipment listed herein is used wholly to furnish power to equipment included in another account, its cost shall be included in such other account.

346 Miscellaneous Power Plant Equipment

This account shall include the cost installed of miscellaneous equipment in and about the other power generating plant, devoted to general station use, and not properly includible in any of the foregoing other power production accounts.

Items

1. Compressed air and vacuum cleaning systems, including tanks, compressors, exhausters, air filters, and piping.

2. Cranes and hoisting equipment, including cranes, cars, crane rails, monorails, and hoists with electric and mechanical connections.

3. Fire-extinguishing equipment for general station use.

4. Foundations and settings, specially constructed for and not expected to outlast the apparatus for which provided.

5. Miscellaneous equipment, including atmospheric and weather indicating devices, intrasite communication equipment, laboratory equipment, signal systems, callophones, emergency whistles and sirens, fire alarms, and other similar equipment.

6. Miscellaneous belts, pulleys, and countershafts.

7. Refrigerating systems including compressors, pumps, and cooling coils.

8. Station maintenance equipment, including lathes, shapers, planters, drill presses, hydraulic presses, and grinders with motors, shafting, hangers, or pulleys.

9. Ventilating equipment, including items wholly identified with apparatus listed herein.

NOTE: When any item of equipment, listed herein is used wholly in connection with equipment included in another account, its cost shall be included in such other account.

TRANSMISSION PLANT

350 Land and Land Rights

This account shall include the cost of land and land rights used in connection with transmission operations. (See § 1767.16 (g).)

351 [Reserved]

352 Structures and Improvements

This account shall include the cost, in place, of structures and improvements used in connection with transmission operations. (See § 1767.16 (h).)

353 Station Equipment

This account shall include the cost installed of transforming, conversion, and switching equipment used for the purpose of changing the characteristics of electricity in connection with its transmission or for controlling transmission circuits.

Items

1. Bus compartments, concrete, brick, and sectional steel, including items permanently attached thereto.
2. Conduit, including concrete and iron duct runs not a part of a building.
3. Control equipment, including batteries, battery charging equipment, transformers, remote relay boards, and connections.
4. Conversion equipment, including transformers, indoor and outdoor, frequency changers, motor generator sets, rectifiers, synchronous converters, motors, cooling equipment, and associated connections.
5. Fences.
6. Fixed and synchronous condensers, including transformers, switching equipment, blowers, motors and connections.
7. Foundations and settings, specially constructed for and not expected to outlast the apparatus for which provided.
8. General station equipment, including air compressors, motors, hoists, cranes, test equipment, and ventilating equipment.
9. Platforms, railings, steps, and gratings appurtenant to apparatus listed herein.
10. Primary and secondary voltage connections, including bus runs and supports, insulators, potheads, lightning arresters, cable and wire runs from and to outdoor connections or to manholes and the associated regulators, reactors, resistors, surge arresters, and accessory equipment.
11. Switchboards, including meters, relays, and control wiring.
12. Switching equipment, indoor and outdoor, including oil circuit breakers and operating mechanisms, truck switches, and disconnect switches.
13. Tools and appliances.

354 Towers and Fixtures

This account shall include the cost installed of towers and appurtenant fixtures used for supporting overhead transmission conductors.

Items

1. Anchors, guys, and braces.
2. Brackets.
3. Crossarms, including braces.
4. Excavation, backfill, and disposal of excess excavated material.
5. Foundations.
6. Guards.
7. Insulator pins and suspension bolts.
8. Ladder and steps.
9. Railings.
10. Towers.

355 Poles and Fixtures

This account shall include the cost installed of transmission line poles, wood, steel, concrete, or other material, together with appurtenant fixtures used for supporting overhead transmission conductors.

Items

1. Anchors, head arm and other guys, including guy guards, guy clamps, strain insulators, and pole plates.
2. Brackets.
3. Crossarms and braces.
4. Excavation and backfill, including disposal of excess excavated material.
5. Extension arms.
6. Gaining, roofing, stenciling, and tagging.
7. Insulator pins and suspension belts.
8. Paving.
9. Pole steps.
10. Poles, wood, steel, concrete, or other material.
11. Racks complete with insulators.
12. Reinforcing and stubbing.
13. Settings.
14. Shaving and painting.

356 Overhead Conductors and Devices

This account shall include the cost installed of overhead conductors and devices used for transmission purposes.

Items

1. Circuit breakers.
2. Conductors, including insulated and bare wires and cables.
3. Ground wires and ground clamps.
4. Insulators, including pin, suspension, and other types.
5. Lightning arresters.
6. Switches.
7. Other line devices.

357 Underground Conduit

This account shall include the cost installed of underground conduit and tunnels used for housing transmission cables or wires. (See § 1767.16 (n).)

Items

1. Conduit, concrete, brick or tile, including iron pipe, fiber pipe, Murray duct, and standpipe on pole or tower.
2. Excavation, including shoring, bracing, bridging, backfill, and disposal of excess excavated material.
3. Foundations and settings specially constructed for and not expected to outlast the apparatus for which provided.
4. Lighting systems.
5. Manholes, concrete or brick, including iron or steel, frames and covers, hatchways, gratings, ladders, cable racks and hangers, permanently attached to manholes.
6. Municipal inspection.
7. Pavement disturbed, including cutting and replacing pavement, pavement base and sidewalks.
8. Permits.
9. Protection of street openings.
10. Removal and relocation of subsurface obstructions.

11. Sewer connections, including drains, traps, tide valves, and check valves.
12. Sumps, including pumps.
13. Ventilating equipment.

358 Underground Conductors and Devices

This account shall include the cost installed of underground conductors and devices used for transmission purposes.

Items

1. Armored conductors, buried, including insulators, insulating materials, splices, potheads, and trenching.
2. Armored conductors, submarine, including insulators, insulating materials, splices in terminal chambers, and potheads.
3. Cables in standpipe, including pothead and connection from terminal chamber of manhole to insulators on pole.
4. Circuit breakers.
5. Fireproofing, in connection with any items listed herein.
6. Hollow-core oil-filled cable, including straight or stop joints, pressure tanks, auxiliary air tanks, feeding tanks, terminals, potheads and connections, and ventilating equipment.
7. Lead and fabric covered conductors, including insulators, compound filled, oil filled, or vacuum splices, and potheads.
8. Lightning arresters.
9. Municipal inspection.
10. Permits.
11. Protection of street openings.
12. Racking of cables.
13. Switches.
14. Other line devices.

359 Roads and Trails

This account shall include the cost of roads, trails, and bridges used primarily as transmission facilities.

Items

1. Bridges, including foundation piers, girders, trusses, and flooring.
2. Clearing land.
3. Roads, including grading, surfacing, and culverts.
4. Structures, constructed and maintained in connection with items included herein.
5. Trails, including grading, surfacing, and culverts.

NOTE: The cost of temporary roads, and bridges necessary during the period of construction but abandoned or dedicated to public use upon completion of the plant, shall be charged to the accounts appropriate for the construction.

DISTRIBUTION PLANT

360 Land and Land Rights

This account shall include the cost of land and land rights used in connection with distribution operations. (See § 1767.16 (g).)

NOTE: Do not include the cost of permits to erect poles, or towers or to trim trees in this account. (See Account 364, Poles, Towers and Fixtures, and Account 365, Overhead Conductors and Devices.)

361 Structures and Improvements

This account shall include the cost, in place, of structures and improvements used in connection with distribution operations. (See § 1767.16 (h).)

362 Station Equipment

This account shall include the cost installed of station equipment, including transformer banks, which are used for the purpose of changing the characteristics of electricity in connection with its distribution.

Items

1. Bus compartments, concrete, brick and sectional steel, including items permanently attached thereto.
2. Conduit, including concrete and iron duct runs not part of building.
3. Control equipment, including batteries, battery charging equipment, transformers, remote relay boards, and connections.
4. Conversion equipment, indoor and outdoor, frequency changers, motor generator sets, rectifiers, synchronous converters, motors, cooling equipment, and associated connections.
5. Fences.
6. Fixed and synchronous condensers, including transformers, switching equipment, blowers, motors, and connections.
7. Foundations and settings, specially constructed for and not expected to outlast the apparatus for which provided.
8. General station equipment, including air compressors, motors, hoists, cranes, test equipment, and ventilating equipment.
9. Platforms, railings, steps, and gratings appurtenant to apparatus listed herein.
10. Primary and secondary voltage connections, including bus runs and supports, insulators, potheads, lightning arresters, cable and wire runs from and to outdoor connections or to manholes and the associated regulators, reactors, resistors, surge arresters, and accessory equipment.
11. Switchboards, including meters, relays, and control wiring.
12. Switching equipment, indoor and outdoor, including oil circuit breakers and operating mechanisms, truck switches, disconnect switches.

NOTE: The cost of rectifiers, series transformers, and other special station equipment devoted exclusively to street lighting service shall not be included in this account, but in Account 373, Street Lighting and Signal Systems.

363 Storage Battery Equipmentis account shall include the cost installed of storage battery equipment used for the purpose of supplying electricity to meet emergency or peak demands.

Items

1. Batteries, including elements, tanks, and tank insulators.
2. Battery room connections, including cable or bus runs and connections.
3. Battery room flooring, when specially laid for supporting batteries.
4. Charging equipment, including motor generator sets and other charging equipment and connections, and cable runs from generator or station bus to battery room connections.
5. Miscellaneous equipment, including instruments, and water stills.
6. Switching equipment, including endcell switches and connections, boards and panels, used exclusively for battery control, not part of general station switchboard.
7. Ventilating equipment, including fans and motors, louvers, and ducts not part of building.

NOTE: Storage batteries used for control and general station purposes shall not be included in this account but in the account appropriate for their use.

364 Poles, Towers and Fixtures

This account shall include the cost installed of poles, towers, and appurtenant fixtures used for supporting overhead distribution conductors and service wires.

Items

1. Anchors, head arm, and other guys, including guy guards, guy clamps, strain insulators, and pole plates.
2. Brackets.
3. Crossarms and braces.
4. Excavation and backfill, including disposal of excess excavated material.
5. Extension arms.
6. Foundations.
7. Guards.
8. Insulator pins and suspension bolts.
9. Paving.
10. Permits for construction.
11. Pole steps and ladders.
12. Poles, wood, steel, concrete, or other material.
13. Racks complete with insulators.
14. Railings.
15. Reinforcing and stubbing.
16. Settings.
17. Shaving, painting, gaining, roofing, stenciling, and tagging.
18. Towers.
19. Transformer racks and platforms.

365 Overhead Conductors and Devices

This account shall include the cost installed of overhead conductors and devices used for distribution purposes.

Items

1. Circuit breakers.
2. Conductors, including insulated and bare wires and cables.
3. Ground wires and clamps.
4. Insulators, including pin, suspension, and other types, and tie wire or clamps.
5. Lightning arresters.
6. Railroad and highway crossing guards.
7. Splices.
8. Switches.
9. Tree trimming, initial cost including the cost of permits therefor.
10. Other line devices.
11. Oil circuit reclosers (OCR).
12. Sectionalizers.
13. Labor costs for installation of OCRs and Sectionalizers, first only.

NOTE: The cost of conductors used solely for street lighting or signal systems shall not be included in this account but in Account 373, Street Lighting and Signal Systems.

366 Underground Conduit

This account shall include the cost installed of underground conduit and tunnels used for housing distribution cables or wires.

Items

1. Conduit, concrete, brick and tile, including iron pipe, fiber pipe, Murray duct, and standpipe on pole or tower.
2. Excavation, including shoring, bracing, bridging, backfill, and disposal of excess excavated material.
3. Foundations and settings specially constructed for and not expected to outlast the apparatus for which constructed.
4. Lighting systems.
5. Manholes, concrete or brick, including iron or steel frames and covers, hatchways, gratings, ladders, cable racks, and hangers permanently attached to manholes.
6. Municipal inspection.
7. Pavement disturbed, including cutting and replacing pavement, pavement base, and sidewalks.
8. Permits.
9. Protection of street openings.
10. Removal and relocation of subsurface obstructions.
11. Sewer connections, including drains, traps, tide valves, and check valves.
12. Sumps, including pumps.
13. Ventilating equipment.

NOTE: The cost of underground conduit used solely for street lighting or signal systems shall be included in Account 373, Street Lighting and Signal Systems.

367 Underground Conductors and Devices

This account shall include the cost installed of underground conductors and devices used for distribution purposes.

Items

1. Armored conductors, buried, including insulators, insulating materials, splices, potheads, and trenching.
2. Armored conductors, submarine, including insulators, insulating materials, splices in terminal chamber, and potheads.
3. Cables in standpipe, including pothead and connection from terminal chamber or manhole to insulators on pole.
4. Circuit breakers.
5. Fireproofing, in connection with any items listed herein.
6. Hollow-core oil-filled cable, including straight or stop joints, pressure tanks, auxiliary air tanks, feeding tanks, terminals, potheads and connections.
7. Lead and fabric covered conductors, including insulators, compound-filled, oil-filled or vacuum splices, and potheads.
8. Lightning arresters.
9. Municipal inspection.
10. Permits.
11. Protection of street openings.
12. Racking of cables.
13. Switches.
14. Other line devices.

NOTE: The cost of underground conductors and devices used solely for street lighting or signal systems shall be included in Account 373, Street Lighting and Signal Systems.

368 Line Transformers

A. This account shall include the cost installed of overhead and underground distribution line transformers and pole-type and underground voltage regulators owned by the utility, for use in transforming electricity to the voltage at which it is to be used by the customer, whether actually in service or held in reserve.

B. When a transformer is permanently retired from service, the original installed cost thereof shall be credited to this account.

C. The records covering line transformers shall be so kept that the utility can furnish the number of transformers of various capacities in service and those in reserve, and the location and the use of each transfer.

Items

1. Installation, labor of (first installation only).
2. Transformer cut-out boxes.
3. Transformer lightning arresters.
4. Transformers, line and network.
5. Capacitors.
6. Network protectors.
7. Voltage regulators.

NOTE: The cost of removing and resetting line transformers shall not be charged to this account but to Account 583, Overhead Line Expenses, or Account 584, Underground Line Expenses, as appropriate. The cost of line transformers used solely for street lighting or signal systems shall be included in Account 373, Street Lighting and Signal Systems.

369 Services

This account shall include the cost installed of overhead and underground conductors leading from a point where wires leave the last pole of the overhead system or the distribution box or manhole, or the top of the pole of the distribution line, to the point of connection with the customer's outlet or wiring. Conduit used for underground service conductors shall be included herein.

Items

1. Brackets.
2. Cables and wires.
3. Conduit.
4. Insulators.
5. Municipal inspection.
6. Overhead to underground, including conduit or standpipe and conductor from last splice on pole to connection with customer's wiring.
7. Pavement disturbed, including cutting and replacing pavement, pavement base, and sidewalks.
8. Permits.
9. Protection of street openings.
10. Service switch.
11. Suspension wire.

370 Meters

A. This account shall include the cost installed of meters or devices and appurtenances thereto, for use in measuring the electricity delivered to its users, whether actually in service or held in reserve.

B. When a meter is permanently retired from service, the installed cost included herein shall be credited to this account.

C. The records covering meters shall be so kept that the utility can furnish information as to the number of meters of various capacities in service and in reserve as well as the location of each meter owned.

Items

1. Alternate current, watt-hour meters.
2. Current limiting devices.
3. Demand indicators.
4. Demand meters.
5. Direct current watt-hour meters.
6. Graphic demand meters.
7. Installation, labor of (first installation only).

8. Instrument transformers.
9. Maximum demand meters.
10. Meter badges and their attachments.
11. Meter boards and boxes.
12. Meter fittings, connections, and shelves (first set).
13. Meter switches and cut-outs.
14. Prepayment meters.
15. Protective devices.
16. Testing new meters.

NOTE A: This account shall not include meters for recording output of a generating station, or substation meters. It includes only those meters used to record energy delivered to customers.

NOTE B: The cost of removing and resetting meters shall be charged to Account 586, Meter Expenses.

371 Installations on Customers' Premises

This account shall include the cost installed of equipment on the customer's side of a meter when the utility incurs such cost and when the utility retains title to and assumes full responsibility for maintenance and replacement of such property. This account shall not include leased equipment. (See Account 372, Leased Property on Customers' Premises.)

Items

1. Cable vaults.
2. Commercial lamp equipment.
3. Foundations and settings specially provided for equipment included herein.
4. Frequency changer sets.
5. Motor generator sets.
6. Motors.
7. Switchboard panels, high or low tension.
8. Wire and cable connections to incoming cables.

NOTE: Do not include in this account any costs incurred in connection with merchandising, jobbing, or contract work activities.

372 Leased Property on Customers' Premises

This account shall include the cost of electric motors, transformers, and other equipment on customers' premises (including municipal corporations), leased or loaned to customers, but not including property held for sale.

NOTE A: The cost of setting and connecting such appliances or equipment on the premises of customers and the cost of resetting or removal shall not be charged to this account but to operating expenses, Account 587, Customer Installations Expenses.

NOTE B: Do not include in this account any costs incurred in connection with merchandising, jobbing, or contract work activities.

373 Street Lighting and Signal Systems

This account shall include the cost installed of equipment used wholly for public street and highway lighting or traffic, fire alarm, police, and other signal systems.

Items

1. Armored conductors, buried or submarine, including insulators, insulating materials, splices, and trenching.
2. Automatic control equipment.
3. Conductors, overhead or underground, including lead or fabric covered, parkway cables, including splices, and insulators.
4. Lamps, arc, incandescent, or other types, including glassware, suspension fixtures, and brackets.
5. Municipal inspection.
6. Ornamental lamp posts.
7. Pavement disturbed, including cutting and replacing pavement, pavement base, and sidewalks.
8. Permits.
9. Posts and standards.
10. Protection of street openings.
11. Relays or time clocks.
12. Series contactors.
13. Switches.
14. Transformers, pole or underground.

GENERAL PLANT

389 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 § 1767.16 (g).)

390 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 § 1767.16 (h).)

391 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, and typewriters.
8. Safes.
9. Tables.

392 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.

393 Stores Equipment

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

Items

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

394 Tools, Shop and Garage Equipment

This account shall include the cost of tools, implements, and equipment used in construction, repair work, general shops and garages and not specifically provided for or includible in other accounts.

Items

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

395 Laboratory Equipment

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

Items

1. Ammeters.
2. Current batteries.
3. Frequency changers.
4. Galvanometers.
5. Inductometers.
6. Laboratory standard millivolt meters.
7. Laboratory standard volt meters.
8. Meter-testing equipment.
9. Millivolt meters.
10. Motor generator sets.
11. Panels.
12. Phantom loads.
13. Portable graphic ammeters, voltmeters, and wattmeters.
14. Portable loading devices.
15. Potential batteries.
16. Potentiometers.
17. Rotating standards.
18. Standard cell, reactance, resistor, and shunt.
19. Switchboards.
20. Synchronous timers.
21. Testing panels.
22. Testing resistors.
23. Transformers.
24. Voltmeters.
25. Other testing, laboratory, or research equipment not provided for elsewhere.

396 Power Operated Equipment

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

Items

1. Air compressors, including driving unit and vehicle.
2. Back filling machines.

3. Boring machines.
4. Bulldozers.
5. Cranes and hoists.
6. Diggers.
7. Engines.
8. Pile drivers.
9. Pipe cleaning machines.
10. Pipe coating or wrapping machines.
11. Tractors-Crawler type.
12. Trenchers.
13. Other power operated equipment.

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

397 Communication Equipment

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

Items

1. Antennae.
2. Booths.
3. Cables.
4. Distributing boards.
5. Extension cords.
6. Gongs.
7. Hand sets, manual and dial.
8. Insulators.
9. Intercommunicating sets.
10. Loading coils.
11. Operators' desks.
12. Poles and fixtures used wholly for telephone or telegraph wire.
13. Radio transmitting and receiving sets.
14. Remote control equipment and lines.
15. Sending keys.
16. Storage batteries.
17. Switchboards.
18. Telautograph circuit connections.
19. Telegraph receiving sets.
20. Telephone and telegraph circuits.
21. Testing instruments.
22. Towers.
23. Underground conduit used wholly for telephone or telegraph wires and cable wires.

398 Miscellaneous Equipment

This account shall include the cost of equipment, and apparatus used in the utility operations, which is not includible in other accounts.

Items

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

NOTE: Miscellaneous equipment of the nature indicated above wherever practicable, shall be included in the utility plant accounts on a functional basis.

399 Other Tangible Property

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

§ 1767.21 Operating income.

The operating income accounts identified in this section shall be used by all RUS borrowers.

UTILITY OPERATING INCOME

400 Operating Revenues
401 Operation Expense
402 Maintenance Expense
403 Depreciation Expense
403.1 Depreciation Expense—Steam Production Plant
403.2 Depreciation Expense—Nuclear Production Plant
403.3 Depreciation Expense—Hydraulic Production Plant
403.4 Depreciation Expense—Other Production Plant
403.5 Depreciation Expense—Transmission Plant
403.6 Depreciation Expense—Distribution Plant
403.7 Depreciation Expense—General Plant
404 Amortization of Limited-Term Electric Plant
405 Amortization of Other Electric Plant
406 Amortization of Electric Plant Acquisition Adjustments
407 Amortization of Property Losses, Unrecovered Plant and Regulatory Study Costs
407.3 Regulatory Debits
407.4 Regulatory Credits
408 Taxes Other than Income Taxes
408.1 Taxes—Property
408.2 Taxes—U.S. Social Security—Unemployment
408.3 Taxes—U.S. Social Security—F.I.C.A.
408.4 Taxes—State Social Security—Unemployment
408.5 Taxes—State Sales—Consumers
408.6 Taxes—Gross Revenue or Gross Receipts Tax
408.7 Taxes—Other
409 [Reserved]
409.1 Income Taxes, Utility Operating Income
409.2 Income Taxes, Other Income and Deductions
409.3 Income Taxes, Extraordinary Items
410 [Reserved]
410.1 Provision for Deferred Income Taxes, Utility Operating Income
410.2 Provision for Deferred Income Taxes, Other Income and Deductions
411 [Reserved]
411.1 Provision for Deferred Income Taxes—Credit, Utility Operating Income

411.2 Provision for Deferred Income Taxes—Credit, Other Income and Deductions
411.3 [Reserved]
411.4 Investment Tax Credit Adjustments, Utility Operations
411.5 Investment Tax Credit Adjustments, Nonutility Operations
411.6 Gains from Disposition of Utility Plant
411.7 Losses from Disposition of Utility Plant
411.8 Gains from Disposition of Allowances
411.9 Losses from Disposition of Allowances
412 Revenues from Electric Plant Leased to Others
413 Expenses of Electric Plant Leased to Others
414 Other Utility Operating Income

UTILITY OPERATING INCOME

400 Operating Revenues

There shall be shown under this caption the total amount included in the electric operating revenue accounts provided herein.

401 Operation Expense

There shall be shown under this caption the total amount included in the electric operation expense accounts provided herein. (See note to § 1767.17 (c).)

402 Maintenance Expense

There shall be shown under this caption the total amount included in the electric maintenance expense accounts provided herein.

403 Depreciation Expense

A. This account shall include the amount of depreciation expense for all classes of depreciable electric plant in service except such depreciation expense as is chargeable to clearing accounts or to Account 416, Costs and Expenses of Merchandising, Jobbing and Contract Work.

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

NOTE A: Depreciation expense applicable to property included in Account 104, Electric Plant Leased to Others, shall be charged to Account 413, Expenses of Electric Plant Leased to Others.

NOTE B: Depreciation expenses applicable to transportation equipment, shop equipment, tools, work equipment, power operated equipment, and other general equipment may be charged to clearing accounts as necessary in order to obtain a proper distribution of expenses between construction and operation.

NOTE C: Depreciation expense applicable to transportation equipment used for transportation of fuel from the point of acquisition to the unloading point shall be charged to Account 151, Fuel Stock.

C. Account 403 shall be subaccounted as follows:

403.1 Depreciation Expense—Steam Production Plant
403.2 Depreciation Expense—Nuclear Production Plant
403.3 Depreciation Expense—Hydraulic Production Plant
403.4 Depreciation Expense—Other Production Plant
403.5 Depreciation Expense—Transmission Plant
403.6 Depreciation Expense—Distribution Plant
403.7 Depreciation Expense—General Plant

404 Amortization of Limited-Term Electric Plant

This account shall include amortization charges applicable to amounts included in the electric 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. (See Account 111, Accumulated Provision for Amortization of Electric Utility Plant.)

405 Amortization of Other Electric Plant

A. When authorized by RUS, this account shall include charges for amortization of intangible or other electric utility plant which does not have a definite or terminable life and which is not subject to charges for depreciation expense.

B. This account shall be supported in such detail as to show the amortization applicable to each investment being amortized, together with the book cost of the investment and the period over which it is being written off.

406 Amortization of Electric Plant Acquisition Adjustments

This account shall be debited or credited, as appropriate, with amounts includible in operating expenses, pursuant to approval or order of RUS, for the purpose of providing for the extinguishment of the amount in Account 114, Electric Plant Acquisition Adjustments.

407 Amortization of Property Losses, Unrecovered Plant and Recovery Study Costs

This account shall be charged with amounts credited to Account 182.1, Extraordinary Property Losses, when RUS has authorized the amount in the latter account to be amortized by charges to electric operations.

407.3 Regulatory Debits

This account shall be debited, when appropriate, with the amounts credited to Account 254, Other Regulatory Liabilities, to record regulatory liabilities imposed on the utility by the ratemaking actions of regulatory agencies. This account shall also be debited, when appropriate, with the amounts credited to Account 182.3, Other Regulatory Assets, concurrent with the recovery of such amounts in rates.

407.4 Regulatory Credits

This account shall be credited, when appropriate, with the amounts debited to Account 182.3, Other Regulatory Assets, to establish regulatory assets. This account shall also be credited, when appropriate, with the amounts debited to Account 254, Other Regulatory Liabilities, concurrent with the return of such amounts to customers through rates.

408 Taxes Other Than Income Taxes

A. This account shall include the amounts 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. These accounts shall be charged in each accounting period with the amounts of taxes which are 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 amounts of taxes, the amounts shall be estimated and adjustments made in current accruals as the actual tax levies become known.

C. The charges to these accounts shall be made or supported so as to show the amount of each tax and the basis upon which each charge is made. In the case of a utility rendering more than one utility service, taxes of the kind includible in these accounts shall be assigned directly to the utility department the operation of which gave rise to the tax, in so far as practicable. Where the tax is not attributable to a specific utility department, it shall be distributed among the utility departments or nonutility operations on an equitable basis after appropriate study to determine such basis.

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

NOTE B: Taxes specifically applicable to construction and retirement activities shall be included in the cost of construction or the retirement.

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

NOTE D: Social security and other forms of payroll taxes shall be charged to nonutility operations, the specific functional operations, maintenance, and administrative expense accounts, and to construction and retirement activities on a basis related to payroll either directly or by transfers from this account.

NOTE E: Property taxes applicable to the various utility functions shall be charged to the specific functional operations and administrative expense accounts either directly or by transfers from this account.

NOTE F: Interest on tax refunds or deficiencies shall not be included in these accounts but in Account 419, Interest and Dividend Income, or Account 431, Other Interest Expense, as appropriate.

D. Account 408 shall be subaccounted as follows:

408.1 Taxes—Property
408.2 Taxes—U.S. Social Security—Unemployment
408.3 Taxes—U.S. Social Security—F.I.C.A.
408.4 Taxes—State Social Security—Unemployment
408.5 Taxes—State Sales—Consumers
408.6 Taxes—Gross Revenue or Gross Receipts Tax
408.7 Taxes—Other

409 [Reserved]

SPECIAL INSTRUCTIONS

Accounts 409.1, 409.2, and 409.3

A. These accounts shall include the amount of local, state, and Federal income taxes on income properly accruable during the period covered by the income statement to meet the actual liability for such taxes. Concurrent credits for the tax accruals shall be made to Account 236, Taxes Accrued, and as the exact amounts of taxes become known, the current tax accruals shall be adjusted by charges or credits to these accounts.

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

tax effects relating to interest charges shall be allocated between utility and nonutility operations. The basis for this allocation shall be the ratio of net investment in utility plant to net investment in nonutility plant.

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 these accounts but in Account 419, Interest and Dividend Income, or Account 431, Other Interest Expense, as appropriate.

409.1 Income Taxes, Utility Operating Income

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

409.2 Income Taxes, Other Income and Deductions

This account shall include the amount of those local, state, and Federal income taxes (both positive and negative), which relate to Other Income and Deductions.

409.3 Income Taxes, Extraordinary Items

This account shall include the amount of those local, state, and Federal income taxes (both positive and negative), which relate to Extraordinary Items.

410 [Reserved]

SPECIAL INSTRUCTIONS

Accounts 410.1, 410.2, 411.1, and 411.2

A. Accounts 410.1 and 410.2 shall be debited, and Accumulated Deferred Income Taxes, shall be credited, with amounts equal to any current deferrals of taxes on income or any allocations of deferred taxes originating in prior periods, as provided by the texts of Accounts 190, 281, 282, and 283. There shall not be netted against entries required to be made to these accounts any credit amounts appropriately includible in Account 411.1 or Account 411.2.

B. Accounts 411.1 or 411.2 shall be credited, and Accumulated Deferred Income Taxes, shall be debited, with amounts equal to any allocations of deferred taxes originating in prior periods or any current deferrals of taxes on income, as provided by the texts of Accounts 190, 281, 282, and 283. There shall not be netted against entries required to be made to these accounts any debit amounts appropriately includible in Account 410.1 or Account 410.2.

410.1 Provision for Deferred Income Taxes, Utility Operating Income

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

410.2 Provision for Deferred Income Taxes, Other Income and Deductions

This account shall include the amounts of those deferrals of taxes and allocations of deferred taxes which relate to Other Income and Deductions.

411 [Reserved]

411.1 Provision for Deferred Income Taxes—Credit, Utility Operating Income

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

411.2 Provision for Deferred Income Taxes—Credit, Other Income and Deductions

This account shall include the amounts of those allocations of deferred taxes and deferrals of taxes, credit, which relate to Other Income and Deductions.

411.3 [Reserved]

SPECIAL INSTRUCTIONS

Accounts 411.4 and 411.5

A. Account 411.4 shall be debited with the amounts of investment tax credits related to electric utility property that are credited to Account 255, Accumulated Deferred Investment Tax Credits, 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. Account 411.4 shall be credited with the amounts debited to Account 255 for proportionate amounts of tax credit deferrals allocated over the average useful life of electric 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. Account 411.5 shall be debited and credited as directed in paragraphs A and B, for investment tax credits related to nonutility property.

411.4 Investment Tax Credit Adjustments, Utility Operations

This account shall include the amount of those 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 related to property used in Nonutility Operations.

411.6 Gains from Disposition of Utility Plant

This account shall include, as approved by RUS, amounts relating to gains from the disposition of future use utility plant including amounts which were previously recorded in and transferred from Account 105, Electric Plant Held for Future Use, under the Provisions of Paragraphs B, C, and D thereof. Income taxes relating to gains recorded in this account shall be recorded in Account 409.1, Income Taxes, Utility Operating Income.

411.7 Losses from Disposition of Utility Plant

This account shall include, as approved by RUS, amounts relating to losses from the disposition of future use utility plant including amounts which were previously recorded in and transferred from Account 105, Electric Plant Held for Future Use, under the provisions of Paragraphs B, C, and D thereof. Income taxes relating to losses recorded in this account shall be recorded in Account 409.1, Income Taxes, Utility Operating Income.

411.8 Gains from Disposition of Allowances

This account shall be credited with the gain on the sale, exchange, or other disposition of allowances in accordance with § 1767.15 (u)(8). Income taxes relating to gains recorded in this account shall be recorded in Account 409.1, Income Taxes, Utility Operating Income.

411.9 Losses from Disposition of Allowances

This account shall be debited with the loss on the sale, exchange, or other disposition of allowances in accordance with § 1767.15 (u)(8). Income taxes relating to losses recorded in this account shall be recorded in Account 409.1, Income Taxes, Utility Operating Income.

412 Revenues from Electric Plant Leased to Others

This account shall include revenues from electric property constituting a distinct operating unit or system leased by the utility to others, and which property is properly includible in Account 104, Electric Plant Leased to Others.

NOTE: Related taxes shall be recorded in Account 408, Taxes Other Than Income Taxes, or Account 409.1, Income Taxes, Utility Operating Income, as appropriate.

413 Expenses of Electric Plant Leased to Others

A. This account shall include expenses from electric property constituting a distinct operating unit or system leased by the utility to others, and which property is properly includible in Account 104, Electric Plant Leased to Others.

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

1. Operation.
2. Maintenance.
3. Depreciation.
4. Amortization.

NOTE: Related taxes shall be recorded in Account 408, Taxes Other Than Income Taxes, or Account 409.1, Income Taxes, Utility Operating Income, as appropriate.

414 Other Utility Operating Income

A. This account shall include the revenues received and expenses incurred in connection with the operations of utility plant, the book cost of which is included in Account 118, Other Utility Plant.

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

NOTE: Related taxes shall be recorded in Account 408, Taxes Other Than Income Taxes, or Account 409.1, Income Taxes, Utility Operating Income, as appropriate.

[58 FR 59825, Nov. 10, 1993, as amended at 62 FR 42290, Aug. 6, 1997]

§ 1767.22 Other income and deductions.

The other income and deductions accounts identified in this section shall be used by all RUS borrowers.

OTHER INCOME AND DEDUCTIONS

415 Revenues from Merchandising, Jobbing, and Contract Work
416 Costs and Expenses of Merchandising, Jobbing, and Contract Work
417 Revenues from Nonutility Operations
417.1 Expenses of Nonutility Operations
418 Nonoperating Rental Income
418.1 Equity in Earnings of Subsidiary Companies
419 Interest and Dividend Income
419.1 Allowance for Funds Used During Construction
420 Investment Tax Credits
421 Miscellaneous Nonoperating Income
421.1 Gain on Disposition of Property

421.2 Loss on Disposition of Property
422 Nonoperating Taxes
423 Generation and Transmission Cooperative Capital Credits
424 Other Capital Credits and Patronage Capital Allocations
425 Miscellaneous Amortization
426 [Reserved]
426.1 Donations
426.2 Life Insurance
426.3 Penalties
426.4 Expenditures for Certain Civic, Political, and Related Activities
426.5 Other Deductions

OTHER INCOME AND DEDUCTIONS

415 Revenues from Merchandising, Jobbing and Contract Work

A. This account shall include all revenues derived from the sale of merchandise and jobbing or contract work, including any profit or commission accruing to the utility on jobbing work performed by it as agent under contracts whereby it does jobbing work for another for a stipulated profit or commission. Interest related income from installment sales shall be recorded in Account 419, Interest and Dividend Income.

B. Records in support of this account shall be so kept as to permit ready summarization of revenues by such major items as are feasible.

NOTE: The classification of revenues of merchandising, jobbing, and contract work as nonoperating, and thus included in this account, is for accounting purposes. It does not preclude consideration of justification to the contrary for ratemaking or other purposes.

Items

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

416 Costs and Expenses of Merchandising, Jobbing and Contract Work

A. This account shall include all expenses derived from the sale of merchandise and jobbing or contract work.

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

NOTE: The classification of costs and expenses of merchandising, jobbing, and contract work as nonoperating, and thus included in this account, is for accounting purposes. It does not preclude consideration of justification to the contrary for ratemaking or other purposes.

Items

Labor:

1. Canvassing and demonstrating appliances in homes and other places for the purpose of selling appliances.
2. Demonstrating and selling activities in sales rooms.
3. Installing appliances on customer premises where such work is done only for purchasers of appliances from the utility.
4. Installing wire, piping, or other property work, on a jobbing or contract basis.
5. Preparing advertising materials for appliance sales purposes.
6. Receiving and handling customer orders for merchandise or for jobbing services.
7. Cleaning and tidying sales rooms.
8. Maintaining display counters and other equipment used in merchandising.
9. Arranging merchandise in sales rooms and decorating display windows.
10. Reconditioning repossessed appliances.
11. Bookkeeping and other clerical work in connection with merchandise and jobbing activities.
12. Supervising merchandise and jobbing operations.
13. Advertising in newspapers, periodicals, radio, and television.
14. Cost of merchandise sold and of materials used in jobbing work.
15. Stores expenses on merchandise and jobbing stocks.
16. Fees and expenses of advertising and commercial artists' agencies.
17. Printing booklets, dodgers, and other advertising data.
18. Premiums given as inducement to buy appliances.
19. Light, heat, and power.
20. Depreciation on equipment used primarily for merchandise and jobbing operations.
21. Rent of sales rooms or of equipment.
22. Transportation expense in delivery and pick-up of appliances by utility's facilities or by others.
23. Stationery and office supplies and expenses.
24. Losses from uncollectible merchandise and jobbing accounts.

417 Revenues from Nonutility Operations

This account shall include revenues applicable to operations which are nonutility in character but nevertheless constitute a distinct operating activity of the enterprise as a whole, such as the operation of an ice department where applicable statutes do not define such operation as a utility, or the operation of a servicing organization for furnishing supervision, management, engineering, and similar services to others.

NOTE: Related taxes shall be recorded in Account 408, Taxes Other Than Income

Taxes, or Account 409.2, Income Taxes, Other Income and Deductions, as appropriate.

417.1 Expenses of Nonutility Operations

A. This account shall include expenses applicable to operations which are nonutility in character but nevertheless constitute a distinct operating activity of the enterprise as a whole, such as the operation of an ice department where applicable statutes do not define such operation as a utility, or the operation of a servicing organization for furnishing supervision, management, engineering, and similar services to others.

B. The expenses shall include all elements of costs incurred in such operations, and the accounts shall be maintained so as to permit ready summarization as follows:

1. Operation.
2. Maintenance.
3. Rents.
4. Depreciation.
5. Amortization.

NOTE: Related taxes shall be recorded in Account 408, Taxes Other Than Income Taxes, or Account 409.2, Income Taxes, Other Income and Deductions, as appropriate.

418 Nonoperating Rental Income

A. This account shall include all rent revenues and related expenses of land, buildings, or other property included in Account 121, Nonutility Property, which is not used in operations covered by Account 417 or Account 417.1.

B. The expenses shall include all elements of costs incurred in the ownership and rental of property and the accounts shall be maintained so as to permit ready summarization as follows:

1. Operation.
2. Maintenance.
3. Rents.
4. Depreciation.
5. Amortization.

NOTE: Related taxes shall be recorded in Account 408, Taxes Other Than Income Taxes, or Account 409.2, Income Taxes, Other Income and Deductions, as appropriate.

418.1 Equity in Earnings of Subsidiary Companies

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

419 Interest and Dividend Income

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

NOTE A: Related taxes shall be recorded in Account 408, Taxes Other Than Income Taxes, or Account 409.2, Income Taxes, Other Income and Deductions, as appropriate.

NOTE B: Interest accrued, the payment of which is not reasonably assured, dividends receivable which have not been declared or guaranteed, and interest or dividends upon reacquired securities issued or assumed by the utility shall not be credited to this account.

419.1 Allowance for Funds Used During Construction

This account shall include concurrent credits for allowance for funds other than borrowed funds used for construction purposes during the period of construction, based upon a reasonable rate. (See § 1767.16 (c)(17).)

420 Investment Tax Credits

This account shall be credited as follows with investment tax credit amounts not passed on to customers:

1. By amounts equal to debits to Account 411.4, Investment Tax Credit Adjustments, Utility Operations, and Account 411.5, Investment Tax Credit Adjustments, Nonutility Operations, for investment tax credits used in calculating income taxes for the year when the company's accounting provides for non-deferral of all or a portion of such credits.

2. By amounts equal to debits to Account 255, Accumulated Deferred Investment Tax Credits, for proportionate amounts of tax credit deferrals allocated over the average useful life of the property to which the tax credits relate, or such lesser period of time as may be adopted and consistently used by the company.

421 Miscellaneous Nonoperating Income

This account shall include all revenue and expense items, except taxes properly includible in the income account, not provided for elsewhere. Related taxes shall be recorded in Account 408, Taxes Other Than Income Taxes, or Account 409.2, Income Taxes, Other Income and Deductions, as appropriate.

Items

1. Profit on sale of timber. (See § 1767.16 (g)(3).)

2. Profits from operations of others realized by the utility under contracts.

3. Gains on disposition of investments. Also, gains on reacquisition and resale or retirement of the utility's debt securities when the gain is not amortized or used by a jurisdictional regulatory agency to reduce embedded debt cost in establishing rates. (See § 1767.15 (q).)

421.1 Gain on Disposition of Property

This account shall be credited with the gain on the sale, conveyance, exchange, or transfer of utility or other property to another. Amounts relating to gains on land and land rights held for future use recorded in Account 105, Electric Plant Held for Future Use, will be accounted for as prescribed in Paragraphs B, C, and D thereof. (See § 1767.16 (e)(6), (g)(5), and (j)(5).) Income taxes on gains recorded in this account shall be recorded in Account 409.2, Income Taxes, Other Income and Deductions.

421.2 Loss on Disposition of Property

This account shall be charged with the loss on the sale, conveyance, exchange, or transfer of utility or other property to another. Amounts relating to losses on land and land rights held for future use recorded in Account 105, Electric Plant Held for Future Use, will be accounted for as prescribed in Paragraphs B, C, and D thereof. (See § 1767.16 (e)(6), (g)(5), and (j)(5).) The reduction in income taxes relating to losses recorded in this account shall be recorded in Account 409.2, Income Taxes, Other Income and Deductions.

422 Nonoperating Taxes

This account shall be charged with taxes relating to nonoperating income.

423 Generation and Transmission Cooperative Capital Credits

This account shall be credited with the annual capital furnished the power supply cooperative through payment of power bills. The amount of capital furnished the power supply cooperative should be recorded in the applicable year even though, in most cases, the power supplier's notice of the allocation will not have been received until after the close of the year to which it relates.

424 Other Capital Credits and Patronage Capital Allocations

This account shall be credited with the capital furnished in connection with patronage of cooperative or mutual-type service organization such as CFC and other financing cooperatives, and insurance, oil product, telephone, and data processing cooperatives. This account should be credited in the year in which the notice of the capital credit or patronage capital allocation is received.

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 RUS.
2. Other miscellaneous amortization charges allowed to be included in this account by RUS.

426 [Reserved]

SPECIAL INSTRUCTIONS

Accounts 426.1, 426.2, 426.3, 426.4, and 426.5

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

NOTE: The classification of expenses as nonoperating and their inclusion in these accounts is for accounting purposes. It does not preclude RUS consideration of proof to the contrary for ratemaking or other purposes.

426.1 Donations

This account shall include all payments or donations for charitable, social, or community welfare purposes.

426.2 Life Insurance

This account shall include all payments for life insurance of officers and employees where the company is the beneficiary (net premiums less the increase in the cash surrender value of policies.)

426.3 Penalties

This account shall include payments by the company for penalties or fines for violation of any regulatory statutes by the company or its officials.

426.4 Expenditures for Certain Civic, Political, and Related Activities

This account shall include expenditures for the purpose of influencing public opinion with respect to the election or appointment of public officials, referenda, legislation, or ordinances (either with respect to the possible adoption of new referenda, legislation or ordinances or repeal or modification of existing referenda, legislation or ordinances) or approval, modification, or revocation of franchises; or for the purpose of influencing the decisions of public officials, but shall not include such expenditures which are directly related to appearances before regulatory or other governmental bodies in connection with the reporting utility's existing or proposed operations.

426.5 Other Deductions

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

Items

1. Loss relating to investments in securities written-off or written-down.
2. Loss on sale of investments.
3. Loss on reacquisition, resale, or retirement of the utility's debt securities, when the loss is not amortized and used by a jurisdictional regulatory agency to increase embedded debt cost in establishing rates. (See § 1767.15 (q).)
4. Preliminary survey and investigation expenses related to abandoned projects, when not written-off to the appropriate operating expense account.
5. Costs of preliminary abandonment costs recorded in Account 182.1, Extraordinary Property Losses, and Account 182.2, Unrecovered Plant and Regulatory Study Costs, not allowed to be amortized to Account 407, Amortization of Property Losses, Unrecovered Plant and Regulatory Study Costs.

§ 1767.23 Interest charges.

The interest charges accounts identified in this section shall be used by all RUS borrowers.

INTEREST CHARGES

427 Interest on Long-Term Debt
427.3 Interest Charged to Construction—Credit
428 Amortization of Debt Discount and Expense
428.1 Amortization of Loss on Reacquired Debt
429 Amortization of Premium on Debt—Credit
429.1 Amortization of Gain on Reacquired Debt—Credit
430 Interest on Debt to Associated Companies
431 Other Interest Expense
432 Allowance for Borrowed Funds Used During Construction—Credit

INTEREST CHARGES

427 Interest on Long-Term Debt

A. This account shall include the amount of interest on outstanding long-term debt issued or assumed by the utility, the liability for which 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 long-term debt.

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

427.3 Interest Charged to Construction—Credit

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.

428 Amortization of Debt Discount and Expense

A. This account shall include the amortization of unamortized debt discount and expense on outstanding long-term debt. Amounts charged to this account shall be credited concurrently to Account 181, Unamortized Debt Expense, and Account 226, Unamortized Discount on Long-Term Debt—Debit.

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.

428.1 Amortization of Loss on Reacquired Debt

A. This account shall include the amortization of the losses on reacquisition of debt. Amounts charged to this account shall be credited concurrently to Account 189, Unamortized Loss on Reacquired Debt.

B. This account shall be maintained so as to allow ready identification of the loss amortized applicable to each class and series of long-term debt reacquired. (See § 1767.15 (q).)

429 Amortization of Premium on Debt—Credit

A. This account shall include the amortization of unamortized net premium on outstanding long-term debt. Amounts credited to this account shall be charged concurrently to Account 225, Unamortized Premium on Long-Term Debt.

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

429.1 Amortization of Gain on Reacquired Debt—Credit

A. This account shall include the amortization of the gains realized from reacquisition of debt. Amounts credited to this account shall be charged concurrently to Account 257, Unamortized Gain on Reacquired Debt.

B. This account shall be maintained so as to allow ready identification of the amortized gains applicable to each class and series of long-term debt reacquired. (See § 1767.15 (q).)

430 Interest on Debt to Associated Companies

A. This account shall include 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 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 the utility and assumed by it.

432 Allowance for Borrowed Funds Used During Construction—Credit

This account shall include concurrent credits for allowance for borrowed funds used during construction, not to exceed amounts computed in accordance with the formula prescribed in §1767.16 (c)(17).

§1767.24 Extraordinary items.

The extraordinary items accounts identified in this section shall be used by all RUS borrowers.

EXTRAORDINARY ITEMS

434 Extraordinary Income
435 Extraordinary Deductions
435.1 Cumulative Effect on Prior Years of a Change in Accounting Principle

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. Income tax relating to the amounts recorded in this account shall be recorded in Account 409.3, Income Taxes, Extraordinary Items. (See §1767.15 (g).)

435 Extraordinary Deductions

This account shall be debited with nontypical, noncustomary, infrequently recurring losses which would significantly distort the current year's income computed before extraordinary items, if reported other than as extraordinary items. Income tax relating to the amounts recorded in this account shall be recorded in Account 409.3, Income Taxes, Extraordinary Items. (See §1767.15 (f).)

435.1 Cumulative Effect on Prior Years of a Change in Accounting Principle

This account shall include the cumulative effect on margins of prior periods as a result of a change in accounting principle from one that is no longer generally accepted to one that is generally accepted.

§1767.25 Retained earnings.

The retained earnings accounts identified in this section shall be used by all RUS borrowers.

RETAINED EARNINGS

433 [Reserved]
436 [Reserved]
437 [Reserved]
438 [Reserved]
439 [Reserved]

RETAINED EARNINGS

433 [Reserved]

436 [Reserved]

437 [Reserved]

438 [Reserved]

439 [Reserved]

§1767.26 Operating revenue.

The operating revenue accounts identified in this section shall be used by all RUS borrowers.

OPERATING REVENUE

Sales of Electricity

440 Residential Sales
440.1 Residential Sales—Excluding Seasonal
440.2 Residential Sales—Seasonal
441 Irrigation Sales
442 Commercial and Industrial Sales
442.1 Commercial and Industrial Sales—1000 kVA or Less
442.2 Commercial and Industrial Sales—Over 1000 kVA
444 Public Street and Highway Lighting
445 Other Sales to Public Authorities
446 Sales to Railroads and Railways
447 Sales for Resale
447.1 Sales for Resale—RUS Borrowers
447.2 Sales for Resale—Other

448 Interdepartmental Sales
449.1 Provision for Rate Refunds

Other Operating Revenues

450 Forfeited Discounts
451 Miscellaneous Service Revenues
453 Sales of Water and Water Power
454 Rent from Electric Property
455 Interdepartmental Rents
456 Other Electric Revenues

OPERATING REVENUE

Sales of Electricity

440 Residential Sales

A. This account shall include the net billing for electricity supplied for residential or domestic purposes.

NOTE: When electricity supplied through a single meter is used for both residential and commercial purposes, the total revenue shall be included in this account, or Account 442, Commercial and Industrial Sales, according to the rate schedule that is applied. If the same rate schedules apply to residential and commercial and industrial service, classification shall be made according to principal use.

B. Account 440 shall be subaccounted as follows:

440.1 Residential Sales—Excluding Seasonal
440.2 Residential Sales—Seasonal

440.1 Residential Sales—Excluding Seasonal

A. This account shall include the net billing for electricity supplied for residential and domestic purposes.

B. This account shall also include net billings for single phase service to schools, churches, lodges, and other public buildings.

C. Records shall be maintained so that the quantity of electricity sold and the revenue received under each rate schedule shall be readily available.

NOTE: Net billings for multiphase service to schools, churches, lodges, and other public buildings shall be included in the appropriate subaccount of Account 442, Commercial and Industrial Sales.

440.2 Residential Sales—Seasonal

This account shall include the net billings for electricity supplied for residential and domestic purposes to seasonal consumers.

441 Irrigation Sales

This account shall include the net billings for electricity supplied for irrigation pumping. It need not be used unless such service is provided under a special irrigation rate.

442 Commercial and Industrial Sales

A. This account shall include the net billing for electricity supplied to customers for commercial and industrial purposes.

NOTE A: If the utility classifies large commercial and industrial customers and related revenues on a lesser basis than 1000 kilowatts of demand, or segregates industrial customers and related revenues according to a recognized definition of an industrial customer, such classifications are acceptable in lieu of those otherwise required by the text of this account on the basis of 1000 kilowatts of demand.

NOTE B: When electricity supplied through a single meter is used for both commercial and residential purposes, the total revenue shall be included in this account, or Account 440, Residential Sales, according to the rate schedule that is applied. If the same rate schedules apply to residential and commercial and industrial service, classification shall be made according to principal use.

B. Account 442 shall be subaccounted as follows:

442.1 Commercial and Industrial Sales—1000 kVA or Less
442.2 Commercial and Industrial Sales—Over 1000 kVA

442.1 Commercial and Industrial Sales—1000 kVA or Less

A. This account shall include the net billing for electricity supplied to consumers for commercial and industrial purposes requiring transformer capacity of 1000 kVA or less.

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

NOTE: When electricity supplied through a single meter is used for both commercial and residential purposes, the total revenue shall be included in this account or in Account 440, Residential Sales, based upon primary use.

442.2 Commercial and Industrial Sales—Over 1000 kVA

A. This account shall include the net billing for electricity supplied to consumers for commercial and industrial purposes requiring transformer capacity in excess of 1000 kVA.

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

444 Public Street and Highway Lighting

A. This account shall include the net billing for electricity supplied and services rendered for the purposes of lighting streets, highways, parks, and other public places or for traffic or signal system service, for municipalities or other divisions or agencies of state of Federal Governments.

B. Records shall be maintained so that the quantity of electricity sold and the revenue received from each customer shall be readily

available. In addition, the records shall be maintained so as to show the revenues from (1) contracts which include both electricity and services, and (2) contracts which include sales of electricity only.

445 Other Sales to Public Authorities

A. This account shall include the net billing for electricity supplied to municipalities or divisions or agencies of Federal or state governments, under special contracts or agreements or service classifications applicable only to public authorities, except such revenues as are includible in Account 444 and Account 447.

B. Records shall be maintained so as to show the quantity of electricity sold and the revenues received from each customer.

446 Sales to Railroads and Railways

A. This account shall include the net billing for electricity supplied to railroads and interurban and street railways, for general railroad use, including the propulsion of cars or locomotives, where such electricity is supplied under separate and distinct rate schedules.

B. Records shall be maintained so that the quantity of electricity sold and the revenue received from each customer shall be readily available.

NOTE: Revenues from incidental use of electricity furnished under a contract for propulsion of cars or locomotives shall be included herein.

447 Sales for Resale

A. This account shall include the net billing for electricity supplied to other electric utilities or to public authorities for resale purposes.

NOTE: Revenues from electricity supplied to other utilities for use by them and not for distribution, shall be included in Account 442, Commercial and Industrial Sales, unless supplied under the same contracts as and not readily separable from revenues includible in this account.

B. Account 447 shall be subaccounted as follows:

447.1 Sales for Resale—RUS Borrowers
447.2 Sales for Resale—Other

447.1 Sales for Resale—RUS Borrowers

A. This account shall include the net billing for electricity supplied to RUS borrowers for resale.

B. Records shall be maintained so as to show the quantity of electricity sold and the revenue received from each customer.

NOTE: Revenues from electricity supplied to other utilities for use by them and not for distribution, shall be included in Account 442, Commercial and Industrial Sales, unless supplied under the same contract as and not readily separable from revenues includible in this account.

447.2 Sales for Resale—Other

A. This account shall include the net billing for electricity supplied for resale to utilities not financed by RUS.

B. Records shall be maintained so as to show the quantity of electricity sold and the revenue received from each customer.

NOTE: Revenues from electricity supplied to other utilities for use by them and not for distribution, shall be included in Account 442, Commercial and Industrial Sales, unless supplied under the same contract as and not readily separable from revenues includible in this account.

448 Interdepartmental Sales

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

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

449.1 Provision for Rate Refunds

A. This account shall be charged with provisions for the estimated pretax effects on net income of the portions of amounts being collected subject to refund which are estimated to be required to be refunded. Such provisions shall be credited to Account 229, Accumulated Provision for Rate Refunds.

B. This account shall also be charged with amounts refunded when such amounts had not been previously accrued.

C. Income tax effects relating to the amounts recorded in this account shall be recorded in Account 410.1, Provision for Deferred Income Taxes, Utility Operating Income, or Account 411.1, Provision for Deferred Income Taxes—Credit, Utility Operating Income, as appropriate.

Other Operating Revenues

450 Forfeited Discounts

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

451 Miscellaneous Service Revenues

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

Items

1. Fees for changing, connecting, or disconnecting service.

2. Profit on maintenance of appliances, wiring, piping, or other installations on customers' premises.

3. Net credit or debit (cost less net salvage and less payment from customers) on closing of work orders for plant installed for temporary service of less than one year. (See Account 185, Temporary Facilities.)

4. Recovery of expenses in connection with current diversion cases (billing for the electricity consumed shall be included in the appropriate electric revenue account).

453 Sales of Water and Water Power

A. This account shall include revenues derived from the sale of water for irrigation, domestic, industrial, or other uses or for the development by others of water power or for headwater benefits; also, revenues derived from furnishing water power for mechanical purposes when the investment in the property used in supplying such water or water power is carried as electric plant in service.

B. The records for this account shall be kept in such manner as to permit an analysis of the rates charged and the purposes for which the water was used.

454 Rent from Electric Property

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

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

NOTE: Do not include in this account rents from property constituting an operating unit or system. (See Account 412, Revenues from Electric Plant Leased to Others.)

455 Interdepartmental Rents

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

456 Other Electric Revenues

This account shall include revenues derived from electric operations not includible in any of the foregoing accounts. It shall also include, in a separate subaccount, revenues received from operation of fish and wildlife and recreation facilities whether operated by the company or by contract concessionaires, such as revenues from leases or rentals of land for cottages, homes, or campsites.

Items

1. Commission on sale or distribution of electricity of others when sold under rates filed by such others.

2. Compensation for minor or incidental services provided for others such as customer billing, and engineering.

3. Profit or loss on the sale of material and supplies not ordinarily purchased for resale and not handled through merchandising and jobbing accounts.

4. Sale of steam, but not including sales made by a steamheating department or transfers of steam under joint facility operations.

5. Revenues from transmission of electricity of others over transmission facilities of the utility.

6. Include in a separate subaccount, revenues in payment for rights and/or benefits received from others which are realized through research, development, and demonstration ventures. In the event the amounts received are so large as to distort revenues for the year in which received (5 percent of net income before application of the benefit), the amounts shall be credited to Account 253, Other Deferred Credits, and amortized by credits to this account over a period not to exceed 5 years.

§ 1767.27 Operation and maintenance expenses.

The operation and maintenance expense accounts identified in this section shall be used by all RUS borrowers.

OPERATION AND MAINTENANCE EXPENSE ACCOUNTS

POWER PRODUCTION EXPENSES

Steam Power Generation

(Operation)

500 Operation Supervision and Engineering
501 Fuel
502 Steam Expenses
503 Steam from Other Sources
504 Steam Transferred—Credit
505 Electric Expenses
506 Miscellaneous Steam Power Expenses
507 Rents
509 Allowances

(Maintenance)

510 Maintenance Supervision and Engineering
511 Maintenance of Structures
512 Maintenance of Boiler Plant
513 Maintenance of Electric Plant

514 Maintenance of Miscellaneous Steam Plant

Nuclear Power Generation

(Operation)

517 Operation Supervision and Engineering
518 Nuclear Fuel Expense
519 Coolants and Water
520 Steam Expenses
521 Steam from Other Sources
522 Steam Transferred—Credit
523 Electric Expenses
524 Miscellaneous Nuclear Power Expenses
525 Rents

(Maintenance)

528 Maintenance Supervision and Engineering
529 Maintenance of Structures
530 Maintenance of Reactor Plant Equipment
531 Maintenance of Electric Plant
532 Maintenance of Miscellaneous Nuclear Plant

Hydraulic Power Generation

(Operation)

535 Operation Supervision and Engineering
536 Water for Power
537 Hydraulic Expenses
538 Electric Expenses
539 Miscellaneous Hydraulic Power Generation Expenses
540 Rents

(Maintenance)

541 Maintenance Supervision and Engineering
542 Maintenance of Structures
543 Maintenance of Reservoirs, Dams, and Waterways
544 Maintenance of Electric Plant
545 Maintenance of Miscellaneous Hydraulic Plant

Other Power Generation

(Operation)

546 Operation Supervision and Engineering
547 Fuel
548 Generation Expenses
549 Miscellaneous Other Power Generation Expenses
550 Rents

(Maintenance)

551 Maintenance Supervision and Engineering
552 Maintenance of Structures
553 Maintenance of Generating and Electric Equipment
554 Maintenance of Miscellaneous Other Power Generation Plant

OTHER POWER SUPPLY EXPENSES

555 Purchased Power
556 System Control and Load Dispatching
557 Other Expenses

TRANSMISSION EXPENSES

(Operation)

560 Operation Supervision and Engineering
561 Load Dispatching
562 Station Expenses
563 Overhead Line Expenses
564 Underground Line Expenses
565 Transmission of Electricity by Others
566 Miscellaneous Transmission Expenses
567 Rents

(Maintenance)

568 Maintenance Supervision and Engineering
569 Maintenance of Structures
570 Maintenance of Station Equipment
571 Maintenance of Overhead Lines
572 Maintenance of Underground Lines
573 Maintenance of Miscellaneous Transmission Plant

DISTRIBUTION EXPENSES

(Operation)

580 Operation Supervision and Engineering
581 Load Dispatching
582 Station Expenses
583 Overhead Line Expenses
584 Underground Line Expenses
585 Street Lighting and Signal System Expenses
586 Meter Expenses
587 Customer Installations Expenses
588 Miscellaneous Distribution Expenses
589 Rents

(Maintenance)

590 Maintenance Supervision and Engineering
591 Maintenance of Structures
592 Maintenance of Station Equipment
593 Maintenance of Overhead Lines
594 Maintenance of Underground Lines
595 Maintenance of Line Transformers
596 Maintenance of Street Lighting and Signal Systems
597 Maintenance of Meters
598 Maintenance of Miscellaneous Distribution Plant

OPERATION AND MAINTENANCE EXPENSE ACCOUNTS

POWER PRODUCTION EXPENSES

Steam Power Generation

(Operation)

500 Operation Supervision and Engineering

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, and expenses incurred in the general supervision and direction of the operation of steam power generating stations. Direct supervision of specific activities, such as fuel handling, boiler-room operations, and generator operations shall be charged to the appropriate account. (See § 1767.17(a).)

501 Fuel

A. This account shall include the cost of fuel used in the production of steam for the generation of electricity, including expenses in unloading fuel from the shipping media and handling thereof up to the point where the fuel enters the first boiler plant bunker, hopper, bucket, tank, or holder of the boiler-house structure. Records shall be maintained to show the quantity, B.t.u. content and cost of each type of fuel used.

B. The cost of fuel shall be charged initially to Account 151, Fuel Stock, and cleared to this account on the basis of the fuel used. Fuel handling expenses may be charged to this account as incurred or charged initially to Account 152, Fuel Stock Expenses Undistributed. In the latter event, they shall be cleared to this account on the basis of the fuel used. Respective amounts of fuel stock and fuel stock expenses shall be readily available.

Items

Labor:

1. Supervising, purchasing, and handling of fuel.
2. All routine fuel analyses.
3. Unloading from shipping facility and placing in storage.
4. Moving of fuel in storage and transferring fuel from one station to another.
5. Handling from storage or shipping facility to first bunker, hopper, bucket, tank, or holder of boiler-house structure.
6. Operation of mechanical equipment, such as locomotives, trucks, cars, boats, barges, and cranes.

Taxes:

1. Federal and state unemployment.
2. F.I.C.A.
3. Property.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.
2. Group and life insurance premiums (credit dividends received).
3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.
4. Payments for accident, sickness, hospital, and death benefits or insurance.
5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.
6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for fire, storm, burglary, boiler explosion, lightning, fidelity, riot, and similar insurance.
2. Amounts credited to Account 228.1, Accumulated Provision for Property Insurance, for similar protection.
3. Special costs incurred in procuring insurance.
4. Insurance inspection service.
5. Insurance counsel, brokerage fees, and expenses.
6. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.
7. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.
8. Fees and expenses of claim investigators.
9. Payment of awards to claimants for court costs and attorneys' services.
10. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.
11. Compensation payments under workmen's compensation laws.
12. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)
13. Cost of safety, accident prevention, and similar educational activities.

Materials and Expenses:

1. Operating, maintenance, and depreciation expenses and ad valorem taxes on utility-owned transportation equipment used to transport fuel from the point of acquisition to the unloading point.
2. Lease or rental costs of transportation equipment used to transport fuel from the point of acquisition to the unloading point.
3. Cost of fuel including freight, switching, demurrage, and other transportation charges.
4. Excise taxes, insurance, purchasing commissions, and similar items.
5. Stores expenses to extent applicable to fuel.
6. Transportation and other expenses in moving fuel in storage.
7. Tools, lubricants, and other supplies.
8. Operating supplies for mechanical equipment.
9. Residual disposal expenses less any proceeds from sale of residuals.

NOTE: Abnormal fuel handling expenses occasioned by emergency conditions shall be charged to expense as incurred.

502 Steam Expenses

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, property insurance, property taxes, materials used, and expenses incurred in production of steam for electric generation. This includes all expenses of handling and preparing fuel beginning at the point where the fuel enters the first boiler plant bunker, hopper, tank, or holder of the boiler-house structure.

Items

Labor:
1. Supervising steam production.
2. Operating fuel conveying, storage, weighing, and processing equipment within boiler plant.
3. Operating boiler and boiler auxiliary equipment.
4. Operating boiler feed water purification and treatment equipment.
5. Operating ash-collecting and disposal equipment located inside the plant.
6. Operating boiler plant electrical equipment.
7. Keeping boiler plant log and records and preparing reports on boiler plant operations.
8. Testing boiler water.
9. Testing, checking, and adjusting meters, gauges, and other instruments and equipment in boiler plant.
10. Cleaning boiler plant equipment when not incidental to maintenance work.
11. Repacking glands and replacing gauge glasses where the work involved is of a minor nature and is performed by regular operating crews. Where the work is of a major character, such as that performed on high-pressure boilers, the item should be considered as maintenance.

Taxes:
1. Federal and state unemployment.
2. F.I.C.A.
3. Property.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:
1. Accruals for or payments to pension funds or to insurance companies for pension purposes.
2. Group and life insurance premiums (credit dividends received).
3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.
4. Payments for accident, sickness, hospital, and death benefits or insurance.
5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.
6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:
1. Premiums payable to insurance companies for fire, storm, burglary, boiler explosion, lightning, fidelity, riot, and similar insurance.
2. Amounts credited to Account 228.1, Accumulated Provision for Property Insurance, for similar protection.
3. Special costs incurred in procuring insurance.
4. Insurance inspection service.
5. Insurance counsel, brokerage fees, and expenses.
6. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.
7. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.
8. Fees and expenses of claim investigators.
9. Payment of awards to claimants for court costs and attorneys' services.
10. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.

11. Compensation payments under workmen's compensation laws.

12. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)

13. Cost of safety, accident prevention, and similar educational activities.

Materials and Expenses:

1. Chemicals and boiler inspection fees.
2. Lubricants.
3. Boiler feed water purchased and pumping supplies.

503 Steam from Other Sources

This account shall include the cost of steam purchased or transferred from another department of the utility or from others under a joint facility operating arrangement for use in prime movers devoted to the production of electricity.

NOTE: The records shall be so kept as to show separately for each company from which stem is purchased, the point of delivery, the quantity, the price, and the total charge. When steam is transferred from another department or from others under a joint operating arrangement, the utility shall be prepared to show full details of the cost of producing such steam, the basis of the charge to electric generation, and the extent and manner of use by each department or party involved.

504 Steam Transferred—Credit

A. This account shall include credits for expenses of producing steam which are charged to others or to other utility departments under a joint operating arrangement. Include also credits for steam expenses chargeable to other electric accounts outside of the steam generation group. Full details of the basis of determination of the cost of steam transferred shall be maintained.

B. If the charges to others or to other departments of the utility include an amount for depreciation, taxes, and return on the joint steam facilities, such portion of the charge shall be credited, in the case of others, to Account 454, Rent from Electric Property, and in the case of other departments of the utility, to Account 455, Interdepartmental Rents.

505 Electric Expenses

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, property insurance, property taxes, and materials used, and expenses incurred in operating prime movers, generators, and their auxiliary apparatus, switch gear, and other electric equipment to the points where electricity leaves for conversion for transmission or distribution.

Items

Labor:

1. Supervising electric production.
2. Operating turbines, engines, generators, and exciters.
3. Operating condensers, circulating water systems, and other auxiliary apparatus.
4. Operating generator cooling system.
5. Operating lubrication and oil control system, including oil purification.
6. Operating switchboards, switch gear and electric control, and protective equipment.
7. Keeping electric plant log and records and preparing reports on electric plant operations.
8. Testing, checking, and adjusting meters, gauges, and other instruments, relays, controls, and other equipment in the electric plant.
9. Cleaning electric plant equipment when not incidental to maintenance work.
10. Repacking glands and replacing gauge glasses.

Taxes:

1. Federal and state unemployment.
2. F.I.C.A.
3. Taxes.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.
2. Group and life insurance premiums (credit dividends received).
3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.
4. Payments for accident, sickness, hospital, and death benefits or insurance.
5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.
6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for fire, storm, burglary, boiler explosion, lightning, fidelity, riot, and similar insurance.
2. Amounts credited to Account 228.1, Accumulated Provision for Property Insurance, for similar protection.
3. Special costs incurred in procuring insurance.

4. Insurance inspection service.

5. Insurance counsel, brokerage fees, and expenses.

6. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.

7. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.

8. Fees and expenses of claim investigators.

9. Payment of awards to claimants for court costs and attorneys' services.

10. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.

11. Compensation payments under workmen's compensation laws.

12. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)

13. Cost of safety, accident prevention, and similar educational activities.

Materials and Expenses:

1. Lubricants and control system oils.
2. Generator cooling gases.
3. Circulating water purification supplies.
4. Cooling water purchased.
5. Motor and generator brushes.

506 Miscellaneous Steam Power Expenses

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, and materials used and expenses incurred which are not specifically provided for or not readily assignable to other steam generation operation expense accounts.

Items

Labor:

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

Taxes:

1. Federal and state unemployment.
2. F.I.C.A.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.

2. Group and life insurance premiums (credit dividends received).

3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.

4. Payments for accident, sickness, hospital, and death benefits or insurance.

5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.

6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.

2. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.

3. Fees and expenses of claim investigators.

4. Payment of awards to claimants for court costs and attorneys' services.

5. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.

6. Compensation payments under workmen's compensation laws.

7. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)

8. Cost of safety, accident prevention, and similar educational activities.

Materials and Expenses:

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

2. First-aid supplies and safety equipment.

3. Employees' service facilities expenses.

4. Building service supplies.

5. Communication service.

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

7. Transportation expenses.

8. Meals, traveling, and incidental expenses.

9. Research, development, and demonstration expenses.

507 Rents

This account shall include all rents of property of others used, occupied or operated in connection with steam power generation. (See § 1767.17 (c).)

509 Allowances

This account shall include the cost of allowances expensed concurrent with the monthly emission of sulfur dioxide. (See § 1767.15 (u).)

(Maintenance)

510 Maintenance Supervision and Engineering

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, and expenses incurred in the general supervision and direction of maintenance of steam generation facilities. Direct field supervision of specific jobs shall be charged to the appropriate maintenance account. (See § 1767.17(a).)

511 Maintenance of Structures

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, and materials used and expenses incurred in the maintenance of steam structures, the book cost of which is includible in Account 311, Structures and Improvements. (See § 1767.17(b).)

512 Maintenance of Boiler Plant

A. This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, and materials used and expenses incurred in the maintenance of steam plant, the book cost of which is includible in Account 312, Boiler Plant Equipment. (See § 1767.17(b).)

B. For the purpose of making charges hereto and to Account 513, Maintenance of Electric Plant, the point at which steam plant is distinguished from electric plant is defined as follows:

1. Inlet flange of throttle valve on prime mover.
2. Flange of all steam extraction lines on prime mover.
3. Hotwell pump outlet on condensate lines.
4. Inlet flange of all turbine-room auxiliaries.
5. Connection to line side of motor starter for all boiler-plant equipment.

513 Maintenance of Electric Plant

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, and materials used and expenses incurred in the maintenance of electric plant, the book cost of which is includible in Account 313, Engines and Engine-Driven Generators; Account 314, Turbogenerator Units; and Account 315, Accessory Electric Equipment. (See § 1767.17(b) and Paragraph B of Account 512.)

514 Maintenance of Miscellaneous Steam Plant

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, and materials used and expenses incurred in maintenance of miscellaneous steam generation plant, the book cost of which is includible in Account 316, Miscellaneous Power Plant Equipment. (See § 1767.17(b).)

Nuclear Power Generation

(Operation)

517 Operation Supervision and Engineering

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, and expenses incurred in the general supervision and direction of the operation of nuclear power generating stations. Direct supervision of specific activities, such as fuel handling, reactor operations, and generator operations shall be charged to the appropriate account. (See § 1767.17(a).)

518 Nuclear Fuel Expense

A. This account shall be debited and Account 120.5, Accumulated Provision for Amortization of Nuclear Fuel Assemblies, credited for the amortization of the net cost of nuclear fuel assemblies used in the production of energy. The net cost of nuclear fuel assemblies subject to amortization shall be the cost of nuclear fuel assemblies plus or less the expected net salvage of uranium, plutonium, and other byproducts and unburned fuel. The utility shall adopt the necessary procedures to assure that charges to this account are distributed according to the thermal energy produced in such periods.

B. This account shall also include the costs involved when fuel is leased.

C. This account shall also include the cost of other fuels, used for ancillary steam facilities, including superheat.

D. This account shall be debited or credited as appropriate for significant changes in the amounts estimated as the net salvage value of uranium, plutonium, and other byproducts contained in Account 157, Nuclear Materials Held for Sale, and the amount realized upon the final disposition of the materials. Significant declines in the estimated realizable value of items carried in Account 157 may be recognized at the time of market

price declines by charging this account and crediting Account 157. When the declining change occurs while the fuel is recorded in Account 120.3, Nuclear Fuel Assemblies in Reactor, the effect shall be amortized over the remaining life of the fuel.

519 Coolants and Water

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, property insurance, property taxes, and materials used and expenses incurred for heat transfer materials and water used for steam and cooling purposes.

Items

Labor:

1. Operation of water supply facilities.
2. Handling of coolants and heat transfer materials.

Taxes:

1. Federal and state unemployment.
2. F.I.C.A.
3. Taxes.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.
2. Group and life insurance premiums (credit dividends received).
3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.
4. Payments for accident, sickness, hospital, and death benefits or insurance.
5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.
6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for fire, storm, burglary, boiler explosion, lightning, fidelity, riot, and similar insurance.
2. Amounts credited to Account 228.1, Accumulated Provision for Property Insurance, for similar protection.
3. Special costs incurred in procuring insurance.
4. Insurance inspection service.
5. Insurance counsel, brokerage fees, and expenses.
6. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.
7. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.
8. Fees and expenses of claim investigators.
9. Payment of awards to claimants for court costs and attorneys' services.
10. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.
11. Compensation payments under workmen's compensation laws.
12. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)
13. Cost of safety, accident prevention, and similar educational activities.

Materials and Expenses:

1. Chemicals.
2. Additions to or refining of fluids used in reactor systems.
3. Lubricants.
4. Pumping supplies and expenses.
5. Miscellaneous supplies and expenses.
6. Purchased water.

NOTE: Do not include in this account water for general station use or the initial charge for coolants, heat transfer, or moderator fluids, chemicals, or other supplies capitalized.

520 Steam Expenses

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, property insurance, property taxes, and materials used and expenses incurred in production of steam through nuclear processes, and similar expenses for operation of any auxiliary superheat facilities.

Items

Labor:

1. Supervising steam production.
2. Fuel handling including removal, insertion, disassembly, and preparation for cooling operations and shipment.
3. Testing instruments and gauges.
4. Health, safety, monitoring, and decontamination activities.
5. Waste disposal.
6. Operating steam boilers and auxiliary steam, superheat facilities.

Taxes:

1. Federal and state unemployment.
2. F.I.C.A.
3. Property.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.
2. Group and life insurance premiums (credit dividends received).
3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.
4. Payments for accident, sickness, hospital, and death benefits or insurance.
5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.
6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for fire, storm, burglary, boiler explosion, lightning, fidelity, riot, and similar insurance.
2. Amounts credited to Account 228.1, Accumulated Provision for Property Insurance, for similar protection.
3. Special costs incurred in procuring insurance.
4. Insurance inspection service.
5. Insurance counsel, brokerage fees, and expenses.
6. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.
7. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.
8. Fees and expenses of claim investigators.
9. Payment of awards to claimants for court costs and attorneys' services.
10. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.
11. Compensation payments under workmen's compensation laws.
12. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)
13. Cost of safety, accident prevention, and similar educational activities.

Materials and Expenses:

1. Chemical supplies.
2. Charts and logs.
3. Health, safety, monitoring, and decontamination supplies.
4. Boiler inspection fees.
5. Lubricants.

521 Steam from Other Sources

This account shall include the cost of steam purchased or transferred from another department of the utility or from others under a joint facility operating arrangement for use in prime movers devoted to the production of electricity.

NOTE: The records shall be so kept as to show separately for each company from which steam is purchased, the point of delivery, the quantity, the price, and the total charge. When steam is transferred from another operating department, the utility shall be prepared to show full details of the cost of producing such steam, the basis of the charges to electric generation, and the extent and manner of use by each department involved.

522 Steam Transferred—Credit

A. This account shall include credits for expenses of producing steam which are charged to others or to other utility departments under a joint operating arrangement. Include also credits for steam expenses chargeable to other electric accounts outside of the steam generation group. Full details of the basis of determination of the cost of steam transferred shall be maintained.

B. If the charges to others or to other departments of the utility include an amount for depreciation, taxes, and return on the joint steam facilities, such portion of the charge shall be credited in the case of others, to Account 454, Rent from Electric Property, and in the case of other departments of the utility, to Account 455, Interdepartmental Rents.

523 Electric Expenses

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, property insurance, property taxes, materials used, and expenses incurred in operating turbogenerators, steam turbines and their auxiliary apparatus, switch gear, and other electric equipment to the points where electricity leaves for conversion for transmission or distribution.

Items

Labor:

1. Supervising electric production.
2. Operating turbines, engines, generators, and exciters.
3. Operating condensers, circulating water systems, and other auxiliary apparatus.
4. Operating generator cooling system.
5. Operating lubrication and oil control system, including oil purification.
6. Operating switchboards, switch gear, and electric control and protective equipment.
7. Keeping plant log and records and preparing reports on electric plant operations.
8. Testing, checking and adjusting meters, gauges, and other instruments, relays, controls, and other equipment in the electric plant.
9. Cleaning electric plant equipment when not incidental to maintenance.
10. Repacking glands and replacing gauge glasses.

Taxes:

1. Federal and state unemployment.
2. F.I.C.A.
3. Property.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.
2. Group and life insurance premiums (credit dividends received).
3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.
4. Payments for accident, sickness, hospital, and death benefits or insurance.
5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.
6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for fire, storm, burglary, boiler explosion, lightning, fidelity, riot, and similar insurance.
2. Amounts credited to Account 228.1, Accumulated Provision for Property Insurance, for similar protection.
3. Special costs incurred in procuring insurance.
4. Insurance inspection service.
5. Insurance counsel, brokerage fees, and expenses.
6. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.
7. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.
8. Fees and expenses of claim investigators.
9. Payment of awards to claimants for court costs and attorneys' services.
10. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.
11. Compensation payments under workmen's compensation laws.
12. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)
13. Cost of safety, accident prevention, and similar educational activities.

Materials and Expenses:

1. Lubricants and control system oils.
2. Generator cooling gases.
3. Log sheets and charts.
4. Motor and generator brushes.

524 Miscellaneous Nuclear Power Expenses

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, materials used, and expenses incurred which are not specifically provided for or are not readily assignable to other nuclear generation operation accounts.

Items

Labor:

1. General clerical and stenographic work.
2. Plant security.
3. Building service.
4. Care of grounds, including snow removal, and grass cutting
5. Miscellaneous labor.

Taxes:

1. Federal and state unemployment.
2. F.I.C.A.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.
2. Group and life insurance premiums (credit dividends received).
3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.
4. Payments for accident, sickness, hospital, and death benefits or insurance.
5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.
6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.
2. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.
3. Fees and expenses of claim investigators.
4. Payment of awards to claimants for court costs and attorneys' services.
5. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.
6. Compensation payments under workmen's compensation laws.
7. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)
8. Cost of safety, accident prevention, and similar educational activities.

Materials and Expenses:

1. General operating supplies, such as tools, gaskets, hose, indicating lamps, records and reports forms.
2. First-aid supplies and safety equipment.
3. Employees' service facilities expenses.
4. Building service supplies.
5. Communication service.
6. Miscellaneous office supplies and expenses, printing and stationery.
7. Transportation expenses.
8. Meals, traveling, and incidental expenses.
9. Research, development, and demonstration expenses.

525 Rents

This account shall include all rents of property of others used, occupied, or operated in connection with nuclear generation. (See § 1767.17 (c).)

(Maintenance)

528 Maintenance Supervision and Engineering

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, and expenses incurred in the general supervision and direction of maintenance of nuclear generation facilities. Direct field supervision of specific jobs shall be charged to the appropriate maintenance account. (See § 1767.17(a).)

529 Maintenance of Structures

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, materials used, and expenses incurred in the maintenance of structures, the book cost of which is includible in Account 321, Structures and Improvements. (See § 1767.17(b).)

530 Maintenance of Reactor Plant Equipment

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, materials used, and expenses incurred in the maintenance of reactor plant, the book cost of which is includible in Account 322, Reactor Plant Equipment. (See § 1767.17(b).)

531 Maintenance of Electric Plant

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, materials used, and expenses incurred in the maintenance of electric plant, the book cost of which is includible in Account 323, Turbogenerator Units, and Account 324, Accessory Electric Equipment. (See § 1767.17(b).)

532 Maintenance of Miscellaneous Nuclear Plant

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, materials used, and expenses incurred in maintenance of miscellaneous nuclear generating plant, the book cost of which is includible in Account 325, Miscellaneous Power Plant Equipment. (See § 1767.17(b).)

Hydraulic Power Generation

(Operation)

535 Operation Supervision and Engineering

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and

damages, and expenses incurred in the general supervision and direction of the operation of hydraulic power generating stations. Direct supervision of specific activities, such as hydraulic operation, and generator operation shall be charged to the appropriate account. (See § 1767.17(a).)

536 Water for Power

This account shall include the cost of water used for hydraulic power generation.

Items

1. Cost of water purchased from others, including water tolls paid reservoir companies.
2. Periodic payments for licenses or permits from any governmental agency for water rights, or payments based on the use of the water.
3. Periodic payments for riparian rights.
4. Periodic payments for headwater benefits or for detriments to others.
5. Cloud seeding.

537 Hydraulic Expenses

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, property insurance, property taxes, materials used, and expenses incurred in operating hydraulic works including reservoirs, dams, and waterways, and in activities directly relating to the hydroelectric development outside the generating station. It shall also include the cost of labor, materials used, and other expenses incurred in connection with the operation of (1) fish and wildlife, and (2) recreation facilities. Separate subaccounts shall be maintained for each of the above.

Items

Labor:

1. Supervising hydraulic operation.
2. Removing debris and ice from trash racks, reservoirs, and waterways.
3. Patrolling reservoirs and waterways.
4. Operating intakes, spillways, sluiceways, and outlet works.
5. Operating bubbler, heater, or other deicing systems.
6. Ice and log jam work.
7. Operating navigation facilities.
8. Operations relating to conservation of game, fish, and forests.
9. Insect control activities.

Taxes:

1. Federal and state unemployment.
2. F.I.C.A.
3. Property.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.
2. Group and life insurance premiums (credit dividends received).
3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.
4. Payments for accident, sickness, hospital, and death benefits or insurance.
5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.
6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for fire, storm, burglary, boiler explosion, lightning, fidelity, riot, and similar insurance.
2. Amounts credited to Account 228.1, Accumulated Provision for Property Insurance, for similar protection.
3. Special costs incurred in procuring insurance.
4. Insurance inspection service.
5. Insurance counsel, brokerage fees, and expenses.
6. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.
7. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.
8. Fees and expenses of claim investigators.
9. Payment of awards to claimants for court costs and attorneys' services.
10. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.
11. Compensation payments under workmen's compensation laws.
12. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)
13. Cost of safety, accident prevention, and similar educational activities.

Materials and Expenses:

1. Insect control materials.

2. Lubricants, packing, and other supplies used in the operation of hydraulic equipment.

3. Transportation expense.

538 Electric Expenses

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, property insurance, property taxes, materials used, and expenses incurred in operating prime movers, generators, and their auxiliary apparatus, switchgear, and other electric equipment, to the point where electricity leaves for conversion for transmission or distribution.

Items

Labor:

1. Supervising electric production.

2. Operating prime movers, generators, and auxiliary equipment.

3. Operating generator cooling system.

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

5. Operating switchboards, switchgear, and electric control and protection equipment.

6. Keeping plant log and records and preparing reports on plant operations.

7. Testing, checking and adjusting meters, gauges, and other instruments, relays, controls, and other equipment in the plant.

8. Cleaning plant equipment when not incidental to maintenance work.

9. Repacking glands.

Taxes:

1. Federal and state unemployment.

2. F.I.C.A.

3. Property.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.

2. Group and life insurance premiums (credit dividends received).

3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.

4. Payments for accident, sickness, hospital, and death benefits or insurance.

5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.

6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for fire, storm, burglary, boiler explosion, lightning, fidelity, riot, and similar insurance.

2. Amounts credited to Account 228.1, Accumulated Provision for Property Insurance, for similar protection.

3. Special costs incurred in procuring insurance.

4. Insurance inspection service.

5. Insurance counsel, brokerage fees, and expenses.

6. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.

7. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.

8. Fees and expenses of claim investigators.

9. Payment of awards to claimants for court costs and attorneys' services.

10. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.

11. Compensation payments under workmen's compensation laws.

12. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)

13. Cost of safety, accident prevention, and similar educational activities.

Materials and Expenses:

1. Lubricants and control system oils.

2. Motor and generator brushes.

539 Miscellaneous Hydraulic Power Generation Expenses

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, materials used, and expenses incurred which are not specifically provided for or are not readily assignable to other hydraulic generation operation expense accounts.

Items

Labor:

1. General clerical and stenographic work.

2. Guarding and patrolling plant and yard.

3. Building service.

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

5. Snow removal from roads and bridges.

6. Miscellaneous labor.

Taxes:

1. Federal and state unemployment.
2. F.I.C.A.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.
2. Group and life insurance premiums (credit dividends received).
3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.
4. Payments for accident, sickness, hospital, and death benefits or insurance.
5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.
6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.
2. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.
3. Fees and expenses of claim investigators.
4. Payment of awards to claimants for court costs and attorneys' services.
5. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.
6. Compensation payments under workmen's compensation laws.
7. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)
8. Cost of safety, accident prevention, and similar educational activities.

Materials and Expenses:

1. General operating supplies, such as tools, gaskets, packing, waste, hose, indicating lamps, record and report forms.
2. First-aid supplies and safety equipment.
3. Employees' service facilities expenses.
4. Building service supplies.
5. Communication service.
6. Office supplies, printing and stationery.
7. Transportation expenses.
8. Fuel.
9. Meals, traveling, and incidental expenses.
10. Research, development, and demonstration expenses.

540 Rents

This account shall include all rents of property of others used, occupied, or operated in connection with hydraulic power generation, including amounts payable to the United States for the occupancy of public lands and reservations for reservoirs, dams, flumes, forebays, penstocks, and power houses but not including transmission right-of-way. (See §1767.17 (c).)

(Maintenance)

541 Maintenance Supervision and Engineering

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, and expenses incurred in the general supervision and direction of the maintenance of hydraulic power generating stations. Direct field supervision of specific jobs shall be charged to the appropriate maintenance account. (See §1767.17(a).)

542 Maintenance of Structures

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, materials used, and expenses incurred in maintenance of hydraulic structures, the book cost of which is includible in Account 331, Structures and Improvements. (See §1767.17 (b).) However, the cost of labor, materials used, and expenses incurred in the maintenance of fish and wildlife and recreation facilities, the book cost of which is includible in Account 331, Structures and Improvements, shall be charged to Account 545, Maintenance of Miscellaneous Hydraulic Plant.

543 Maintenance of Reservoirs, Dams, and Waterways

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, materials used, and expenses incurred in maintenance of plant includible in Account 332, Reservoirs, Dams, and Waterways. (See §1767.17(b).) However, the cost of labor, materials used, and expenses incurred in the maintenance of fish and wildlife and recreation facilities, the book cost of which is includible in Account 332, Reservoirs, Dams, and Waterways, shall be charged to

Account 545, Maintenance of Miscellaneous Hydraulic Plant.

544 Maintenance of Electric Plant

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, materials used, and expenses incurred in maintenance of plant includible in Account 333, Water Wheels, Turbines and Generators, and Account 334, Accessory Electric Equipment, (See § 1767.17(b).)

545 Maintenance of Miscellaneous Hydraulic Plant

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, materials used, and expenses incurred in maintenance of plant, the book cost of which is includible in Account 335, Miscellaneous Power Plant Equipment, and Account 336, Roads Railroads and Bridges. (See § 1767.17(b).) It shall also include the cost of labor, materials used, and other expenses incurred in the maintenance of (1) fish and wildlife, and (2) recreation facilities. Separate subaccounts shall be maintained for each of the above.

Other Power Generation

(Operation)

546 Operation Supervision and Engineering

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, and expenses incurred in the general supervision and direction of the operation of other power generating stations. Direct supervision of specific activities, such as fuel handling and engine and generator operation shall be charged to the appropriate account. (See § 1767.17(a).)

547 Fuel

This account shall include the cost delivered at the station (See Account 151, Fuel Stock) of all fuel, such as gas, oil, kerosene, and gasoline used in other power generation.

548 Generation Expenses

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, property insurance, property taxes, materials used, and expenses incurred in operating prime movers, generators, and electric equipment in other power generating stations, to the point where electricity leaves for conversion for transmission or distribution.

Items

Labor:

1. Supervising other power generation operation.
2. Operating prime movers, generators, and auxiliary apparatus and switching and other electric equipment.
3. Keeping plant log and records and preparing reports on plant operations.
4. Testing, checking, cleaning, oiling, and adjusting equipment.

Taxes:

1. Federal and state unemployment.
2. F.I.C.A.
3. Property.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.
2. Group and life insurance premiums (credit dividends received).
3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.
4. Payments for accident, sickness, hospital, and death benefits or insurance.
5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.
6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for fire, storm, burglary, boiler explosion, lightning, fidelity, riot, and similar insurance.
2. Amounts credited to Account 228.1, Accumulated Provision for Property Insurance, for similar protection.
3. Special costs incurred in procuring insurance.
4. Insurance inspection service.
5. Insurance counsel, brokerage fees, and expenses.
6. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.
7. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.

8. Fees and expenses of claim investigators.
9. Payment of awards to claimants for court costs and attorneys' services.
10. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.
11. Compensation payments under workmen's compensation laws.
12. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)
13. Cost of safety, accident prevention, and similar educational activities.

Materials and Expenses:

1. Dynamo, motor, and generator brushes.
2. Lubricants and control system oils.
3. Water for cooling engines and generators.

549 Miscellaneous Other Power Generation Expenses

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, materials used, and expenses incurred in the operation of other power generating stations which are not specifically provided for or are not readily assignable to other generation expense accounts.

Items

Labor:

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

Taxes:

1. Federal and state unemployment.
2. F.I.C.A.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.
2. Group and life insurance premiums (credit dividends received).
3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.
4. Payments for accident, sickness, hospital, and death benefits or insurance.
5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.
6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.
2. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.
3. Fees and expenses of claim investigators.
4. Payment of awards to claimants for court costs and attorneys' services.
5. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.
6. Compensation payments under workmen's compensation laws.
7. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)
8. Cost of safety, accident prevention, and similar educational activities.

Materials and Expenses:

1. Building service supplies.
2. First-aid supplies and safety equipment.
3. Communication service.
4. Employees' service facilities expenses.
5. Office supplies, printing and stationery.
6. Transportation expense.
7. Meals, traveling, and incidental expenses.
8. Fuel for heating.
9. Water for fire protection or general use.
10. Miscellaneous supplies, such as hand tools, drills, saw blades, and files.
11. Research, development, and demonstration expenses.

550 Rents

This account shall include all rents of property of others used, occupied, or operated in connection with other power generation. (See § 1767.17 (c).)

(Maintenance)

551 Maintenance Supervision and Engineering

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, and expenses incurred in the general supervision and direction of the maintenance of other power generating stations. Direct field supervision of specific jobs shall be

charged to the appropriate maintenance account. (See § 1767.17(a).)

552 Maintenance of Structures

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, materials used, and expenses incurred in maintenance of facilities used and expenses incurred in maintenance of facilities used in other power generation, the book cost of which is includible in Account 341, Structures and Improvements, and Account 342, Fuel Holders, Producers and Accessories. (See § 1767.17(b).)

553 Maintenance of Generating and Electric Equipment

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, materials used, and expenses incurred in maintenance of plant, the book cost of which is includible in Account 343, Prime Movers; Account 344, Generators; and Account 345, Accessory Electric Equipment. (See § 1767.17(b).)

554 Maintenance of Miscellaneous Other Power Generation Plant

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, materials used, and expenses incurred in maintenance of other power generation plant, the book cost of which is includible in Account 346, Miscellaneous Power Plant Equipment. (See § 1767.17(b).)

OTHER POWER SUPPLY EXPENSES

555 Purchased Power

A. This account shall include the cost at point of receipt by the utility of electricity purchased for resale. It shall also include, net settlements for exchange of electricity or power, such as economy energy, off-peak energy for on-peak energy, and spinning reserve capacity. In addition, the account shall include the net settlements for transactions under pooling or interconnection agreements wherein there is a balancing of debits and credits for energy, or capacity. Distinct purchases and sales shall not be recorded as exchanges and net amounts only recorded merely because debit and credit amounts are combined in the voucher settlement.

B. The records supporting this account shall show, by months, the demands and demand charges, kilowatt-hours and prices thereof under each purchase contract and the charges and credits under each exchange or power pooling contract.

556 System Control and Load Dispatching

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, property insurance, property taxes, and expenses incurred in load dispatching activities for system control. Utilities having an interconnected electric system or operating under a central authority which controls the production and dispatching of electricity may apportion these costs to this account and Account 561, Load Dispatching, and Account 581, Load Dispatching.

Items

Labor:

1. Allocating loads to plants and interconnections with others.
2. Directing switching.
3. Arranging and controlling clearances for construction, maintenance, test, and emergency purposes.
4. Controlling system voltages.
5. Recording loadings, and water conditions.
6. Preparing operating reports and data for billing and budget purposes.
7. Obtaining reports on the weather and special events.

Taxes:

1. Federal and state unemployment.
2. F.I.C.A.
3. Property.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.
2. Group and life insurance premiums (credit dividends received).
3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.
4. Payments for accident, sickness, hospital, and death benefits or insurance.
5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.
6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for fire, storm, burglary, boiler explosion, lightning, fidelity, riot, and similar insurance.

2. Amounts credited to Account 228.1, Accumulated Provision for Property Insurance, for similar protection.

3. Special costs incurred in procuring insurance.

4. Insurance inspection service.

5. Insurance counsel, brokerage fees, and expenses.

6. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.

7. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.

8. Fees and expenses of claim investigators.

9. Payment of awards to claimants for court costs and attorneys' services.

10. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.

11. Compensation payments under workmen's compensation laws.

12. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)

13. Cost of safety, accident prevention, and similar educational activities.

Expenses:

1. Communication service provided for system control purposes.

2. System record and report forms.

3. Meals, traveling, and incidental expenses.

4. Obtaining weather and special events reports.

557 Other Expenses

A. This account shall be charged with any production expenses including expenses incurred directly in connection with the purchase of electricity, which are not specifically provided for in other production expense accounts. Charges to this account shall be supported so that a description of each type of charge will be readily available.

B. Recoveries from insurance companies, under use and occupancy provisions of policies, of amounts in reimbursement of excessive or added productions costs for which the insurance company is liable under the terms of the policy shall be credited to this account.

TRANSMISSION EXPENSES

(Operation)

560 Operation Supervision and Engineering

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, and expenses incurred in the general supervision and direction of the operation of the transmission system as a whole. Direct supervision of specific activities, such as station operation and line operation shall be charged to the appropriate account. (See §1767.17(a).)

561 Load Dispatching

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, property insurance, property taxes, materials used, and expenses incurred in load dispatching operations pertaining to the transmission of electricity.

Items

Labor:

1. Direct switching.

2. Arranging and controlling clearances for construction, maintenance, test, and emergency purposes.

3. Controlling system voltages.

4. Obtaining reports on the weather and special events.

5. Preparing operating reports and data for billing and budget purposes.

Taxes:

1. Federal and state unemployment.

2. F.I.C.A.

3. Property.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.

2. Group and life insurance premiums (credit dividends received).

3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.

4. Payments for accident, sickness, hospital, and death benefits or insurance.

5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.

6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for fire, storm, burglary, boiler explosion, lightning, fidelity, riot, and similar insurance.

2. Amounts credited to Account 228.1, Accumulated Provision for Property Insurance, for similar protection.

3. Special costs incurred in procuring insurance.

4. Insurance inspection service.

5. Insurance counsel, brokerage fees, and expenses.

6. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.

7. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.

8. Fees and expenses of claim investigators.

9. Payment of awards to claimants for court costs and attorneys' services.

10. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.

11. Compensation payments under workmen's compensation laws.

12. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)

13. Cost of safety, accident prevention, and similar educational activities.

Expenses:

1. Communication service provided for system control purposes.

2. System record and report forms.

3. Meals, traveling, and incidental expenses.

4. Obtaining weather and special events reports.

562 Station Expenses

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, property insurance, property taxes, materials used, and expenses incurred in operating transmission substations and switching stations. If transmission station equipment is located in or adjacent to a generating station, the expenses applicable to transmission station operations shall nevertheless be charged to this account.

Items

Labor:

1. Supervising station operation.

2. Adjusting station equipment where such adjustment primarily affects performance, such as regulating the flow of cooling water, adjusting current in fields of a machine or changing voltage of regulators, changing station transformer taps.

3. Inspecting, testing, and calibrating station equipment for the purpose of checking its performance.

4. Keeping station log and records and preparing records on station operation.

5. Operating switching and other station equipment.

6. Standing watch, guarding, and patrolling station and station yard.

7. Sweeping, mopping, and tidying station.

8. Care of grounds, including snow removal, and grass cutting.

Taxes:

1. Federal and state unemployment.

2. F.I.C.A.

3. Property.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.

2. Group and life insurance premiums (credit dividends received).

3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.

4. Payments for accident, sickness, hospital, and death benefits or insurance.

5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.

6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for fire, storm, burglary, boiler explosion, lightning, fidelity, riot, and similar insurance.

2. Amounts credited to Account 228.1, Accumulated Provision for Property Insurance, for similar protection.

3. Special costs incurred in procuring insurance.

4. Insurance inspection service.

5. Insurance counsel, brokerage fees, and expenses.

6. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.

7. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.

8. Fees and expenses of claim investigators.

9. Payment of awards to claimants for court costs and attorneys' services.

10. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.

11. Compensation payments under workmen's compensation laws.

12. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)

13. Cost of safety, accident prevention, and similar educational activities.

Materials and Expenses:

1. Building service expenses.

2. Operating supplies, such as lubricants, commutator brushes, water, and rubber goods.

3. Station meter and instrument supplies, such as ink and charts.

4. Station record and report forms.

5. Tool expense.

6. Transportation expenses.

7. Meals, traveling, and incidental expenses.

563 Overhead Line Expenses

564 Underground Line Expenses

A. These accounts shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, property insurance, property taxes, materials used, and expenses incurred in the operation of transmission lines.

B. If the expenses are not substantial for both overhead and underground lines, these accounts may be combined.

Items

Labor:

1. Supervising line operation.

2. Inspecting and testing lightning arresters, circuit breakers, switches, and grounds.

3. Load tests of circuits.

4. Routine line patrolling.

5. Routine voltage surveys made to determine the condition or efficiency of transmission system.

6. Transferring loads, switching and reconnecting circuits and equipment for operating purposes. (Switching for construction or maintenance purposes is not includible in this account.)

7. Routine inspection and cleaning of manholes, conduit, network, and transformer vaults.

8. Electrolysis surveys.

9. Inspecting and adjusting line-testing equipment, such as voltmeters, ammeters, and wattmeters.

10. Regulation and addition of oil or gas in high-voltage cable systems.

Taxes:

1. Federal and state unemployment.

2. F.I.C.A.

3. Property.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.

2. Group and life insurance premiums (credit dividends received).

3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.

4. Payments for accident, sickness, hospital, and death benefits or insurance.

5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.

6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for fire, storm, burglary, boiler explosion, lightning, fidelity, riot, and similar insurance.

2. Amounts credited to Account 228.1, Accumulated Provision for Property Insurance, for similar protection.

3. Special costs incurred in procuring insurance.

4. Insurance inspection service.

5. Insurance counsel, brokerage fees, and expenses.

6. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.

7. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.
8. Fees and expenses of claim investigators.
9. Payment of awards to claimants for court costs and attorneys' services.
10. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.
11. Compensation payments under workmen's compensation laws.
12. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)
13. Cost of safety, accident prevention, and similar educational activities.

Materials and Expenses:

1. Transportation expenses.
2. Meals, traveling, and incidental expenses.
3. Tool expenses.
4. Operating supplies, such as instrument charts, and rubber goods.

565 Transmission of Electricity by Others

This account shall include amounts payable to others for the transmission of the utility's electricity over transmission facilities owned by others.

566 Miscellaneous Transmission Expenses

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damage, materials used, and expenses incurred in transmission map and record work, transmission office expenses, and other transmission expenses not provided for elsewhere.

Items

Labor:

1. General records of physical characteristics of lines and stations, such as capacities.
2. Ground resistance records.
3. Janitor work at transmission office buildings, including care of grounds, snow removal, and grass cutting.
4. Joint pole maps and records.
5. Line load and voltage records.
6. Preparing maps and prints.
7. General clerical and stenographic work.
8. Miscellaneous labor.

Taxes:

1. Federal and state unemployment.
2. F.I.C.A.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.
2. Group and life insurance premiums (credit dividends received).
3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.
4. Payments for accident, sickness, hospital, and death benefits or insurance.
5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.
6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.
2. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.
3. Fees and expenses of claim investigators.
4. Payment of awards to claimants for court costs and attorneys' services.
5. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.
6. Compensation payments under workmen's compensation laws.
7. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)
8. Cost of safety, accident prevention, and similar educational activities.

Materials and Expenses:

1. Communication service.
2. Building service supplies.
3. Map and record supplies.
4. Transmission office supplies and expenses, printing and stationery.
5. First-aid supplies.
6. Research, development, and demonstration expenses.

567 Rents

This account shall include rents of property of others used, occupied, or operated in connection with the transmission system, including payments to the United States and others for use of public or private lands and reservations for transmission line rights-of-way. (See § 1767.17 (c).)

(Maintenance)

568 Maintenance Supervision and Engineering

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, and expenses incurred in the general supervision and direction of maintenance of the transmission system. Direct field supervision of specific jobs shall be charged to the appropriate maintenance account. (See § 1767.17(a).)

569 Maintenance of Structures

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, materials used, and expenses incurred in the maintenance of structures, the book cost of which is includible in Account 352, Structures and Improvements. (See § 1767.17(b).)

570 Maintenance of Station Equipment

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, materials used, and expenses incurred in maintenance of station equipment, the book cost of which is includible in Account 353, Station Equipment. (See § 1767.17(b).)

571 Maintenance of Overhead Lines

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, materials used, and expenses incurred in maintenance of transmission plant, the book cost of which is includible in Accounts 354, Towers and Fixtures; 355, Poles and Fixtures; 356, Overhead Conductors and Devices; and 359, Roads and Trails. (See § 1767.17(b).)

Items

1. Work of the following character on poles, towers, and fixtures:

a. Installing or removing additional clamps or strain insulators on guys in place.

b. Moving line or guy pole in relocation of the same pole or section of line.

c. Painting poles, towers, crossarms, or pole extensions.

d. Readjusting and changing position of guys or braces.

e. Realigning and straightening poles, crossarms braces, and other pole fixtures.

f. Reconditioning reclaimed pole fixtures.

g. Relocating crossarms, racks, brackets, and other fixtures on poles.

h. Repairing or realigning pins, racks, or brackets.

i. Repairing pole supported platform.

j. Repairs by others to jointly owned poles.

k. Shaving, cutting rot, or testing poles or crossarms in use or salvaged for reuse.

l. Stubbing poles already in service.

m. Supporting fixtures and conductors and transferring them to new poles during pole replacements.

n. Maintenance of pole signs, stencils, and tags.

2. Work of the following character on overhead conductors and devices:

a. Overhauling and repairing line cutouts, line switches, and line breakers.

b. Cleaning insulators and bushings.

c. Refusing cutouts.

d. Repairing line oil circuit breakers and associated relays and control wiring.

e. Repairing grounds.

f. Resagging, retyping, or rearranging position or spacing of conductors.

g. Standing by phones, going to calls, cutting faulty lines clear, or similar activities at times of emergencies.

h. Sampling, testing, changing, purifying, and replenishing insulating oil.

i. Repairing line testing equipment.

j. Transferring loads, switching and reconnecting circuits and equipment for maintenance purposes.

k. Trimming trees and clearing brush.

l. Chemical treatment of right of way areas when occurring subsequent to construction of line.

3. Work of the following character on roads and trails:

a. Repairing roadways and bridges.

b. Trimming trees and brush to maintain previous roadway clearance.

c. Snow removal from roads and trails.

d. Maintenance work on publicly owned roads and trails when done by utility at its expense.

Taxes:

1. Federal and state unemployment.

2. F.I.C.A.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.

2. Group and life insurance premiums (credit dividends received).

3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.

4. Payments for accident, sickness, hospital, and death benefits or insurance.

5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result

of occupational injuries or in excess of statutory awards.

6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.

2. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.

3. Fees and expenses of claim investigators.

4. Payment of awards to claimants for court costs and attorneys' services.

5. Medical and hospital services and expenses for employees as the result of occupational injuries or resulting from claims of others.

6. Compensation payments under workmen's compensation laws.

7. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)

8. Cost of safety, accident prevention, and similar educational activities.

572 Maintenance of Underground Lines

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, materials used, and expenses incurred in maintenance of transmission plant, the book cost of which is includible in Accounts 357, Underground Conduit, and Account 358, Underground Conductors and Devices. (See § 1767.17(b).)

Items

1. Work of the following character on underground conduit:

a. Cleaning ducts, manholes, and sewer connections.

b. Minor alterations of handholes, manholes, or vaults.

c. Refastening, repairing, or moving racks, ladders, hangers in manholes, or vaults.

d. Plugging and shelving or replugging ducts.

e. Repairs to sewers and drains, walls and floors, rings and covers.

2. Work of the following character on underground conductors and devices:

a. Repairing oil circuit breakers, switches, cutouts, and control wiring.

b. Repairing grounds.

c. Retraining and reconnecting cables in manholes, including transfer of cables from one duct to another.

d. Repairing conductors and splices.

e. Repairing or moving junction boxes and potheads.

f. Refireproofing of cables and repairing supports.

g. Repairing electrolysis preventive devices for cables.

h. Repairing cable bonding systems.

i. Sampling, testing, changing, purifying, and replenishing insulating oil.

j. Transferring loads, switching and reconnecting circuits, and equipment for maintenance purposes.

k. Repairing line testing equipment.

l. Repairs to oil or gas equipment in high-voltage cable system and replacement of oil or gas.

Taxes:

1. Federal and state unemployment.

2. F.I.C.A.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.

2. Group and life insurance premiums (credit dividends received).

3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.

4. Payments for accident, sickness, hospital, and death benefits or insurance.

5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.

6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.

2. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.

3. Fees and expenses of claim investigators.

4. Payment of awards to claimants for court costs and attorneys' services.

5. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.

6. Compensation payments under workmen's compensation laws.

7. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)

8. Cost of safety, accident prevention, and similar educational activities.

573 Maintenance of Miscellaneous Transmission Plant

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, materials used, and expenses incurred in maintenance of owned or leased plant which is assignable to transmission operations and is not provided for elsewhere. (See § 1767.17(b).)

DISTRIBUTION EXPENSES

(Operation)

580 Operation Supervision and Engineering

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, and expenses incurred in the general supervision and direction of the operation of the distribution system. Direct supervision of specific activities, such as station operation, line operation, and meter department operation shall be charged to the appropriate account. (See § 1767.17(a).)

581 Load Dispatching

This account (the keeping of which is optional with the utility) shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, property insurance, property taxes, materials used, and expenses incurred in load dispatching operations pertaining to the distribution of electricity.

Items

Labor:

1. Direct switching.

2. Arranging and controlling clearances for construction, maintenance, test, and emergency purposes.

3. Controlling system voltages.

4. Preparing operating reports.

5. Obtaining reports on the weather and special events.

Taxes:

1. Federal and state unemployment.

2. F.I.C.A.

3. Property.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.

2. Group and life insurance premiums (credit dividends received).

3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.

4. Payments for accident, sickness, hospital, and death benefits or insurance.

5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.

6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for fire, storm, burglary, boiler explosion, lightning, fidelity, riot, and similar insurance.

2. Amounts credited to Account 228.1, Accumulated Provision for Property Insurance, for similar protection.

3. Special costs incurred in procuring insurance.

4. Insurance inspection service.

5. Insurance counsel, brokerage fees, and expenses.

6. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.

7. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.

8. Fees and expenses of claim investigators.

9. Payment of awards to claimants for court costs and attorneys' services.

10. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.

11. Compensation payments under workmen's compensation laws.

12. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)

13. Cost of safety, accident prevention, and similar educational activities.

Expenses:

1. Communication service provided for system control purposes.

2. System record and report forms.

3. Meals, traveling, and incidental expenses.

582 Station Expenses

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, property insurance, property taxes, materials used, and expenses incurred in the operation of distribution substations.

Items

Labor:

1. Supervising station operation.

2. Adjusting station equipment where such adjustment primarily affects performance, such as regulating the flow of cooling water, adjusting current in fields of a machine, changing voltage of regulators, or changing station transformer taps.

3. Keeping station log and records and preparing reports on station operation.

4. Inspecting, testing, and calibrating station equipment for the purpose of checking its performance.

5. Operating switching and other station equipment.

6. Standing watch, guarding, and patrolling station and station yard.

7. Sweeping, mopping, and tidying station.

8. Care of grounds, including snow removal, and grass cutting.

Taxes:

1. Federal and state unemployment.

2. F.I.C.A.

3. Property.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.

2. Group and life insurance premiums (credit dividends received).

3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.

4. Payments for accident, sickness, hospital, and death benefits or insurance.

5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.

6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for fire, storm, burglary, boiler explosion, lightning, fidelity, riot, and similar insurance.

2. Amounts credited to Account 228.1, Accumulated Provision for Property Insurance, for similar protection.

3. Special costs incurred in procuring insurance.

4. Insurance inspection service.

5. Insurance counsel, brokerage fees, and expenses.

6. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.

7. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.

8. Fees and expenses of claim investigators.

9. Payment of awards to claimants for court costs and attorneys' services.

10. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.

11. Compensation payments under workmen's compensation laws.

12. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)

13. Cost of safety, accident prevention, and similar educational activities.

Materials and Expenses:

1. Building service expenses.

2. Operating, supplies, such as lubricants, commutator brushes, water, and rubber goods.

3. Station meter and instrument supplies, such as ink and charts.

4. Station record and report forms.

5. Tool expense.

6. Transportation expense.

7. Meals, traveling, and incidental expenses.

NOTE: If the utility owns storage battery equipment used for supplying electricity to customers in periods of emergency, the cost of operating labor and of supplies, such as acid, gloves, hydrometers, thermometers, soda, automatic cell fillers, and acid proof shoes shall be included in this account. If significant in amount, a separate subdivision shall be maintained for such expenses.

583 Overhead Line Expenses

584 Underground Line Expenses

These accounts shall include, respectively, the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, property insurance, property taxes, materials used, and expenses incurred in the operation of overhead and underground distribution lines.

Items

Labor:

1. Supervising line operation.
2. Changing line transformer taps.
3. Inspecting and testing lightning arresters, line circuit breakers, switches, and grounds.
4. Inspecting and testing line transformers for the purpose of determining load, temperature, or operation performance.
5. Patrolling lines.
6. Load tests and voltage surveys of feeders, circuits, and line transformers.
7. Removing line transformers and voltage regulators with or without replacement.
8. Installing line transformers or voltage regulators with or without change in capacity provided that the cost of first installation of these items is included in Account 368, Line Transformers.
9. Voltage surveys, either routine or upon request of customers, including voltage tests at customer's main switch.
10. Transferring loads, switching and reconnecting circuits and equipment for operation purpose.
11. Electrolysis surveys.
12. Inspecting and adjusting line testing equipment.

Taxes:

1. Federal and State unemployment.
2. F.I.C.A,
3. Property.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.
2. Group and life insurance premiums (credit dividends received).
3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.
4. Payments for accident, sickness, hospital, and death benefits or insurance.
5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.
6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for fire, storm, burglary, boiler explosion, lightning, fidelity, riot, and similar insurance.
2. Amounts credited to Account 228.1, Accumulated Provision for Property Insurance, for similar protection.
3. Special costs incurred in procuring insurance.
4. Insurance inspection service.
5. Insurance counsel, brokerage fees, and expenses.
6. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.
7. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.
8. Fees and expenses of claim investigators.
9. Payment of awards to claimants for court costs and attorneys' services.
10. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.
11. Compensation payments under workmen's compensation laws.
12. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)
13. Cost of safety, accident prevention, and similar educational activities.

Materials and Expenses:

1. Tool expense.
2. Transportation expense.
3. Meals, traveling, and incidental expenses.
4. Operating supplies, such as instrument charts, and rubber goods.

585 Street Lighting and Signal System Expenses

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, property insurance, property taxes, materials used, and expenses incurred in: (1) The operation of street lighting and signal system plant which is owned or leased by the utility; and (2) the operation and maintenance of such plant owned by customers where such work is done regularly as a part

of the street lighting and signal system service.

Items

Labor:

1. Supervising street lighting and signal systems operation.
2. Replacing lamps and incidental cleaning of glassware and fixtures in connection therewith.
3. Routine patrolling for lamp outages, extraneous nuisances, or encroachments.
4. Testing lines and equipment including voltage and current measurement.
5. Winding and inspection of time switch and other controls.

Taxes:

1. Federal and state unemployment.
2. F.I.C.A.
3. Property.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.
2. Group and life insurance premiums (credit dividends received).
3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.
4. Payments for accident, sickness, hospital, and death benefits or insurance.
5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.
6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for fire, storm, burglary, boiler explosion, lightning, fidelity, riot, and similar insurance.
2. Amounts credited to Account 228.1, Accumulated Provision for Property Insurance, for similar protection.
3. Special costs incurred in procuring insurance.
4. Insurance inspection service.
5. Insurance counsel, brokerage fees, and expenses.
6. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.
7. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.
8. Fees and expenses of claim investigators.
9. Payment of awards to claimants for court costs and attorneys' services.
10. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.
11. Compensation payments under workmen's compensation laws.
12. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)
13. Cost of safety, accident prevention, and similar educational activities.

Materials and Expenses:

1. Street lamp renewals.
2. Transportation and tool expense.
3. Meals, traveling, and incidental expenses.

586 Meter Expenses

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, property insurance, property taxes, materials used, and expenses incurred in the operation of customer meters and associated equipment.

Items

Labor:

1. Supervising meter operation.
2. Clerical work on meter history and associated equipment record cards, test cards, and reports.
3. Disconnecting and reconnecting, removing and reinstalling, sealing and unsealing meters and other metering equipment in connection with initiating or terminating services including the cost of obtaining meter readings, if incidental to such operation.
4. Consolidating meter installations due to elimination of separate meters for different rates of service.
5. Changing or relocating meters, instrument transformers, time switches, and other metering equipment.
6. Resetting time controls, checking operation of demand meters and other metering equipment, when done as an independent operation.
7. Inspecting and adjusting meter testing equipment.
8. Inspecting and testing meters, instrument transformers, time switches, and other metering equipment on premises or in shops

excluding inspecting and testing incidental to maintenance.

Taxes:

1. Federal and state unemployment.
2. F.I.C.A.
3. Property.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.
2. Group and life insurance premiums (credit dividends received).
3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.
4. Payments for accident, sickness, hospital, and death benefits or insurance.
5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.
6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for fire, storm, burglary, boiler explosion, lightning, fidelity, riot, and similar insurance.
2. Amounts credited to Account 228.1, Accumulated Provision for Property Insurance, for similar protection.
3. Special costs incurred in procuring insurance.
4. Insurance inspection service.
5. Insurance counsel, brokerage fees, and expenses.
6. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.
7. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.
8. Fees and expenses of claim investigators.
9. Payment of awards to claimants for court costs and attorneys' services.
10. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.
11. Compensation payments under workmen's compensation laws.
12. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)
13. Cost of safety, accident prevention, and similar educational activities.

Materials and Expenses

1. Meter seals and miscellaneous meter supplies.
2. Transportation expenses.
3. Meals, traveling, and incidental expenses.
4. Tool expenses.

NOTE: The cost of the first setting and testing of a meter is chargeable to utility plant, Account 370, Meters.

587 Customer Installations Expenses

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, property insurance, property taxes, materials used, and expenses incurred in work on customer installations in inspecting premises and in rendering services to customers of the nature of those indicated by the list of items hereunder.

Items

Labor:

1. Supervising customer installations work.
2. Inspecting premises, including the check of wiring for code compliance.
3. Investigating, locating, and clearing grounds on customers' wiring.
4. Investigating service complaints, including load tests of motors and lighting and power circuits on customers' premises; field investigations of complaints on bills or of voltage.
5. Installing, removing, renewing, and changing lamps and fuses.
6. Radio, television, and similar interference work including erection of new aerials on customers' premises and patrolling of lines, testing of lightning arresters, inspection of pole hardware, and examination on or off premises of customers' appliances, wiring, or equipment to locate cause of interference.
7. Installing, connecting, reinstalling, or removing leased property on customers' premises.
8. Testing, adjusting, and repairing customers' fixtures and appliances in the shop or on premises.
9. Cost of changing customers' equipment due to changes in service characteristics.
10. Investigation of current diversion including setting and removal of check meters and securing special readings thereon; special calls by employees in connection with

discovery and settlement of current diversion; changes in customer wiring; and any other labor cost identifiable as caused by current diversion.

Taxes:

1. Federal and state unemployment.
2. F.I.C.A.
3. Property.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.
2. Group and life insurance premiums (credit dividends received).
3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.
4. Payments for accident, sickness, hospital, and death benefits or insurance.
5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.
6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for fire, storm, burglary, boiler explosion, lightning, fidelity, riot, and similar insurance.
2. Amounts credited to Account 228.1, Accumulated Provision for Property Insurance, for similar protection.
3. Special costs incurred in procuring insurance.
4. Insurance inspection service.
5. Insurance counsel, brokerage fees, and expenses.
6. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.
7. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.
8. Fees and expenses of claim investigators.
9. Payment of awards to claimants for court costs and attorneys' services.
10. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.
11. Compensation payments under workmen's compensation laws.
12. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)
13. Cost of safety, accident prevention, and similar educational activities.

Materials and Expenses:

1. Lamp and fuse renewals.
2. Materials used in servicing customers' fixtures, appliances, and equipment.
3. Power, light, heat, telephone, and other expenses of the appliance repair department.
4. Tool expense.
5. Transportation expense, including pick-up and delivery charges.
6. Meals, traveling, and incidental expenses.
7. Rewards paid for discovery of current diversion.

NOTE A: Amounts billed customers for any work, the cost of which is charged to this account, shall be credited to this account. Any excess over costs resulting therefrom, shall be transferred to Account 451, Miscellaneous Service Revenues.

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

588 Miscellaneous Distribution Expenses

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, materials used, and expenses incurred in distribution system operation not provided for elsewhere.

Items

Labor:

1. General records of physical characteristics of lines and substations, such as capacities.
2. Ground resistance records.
3. Joint pole maps and records.
4. Distribution system voltage and load records.
5. Preparing maps and prints.
6. Service interruption and trouble records.
7. General clerical and stenographic work except that chargeable to Account 586, Meter Expenses.

Taxes:

1. Federal and state unemployment.
2. F.I.C.A.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct

labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.

2. Group and life insurance premiums (credit dividends received).

3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.

4. Payments for accident, sickness, hospital, and death benefits or insurance.

5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.

6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.

2. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.

3. Fees and expenses of claim investigators.

4. Payment of awards to claimants for court costs and attorneys' services.

5. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.

6. Compensation payments under workmen's compensation laws.

7. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)

8. Cost of safety, accident prevention, and similar educational activities.

Expenses:

1. Operating records covering poles, transformers, manholes, cables, and other distribution facilities. Exclude meter records chargeable to Account 586, Meter Expenses, and station records chargeable to Account 582, Station Expenses, and stores records chargeable to Account 163, Stores Expense Undistributed.

2. Janitor work at distribution office buildings including snow removal and grass cutting.

3. Communication service.

4. Building service expenses.

5. Miscellaneous office supplies and expenses, printing and stationery, maps and records, and first-aid supplies.

6. Research, development, and demonstration expenses.

589 Rents

This account shall include rents of property of others used, occupied, or operated in connection with the distribution system, including payments to the United States and others for the use and occupancy of public lands and reservations for distribution line rights of way. (See §1767.17 (c).)

(Maintenance)

590 Maintenance Supervision and Engineering

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, and expenses incurred in the general supervision and direction of maintenance of the distribution system. Direct field supervision of specific jobs shall be charged to the appropriate maintenance account. (See §1767.17(a).)

591 Maintenance of Structures

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, materials used, and expenses incurred in maintenance of structures, the book cost of which is includible in Account 361, Structures and Improvements. (See §1767.17(b).)

592 Maintenance of Station Equipment

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, materials used, and expenses incurred in maintenance of plant, the book cost of which is includible in Account 362, Station Equipment, and Account 363, Storage Battery Equipment. (See §1767.17(b).)

593 Maintenance of Overhead Lines

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, materials used, and expenses incurred in the maintenance of overhead distribution line facilities, the book cost of which is includible in Account 364, Poles, Towers and Fixtures; Account 365, Overhead Conductors and Devices; and Account 369, Services. (See §1767.17(b).)

Items

1. Work of the following character on poles, towers, and fixtures:

a. Installing additional clamps or removing clamps or strain insulators on guys in place.

b. Moving line or guy pole in relocation of pole or section of line.

c. Painting poles, towers, crossarms, or pole extensions.

d. Readjusting and changing position of guys or braces.

e. Realigning and straightening poles, crossarms, braces, pins, racks, brackets, and other pole fixtures.

f. Reconditioning reclaimed pole fixtures.

g. Relocating crossarms, racks, brackets, and other fixtures on poles.

h. Repairing pole supported platform.

i. Repairs by others to jointly owned poles.

j. Shaving, cutting rot, or treating poles or crossarms in use or salvaged for reuse.

k. Stubbing poles already in service.

l. Supporting conductors, transformers, and other fixtures and transferring them to new poles during pole replacements.

m. Maintaining pole signs, stencils, and tags.

2. Work of the following character on overhead conductors and devices:

a. Overhauling and repairing line cutouts, line switches, line breakers, and capacitor installations.

b. Cleaning insulators and bushings.

c. Refusing line cutouts.

d. Repairing line oil circuit breakers and associated relays and control wiring.

e. Repairing grounds.

f. Resagging, retying, or rearranging position or spacing of conductors.

g. Standing by phones, going to calls, cutting faulty lines clear, or similar activities at times of emergency.

h. Sampling, testing, changing, purifying, and replenishing insulating oil.

i. Transferring loads, switching, and reconnecting circuits and equipment for maintenance purposes.

j. Repairing line testing equipment.

k. Trimming trees and clearing brush.

l. Chemical treatment of right-of-way area when occurring subsequent to construction of line.

3. Work of the following character on overhead services:

a. Moving position of service either on pole or on customers' premises.

b. Pulling slack in service wire.

c. Retying service wire.

d. Refastening or tightening service bracket.

Taxes:

1. Federal and state unemployment.

2. F.I.C.A.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.

2. Group and life insurance premiums (credit dividends received).

3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.

4. Payments for accident, sickness, hospital, and death benefits or insurance.

5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.

6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.

2. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.

3. Fees and expenses of claim investigators.

4. Payment of awards to claimants for court costs and attorneys' services.

5. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.

6. Compensation payments under workmen's compensation laws.

7. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)

8. Cost of safety, accident prevention, and similar educational activities.

594 Maintenance of Underground Lines

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, materials used, and expenses incurred in the maintenance of underground distribution line facilities, the book cost of which is includible in Account 366, Underground Conduit; Account 367, Underground Conductors and Devices; and Account 369, Services. (See § 1767.17(b).)

Items

1. Work of the following character on underground conduit:

a. Cleaning ducts, manholes, and sewer connections.

b. Moving or changing position of conduit or pipe.

c. Minor alterations of handholes, manholes, or vaults.

d. Refastening, repairing, or moving racks, ladders, or hangers in manholes or vaults.

e. Plugging and shelving ducts.

f. Repairs to sewers, drains, walls, and floors, rings, and covers.

2. Work of the following character on underground conductors and devices:

a. Repairing circuit breakers, switches, cutouts, network protectors, and associated relays and control wiring.

b. Repairing grounds.

c. Retraining and reconnecting cables in manholes including transfer of cables from one duct to another.

d. Repairing conductors and splices.

e. Repairing or moving junction boxes and potheads.

f. Refireproofing cables and repairing supports.

g. Repairing electrolysis preventive devices for cables.

h. Repairing cable bonding systems.

i. Sampling, testing, changing, purifying, and replenishing insulating oil.

j. Transferring loads, switching and reconnecting circuits and equipment for maintenance purposes.

k. Repairing line testing equipment.

l. Repairing oil or gas equipment in high voltage cable systems and replacement of oil or gas.

3. Work of the following character on underground services:

a. Cleaning ducts.

b. Repairing any underground service plant.

Taxes:

1. Federal and state unemployment.

2. F.I.C.A.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.

2. Group and life insurance premiums (credit dividends received).

3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.

4. Payments for accident, sickness, hospital, and death benefits or insurance.

5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.

6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.

2. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.

3. Fees and expenses of claim investigators.

4. Payment of awards to claimants for court costs and attorneys' services.

5. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.

6. Compensation payments under workmen's compensation laws.

7. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)

8. Cost of safety, accident prevention, and similar educational activities.

595 Maintenance of Line Transformers

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, materials used, and expenses incurred in maintenance of distribution line transformers, the book cost of which is includible in Account 368, Line Transformers. (See §1767.17(b).)

596 Maintenance of Street Lighting and Signal Systems

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, materials used, and expenses incurred in maintenance of plant, the book cost of which is includible in Account 373, Street Lighting and Signal Systems. (See §1767.17(b).)

597 Maintenance of Meters

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, materials used, and expenses incurred in the maintenance of meters and meter testing equipment, the book cost of which is includible in Account 370, Meters, and Account 395, Laboratory Equipment, respectively. (See §1767.17(b).)

598 Maintenance of Miscellaneous Distribution Plant

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, materials used, and expenses incurred in maintenance of plant, the book cost of which is includible in Accounts 371, Installations on Customers' Premises, and Account 372, Leased Property on Customers' Premises, and any other plant the maintenance of which is assignable to the distribution function and is not provided for elsewhere. (See § 1767.17(b).)

Items

1. Work of similar nature to that listed in other distribution maintenance accounts.
2. Maintenance of office furniture and equipment used by distribution system department.

Taxes:

1. Federal and state unemployment.
2. F.I.C.A.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.
2. Group and life insurance premiums (credit dividends received).
3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.
4. Payments for accident, sickness, hospital, and death benefits or insurance.
5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.
6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.
2. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.
3. Fees and expenses of claim investigators.
4. Payment of awards to claimants for court costs and attorneys' services.
5. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.
6. Compensation payments under workmen's compensation laws.
7. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)
8. Cost of safety, accident prevention, and similar educational activities.

[58 FR 59825, Nov. 10, 1993, as amended at 62 FR 42291, Aug. 6, 1997]

§ 1767.28 Customer accounts expenses.

The customer accounts expense accounts identified in this section shall be used by all RUS borrowers.

CUSTOMER ACCOUNTS EXPENSES

(Operation)

901 Supervision
902 Meter Reading Expenses
903 Customer Records and Collection Expenses
904 Uncollectible Accounts
905 Miscellaneous Customer Accounts Expenses

CUSTOMER ACCOUNTS EXPENSES

(Operation)

901 Supervision

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, and expenses incurred in the general direction and supervision of customer accounting and collecting activities. Direct supervision of a specific activity shall be charged to Account 902, Meter Reading Expenses, or Account 903, Customer Records and Collection Expenses, as appropriate. (See § 1767.17(a).)

902 Meter Reading Expenses

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, materials used, and expenses incurred in reading customer meters, and determining consumption when performed by employees engaged in reading meters.

Items

Labor:

1. Addressing forms for obtaining meter readings by mail.
2. Changing and collecting meter charts used for billing purposes.

3. Inspecting time clocks and checking seals when performed by meter readers and the work represents a minor activity incidental to regular meter reading routine.

4. Reading meters, including demand meters, and obtaining load information for billing purposes. Exclude and charge to Account 586, Meter Expenses, or to Account 903, Customer Records and Collection Expenses, as applicable, the cost of obtaining meter readings, first and final, if incidental to the operation of removing or resetting, sealing or locking, and disconnecting or reconnecting meters.

5. Computing consumption from meter reader's book or from reports by mail when done by employees engaged in reading meters.

6. Collecting from prepayment meters when incidental to meter reading.

7. Maintaining record of customers' keys.

8. Computing estimated or average consumption when performed by employees engaged in reading meters.

Taxes:

1. Federal and state unemployment.

2. F.I.C.A.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.

2. Group and life insurance premiums (credit dividends received).

3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.

4. Payments for accident, sickness, hospital, and death benefits or insurance.

5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.

6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.

2. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.

3. Fees and expenses of claim investigators.

4. Payment of awards to claimants for court costs and attorneys' services.

5. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.

6. Compensation payments under workmen's compensation laws.

7. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)

8. Cost of safety, accident prevention, and similar educational activities.

Materials and Expenses:

1. Badges, lamps, and uniforms.

2. Demand charts, meter books and binders and forms for recording readings, but not the cost of preparation.

3. Postage and supplies used in obtaining meter readings by mail.

4. Transportation, meals, and incidental expenses.

903 Customer Records and Collection Expenses

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, materials used, and expenses incurred in work on customer applications, contracts, orders, credit investigations, billing and accounting, collections and complaints.

Items

Labor:

1. Receiving, preparing, recording, and handling routine orders for service, disconnections, transfers or meter tests initiated by the customer, excluding the cost of carrying out such orders, which is chargeable to the account appropriate for the work called for by such orders.

2. Investigations of customers' credit and keeping of records pertaining thereto, including records of uncollectible accounts written off.

3. Receiving, refunding, or applying customer deposits and maintaining customer deposit, line extension, and other miscellaneous records.

4. Checking consumption shown by meter readers' reports where incidental to preparation of billing date.

5. Preparing address plates and addressing bills and delinquent notices.

6. Preparing billing data.

7. Operating billing and bookkeeping machines.

8. Verifying billing records with contracts or rate schedules.

9. Preparing bills for delivery and mailing or delivering bills.

10. Collecting revenues, including collection from prepayment meters, unless incidental to meter-reading operations.

11. Balancing collections, preparing collections for deposit, and preparing cash reports.

12. Posting collections and other credits or charges to customer accounts and extending unpaid balances.

13. Balancing customer accounts and controls.

14. Preparing, mailing, or delivering delinquent notices and preparing reports of delinquent accounts.

15. Final meter reading of delinquent accounts when done by collectors incidental to regular activities.

16. Disconnecting and reconnecting service because of nonpayment bills.

17. Receiving, recording, and handling of inquiries, complaints, and requests for investigations from customers, including preparation of necessary orders, but excluding the cost of carrying out such orders, which is chargeable to the account appropriate for the work called for by such orders.

18. Statistical and tabulating work on customer accounts and revenues, but not including special analyses for sales department, rate department, or other general purposes, unless incidental to regular customer accounting routines.

19. Preparing and periodically rewriting meter reading sheets.

20. Determining consumption and computing estimated or average consumption when performed by employees other than those engaged in reading meters.

Taxes:

1. Federal and state unemployment.

2. F.I.C.A.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.

2. Group and life insurance premiums (credit dividends received).

3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.

4. Payments for accident, sickness, hospital, and death benefits or insurance.

5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.

6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.

2. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.

3. Fees and expenses of claim investigators.

4. Payment of awards to claimants for court costs and attorneys' services.

5. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.

6. Compensation payments under workmen's compensation laws.

7. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)

8. Cost of safety, accident prevention, and similar educational activities.

Materials and Expenses:

1. Address plates and supplies.

2. Cash overages and shortages.

3. Commissions or fees to others for collecting.

4. Payments to credit organizations for investigations and reports.

5. Postage.

6. Transportation expenses, including transportation of customer bills and meter books under centralized billing procedures.

7. Transportation, meals expenses, and incidental expenses.

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

9. Forms for recording orders for services, or removals.

10. Rent of mechanical equipment.

NOTE: The cost of work on meter history and meter location records in chargeable to Account 586, Meter Expenses.

904 Uncollectible Accounts

This amount shall be charged with amounts sufficient to provide for losses from uncollectible utility revenues. Concurrent credits shall be made to Account 144, Accumulated Provision for Uncollectible Accounts—Credit. Losses from uncollectible accounts shall be charged to Account 144.

905 Miscellaneous Customer Accounts Expenses

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, property insurance, property taxes, materials used, and expenses incurred not provided for in other accounts.

Items

Labor:

1. General clerical and stenographic work.
2. Miscellaneous labor.

Taxes:

1. Federal and state unemployment.
2. F.I.C.A.
3. Property.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein, or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.
2. Group and life insurance premiums (credit dividends received).
3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.
4. Payments for accident, sickness, hospital, and death benefits or insurance.
5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.
6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for fire, storm, burglary, boiler explosion, lightning, fidelity, riot, and similar insurance.
2. Amounts credited to Account 228.1, Accumulated Provision for Property Insurance, for similar protection.
3. Special costs incurred in procuring insurance.
4. Insurance inspection service.
5. Insurance counsel, brokerage fees, and expenses.
6. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.
7. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.
8. Fees and expenses of claim investigators.
9. Payment of awards to claimants for court costs and attorneys' services.
10. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.
11. Compensation payments under workmen's compensation laws.
12. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)
13. Cost of safety, accident prevention, and similar educational activities.

Materials and Expenses:

1. Communication service.
2. Miscellaneous office supplies and expenses and stationery and printing other than those specifically provided for in Account 902 and Account 903.

[58 FR 59825, Nov. 10, 1993, as amended at 62 FR 42311, Aug. 6, 1997; 62 FR 43201, Aug. 12, 1997]

§1767.29 Customer service and informational expenses.

The customer service and informational expense accounts identified in this section shall be used by all RUS borrowers.

CUSTOMER SERVICE AND INFORMATIONAL EXPENSES

(Operation)

907 Supervision
908 Customer Assistance Expenses
909 Informational and Instructional Advertising Expenses
910 Miscellaneous Customer Service and Informational Expenses

CUSTOMER SERVICE AND INFORMATIONAL EXPENSES

(Operation)

907 Supervision

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, and expenses incurred in the general direction and supervision of customer service activities, the object of which is to encourage safe, efficient, and economical use of the utility's service. Direct supervision of a specific activity within customer service and informational expense classification shall be charged to the account wherein the

costs of such activity are included. (See § 1767.17(a).)

908 Customer Assistance Expenses

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, materials used, and expenses incurred in providing instructions or assistance to customers, the object of which is to encourage safe, efficient, and economical use of the utility's service.

Items

Labor:

1. Direct supervision of department.
2. Processing customer inquiries relating to the proper use of electric equipment, the replacement of such equipment, and information related to such equipment.
3. Advice directed to customers as to how they may achieve the most efficient and safest use of electric equipment.
4. Demonstrations, exhibits, lectures, and other programs designed to instruct customers in the safe, economical, or efficient use of electric service, and/or oriented toward conservation of energy.
5. Engineering and technical advice to customers, the object of which is to promote safe, efficient, and economical use of the utility's service.

Taxes:

1. Federal and state unemployment.
2. F.I.C.A.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.
2. Group and life insurance premiums (credit dividends received).
3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.
4. Payments for accident, sickness, hospital, and death benefits or insurance.
5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.
6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.
2. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.
3. Fees and expenses of claim investigators.
4. Payment of awards to claimants for court costs and attorneys' services.
5. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.
6. Compensation payments under workmen's compensation laws.
7. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)
8. Cost of safety, accident prevention, and similar educational activities.

Materials and Expenses:

1. Supplies and expenses pertaining to demonstrations, exhibits, lectures, and other programs.
2. Loss in value on equipment and appliances used for customer assistance programs.
3. Office supplies and expenses.
4. Transportation, meals, and incidental expenses.

NOTE: Do not include in this account expenses that are provided for elsewhere, such as Accounts 416, Costs and Expenses of Merchandising, Jobbing, and Contract Work; 587, Customer Installations Expenses; and 912, Demonstrating and Selling Expenses.

909 Informational and Instructional Advertising Expenses

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, materials used, and expenses incurred in activities which primarily convey information as to what the utility urges or suggests customers should do in utilizing electric service to protect health and safety, to encourage environmental protection, to utilize their electric equipment safely and economically, or to conserve electric energy.

Items

Labor:

1. Direct supervision of information activities.
2. Preparing informational materials for newspapers, periodicals, and billboards and preparing and conducting informational motion pictures, radio and television programs.

3. Preparing informational booklets and bulletins used in direct mailings.
4. Preparing informational window and other displays.
5. Employing agencies, selecting media, and conducting negotiations in connection with the placement and subject matter of information programs.

Taxes:

1. Federal and state unemployment.
2. F.I.C.A.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.
2. Group and life insurance premiums (credit dividends received).
3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.
4. Payments for accident, sickness, hospital, and death benefits or insurance.
5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.
6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.
2. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.
3. Fees and expenses of claim investigators.
4. Payment of awards to claimants for court costs and attorneys' services.
5. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.
6. Compensation payments under workmen's compensation laws.
7. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)
8. Cost of safety, accident prevention, and similar educational activities.

Materials and Expenses:

1. Use of newspapers, periodicals, billboards, and radio for informational purposes.
2. Postage on direct mailings to customers exclusive of postage related to billings.
3. Printing of informational booklets, dodgers, and bulletins.
4. Supplies and expenses in preparing informational materials by the utility.
5. Office supplies and expenses.

NOTE A: Exclude from this account and charge to Account 930.2, Miscellaneous General Expenses, the cost of publication of stockholder reports, dividend notices, bond redemption notices, financial statements, and other notices of a general corporate character. Also exclude all expenses of a promotional, institutional, goodwill, or political nature, which are includible in such accounts as 913, Advertising Expenses; 930.1, General Advertising Expenses; and 426.4, Expenditures for Certain Civic, Political and Related Activities.

NOTE B: Entries relating to informational advertising included in this account shall contain or refer to supporting documents which identify the specific advertising message. If references are used, copies of the advertising message shall be readily available.

910 Miscellaneous Customer Service and Informational Expenses

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, property insurance, property taxes, materials used, and expenses incurred in connection with customer service and informational activities which are not includible in other customer information expense accounts.

Items

Labor:

1. General clerical and stenographic work not assigned to specific customer service and informational programs.
2. Miscellaneous labor.

Taxes:

1. Federal and state unemployment.
2. F.I.C.A.
3. Property.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.

2. Group and life insurance premiums (credit dividends received).

3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.

4. Payments for accident, sickness, hospital, and death benefits or insurance.

5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.

6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for fire, storm, burglary, boiler explosion, lightning, fidelity, riot, and similar insurance.

2. Amounts credited to Account 228.1, Accumulated Provision for Property Insurance, for similar protection.

3. Special costs incurred in procuring insurance.

4. Insurance inspection service.

5. Insurance counsel, brokerage fees, and expenses.

6. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.

7. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.

8. Fees and expenses of claim investigators.

9. Payment of awards to claimants for court costs and attorneys' services.

10. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.

11. Compensation payments under workmen's compensation laws.

12. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)

13. Cost of safety, accident prevention, and similar educational activities.

Materials and Expenses:

1. Communication service.

2. Printing, postage, and office supplies expenses.

[58 FR 59825, Nov. 10, 1993, as amended at 62 FR 42313, Aug. 6, 1997]

§ 1767.30 Sales expenses.

The sales expense accounts identified in this section shall be used by all RUS borrowers.

SALES EXPENSES

(Operation)

911 Supervision
912 Demonstrating and Selling Expenses
913 Advertising Expenses
916 Miscellaneous Sales Expenses

SALES EXPENSES

(Operation)

911 Supervision

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, and expenses incurred in the general direction and supervision of sales activities, except merchandising. Direct supervision of a specific activity, such as demonstrating, selling, or advertising shall be charged to the account wherein the costs of such activity are included. (See § 1767.17(a).)

912 Demonstrating and Selling Expenses

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, materials used, and expenses incurred in promotional, demonstrating, and selling activities, except by merchandising, the object of which is to promote or retain the use of utility services by present and prospective customers.

Items

Labor:

1. Demonstrating uses of utility services.

2. Conducting cooking schools, preparing recipes, and related home service activities.

3. Exhibitions, displays, lectures, and other programs designed to promote use of utility services.

4. Experimental and development work in connection with new and improved appliances and equipment, prior to general public acceptance.

5. Solicitation of new customers or of additional business from old customers, including commissions paid employees.

6. Engineering and technical advice to present or prospective customers in connection with promoting or retaining the use of utility services.

7. Special customer canvasses when their primary purpose is the retention of business or the promotion of new business.

Taxes:

1. Federal and state unemployment.

2. F.I.C.A.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated

on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.
2. Group and life insurance premiums (credit dividends received).
3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.
4. Payments for accident, sickness, hospital, and death benefits or insurance.
5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.
6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.
2. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.
3. Fees and expenses of claim investigators.
4. Payment of awards to claimants for court costs and attorneys' services.
5. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.
6. Compensation payments under workmen's compensation laws.
7. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)
8. Cost of safety, accident prevention, and similar educational activities.

Materials and Expenses:

1. Supplies and expenses pertaining to demonstration, experimental, and development activities.
2. Booth and temporary space rental.
3. Loss in value on equipment and appliances used for demonstration purposes.
4. Transportation, meals, and incidental expenses.

913 Advertising Expenses

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, materials used, and expenses incurred in advertising designed to promote or retain the use of utility service, except advertising the sale of merchandise by the utility.

Items

Labor:

1. Direct supervision of department.
2. Preparing advertising material for newspapers, periodicals, and billboards, and preparing and conducting motion pictures, radio, and television programs.
3. Preparing booklets and bulletins used in direct mail advertising.
4. Preparing window and other displays.
5. Clerical and stenographic work.
6. Investigating advertising agencies and media and conducting negotiations in connection with the placement and subject matter of sales advertising.

Taxes:

1. Federal and state unemployment.
2. F.I.C.A.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.
2. Group and life insurance premiums (credit dividends received).
3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.
4. Payments for accident, sickness, hospital, and death benefits or insurance.
5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.
6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.
2. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.
3. Fees and expenses of claim investigators.
4. Payment of awards to claimants for court costs and attorneys' services.

5. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.

6. Compensation payments under workmen's compensation laws.

7. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)

8. Cost of safety, accident prevention, and similar educational activities.

Materials and Expenses:

1. Advertising in newspapers, periodicals, billboards, and radio for sales promotion purposes, but not including institutional or goodwill advertising includible in Account 930.1, General Advertising Expenses.

2. Materials and services given as prizes or otherwise in connection with civic lighting contests, canning, or cooking contests, and bazaars in order to publicize and promote the use of utility services.

3. Fees and expenses of advertising agencies and commercial artists.

4. Novelties for general distribution.

5. Postage on direct mail advertising.

6. Premiums distributed generally, such as recipe books when not offered as inducement to purchase appliances.

7. Printing booklets, dodgers, and bulletins.

8. Supplies and expenses in preparing advertising material.

9. Office supplies and expenses.

NOTE A: The cost of advertisements which set forth the value or advantages of utility service without reference to specific appliances, or, if reference is made to appliances, invites the reader to purchase appliances from his dealer or refer to appliances not carried for sale by the utility, shall be considered sales promotion advertising and charged to this account. However, advertisements which are limited to specific makes of appliances sold by the utility and price and terms, thereof, without referring to the value or advantages of utility service, shall be considered as merchandise advertising and the cost shall be charged to Costs and Expenses of Merchandising, Jobbing and Contract Work, Account 416.

NOTE B: Advertisements which substantially mention or refer to the value or advantages of utility service, together with specific reference to makes of appliance sold by the utility and the price, and terms, thereof, and designed for the joint purpose of increasing the use of utility service and the sales of appliances, shall be considered as a combination advertisement and the costs shall be distributed between this account and Account 416 on the basis of space, time, or other proportional factors.

NOTE C: Exclude from this account and charge to Account 930.2, Miscellaneous General Expenses, the cost of publication of stockholder reports, dividend notices, bond redemption notices, financial statements, and other notices of a general corporate character. Also exclude all institutional or goodwill advertising. (See Account 930.1, General Advertising Expenses.)

916 Miscellaneous Sales Expenses

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, property insurance, property taxes, materials used, and expenses incurred in connection with sales activities, except merchandising, which are not includible in other sales expense accounts.

Items

Labor:

1. General clerical and stenographic work not assigned to specific functions.

2. Special analysis of customer accounts and other statistical work for sales purposes not a part of the regular customer accounting and billing routine.

3. Miscellaneous labor.

Taxes:

1. Federal and state unemployment.

2. F.I.C.A.

3. Property.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.

2. Group and life insurance premiums (credit dividends received).

3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.

4. Payments for accident, sickness, hospital, and death benefits or insurance.

5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.

6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for fire, storm, burglary, boiler explosion, lightning, fidelity, riot, and similar insurance.

2. Amounts credited to Account 228.1, Accumulated Provision for Property Insurance, for similar protection.
3. Special costs incurred in procuring insurance.
4. Insurance inspection service.
5. Insurance counsel, brokerage fees, and expenses.
6. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.
7. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.
8. Fees and expenses of claim investigators.
9. Payment of awards to claimants for court costs and attorneys' services.
10. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.
11. Compensation payments under workmen's compensation laws.
12. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)
13. Cost of safety, accident prevention, and similar educational activities.

Materials and Expenses:

1. Communication service.
2. Printing, postage, office supplies, and expenses applicable to sales activities, except those chargeable to Account 913, Advertising Expenses.

[58 FR 59825, Nov. 10, 1993, as amended at 62 FR 42315, Aug. 6, 1997]

§ 1767.31 Administrative and general expenses.

The administrative and general expense accounts identified in this section shall be used by all RUS borrowers.

ADMINISTRATIVE AND GENERAL

(Operation)

920 Administrative and General Salaries
921 Office Supplies and Expenses
922 Administrative Expenses Transferred—Credit
923 Outside Services Employed
924 Property Insurance
925 Injuries and Damages
926 Employee Pensions and Benefits
927 Franchise Requirements
928 Regulatory Commission Expenses
929 Duplicate Charges—Credit
930.1 General Advertising Expenses
930.2 Miscellaneous General Expenses
931 Rents

(Maintenance)

935 Maintenance of General Plant

ADMINISTRATIVE AND GENERAL

(Operation)

920 Administrative and General Salaries

A. This account shall include the compensation (salaries, bonuses, employee pensions and benefits, social security and other payroll taxes, injuries and damages, and other consideration for services, but not including directors' fees) of officers, executives, and other employees of the utility properly chargeable to utility operations and not chargeable directly to a particular operating function.

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

921 Office Supplies and Expenses

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

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

NOTE: Office expenses which are clearly applicable to any category of operating expenses other than the administrative and general category shall be included in the appropriate account in such category. Further, general expenses which apply to the utility as a whole rather than to a particular administrative function, shall be included in Account 930.2, Miscellaneous General Expenses.

Items

1. Automobile service, including charges through clearing account.
2. Bank messenger and service charges.
3. Books, periodicals, bulletins, and subscriptions to newspapers, newsletters, and tax services.
4. Building service expenses for customer accounts, sales, and administrative and general purposes.
5. Communication service expenses.
6. Cost of individual items of office equipment used by general departments which are of small value or short life.

7. Membership fees and dues in trade, technical, and professional associations paid by a utility for employees. (Company memberships are includible in Account 930.2.)

8. Office supplies and expenses.

9. Payment of court costs, witness fees, and other expenses of legal department.

10. Postage, printing, and stationery.

11. Meals, traveling, and incidental expenses.

922 Administrative Expenses Transferred—Credit

This account shall be credited with administrative expenses recorded in Account 920 and Account 921 which are transferred to construction costs or to nonutility accounts. (See § 1767.16 (d).)

923 Outside Services Employed

A. This account shall include the fees and expenses of professional consultants and others for general services which are not applicable to a particular operating function or 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 as an employee of the utility.

B. This account shall be so maintained as to permit ready summarization according to the nature of service and the person furnishing the same.

Items

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

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

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

924 Property Insurance

A. This account shall include the cost of insurance or reserve accruals to protect the utility against losses and damages to owned or leased property used in its utility operations. It shall also include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, and the related supplies and expenses incurred in property insurance activities.

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

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

Items

1. Premiums payable to insurance companies for fire, storm, burglary, boiler explosion, lightning, fidelity, riot, and similar insurance.

2. Amounts credited to Account 228.1, Accumulated Provision for Property Insurance, for similar protection.

3. Special costs incurred in procuring insurance.

4. Insurance inspection service.

5. Insurance counsel, brokerage fees, and expenses.

NOTE A: The cost of insurance or reserve accruals capitalized, shall be charged to construction and retirement either directly or by transfers to construction and retirement work orders from this account.

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

1. Materials, supplies, and stores equipment to Account 163, Stores Expense Undistributed, or appropriate materials account.

2. Transportation and other general equipment to appropriate clearing accounts that may be maintained.

3. Electric plant leased to others to Account 413, Expenses of Electric Plant Leased to Others.

4. Nonutility property to the appropriate nonutility income account.

5. Merchandise and jobbing property to Account 416, Costs and Expenses of Merchandising, Jobbing and Contract Work.

NOTE C: The cost of labor, employee pensions and benefits, social security and other payroll taxes, and the related supplies and expenses of administrative and general employees who are only incidentally engaged in property insurance work may be included in Account 920 and Account 921, as appropriate.

NOTE D: The cost of insurance or reserve accruals applicable to the various utility functions shall be charged to the specific functional operations and the appropropriate miscellaneous administrative expense accounts either directly or by transfers from this account.

925 Injuries and Damages

A. This account shall include the cost of insurance or reserve accruals to protect the utility against injuries and damages claims of employees or others, losses of such character not covered by insurance, and expenses

incurred in settlement of injuries and damages claims. It shall also include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, related supplies, and expenses incurred in injuries and damages activities.

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

Items

1. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.

2. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.

3. Fees and expenses of claim investigators.

4. Payment of awards to claimants for court costs and attorneys' services.

5. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.

6. Compensation payments under workmen's compensation laws.

7. Compensation paid while incapacitated as the result of occupational injuries. (See Note A.)

8. Cost of safety, accident prevention, and similar educational activities.

NOTE A: Payments to or in behalf of employees for accident or death benefits, hospital expenses, medical expenses, or for salaries while incapacitated for service or on leave of absence beyond periods normally allowed, when not the result of occupational injuries, shall be charged to Account 926, Employee Pensions and Benefits. (See also Note B of Account 926.)

NOTE B: The cost of injuries and damages or reserve accruals capitalized shall be charged to construction and retirement activities either directly or by transfers from this account to the applicable construction and retirement work orders.

NOTE C: The cost of insurance or reserve accruals applicable to the various utility functions shall be charged to the specific functional operations and the appropropriate miscellaneous administrative expense accounts either directly or by transfers from this account.

NOTE D: Exclude herefrom the time and expenses of employees (except those engaged in injuries and damages activities) spent in attendance at safety and accident prevention educational meetings, if occurring during the regular work period.

NOTE E: The cost of labor, employee pensions and benefits, social security and other payroll taxes, and the related supplies and expenses of administrative and general employees who are only incidentally engaged in injuries and damages activities, may be included in Account 920 and Account 921, as appropriate.

926 Employee 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 this 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 payments 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 and administrative expenses in connection with employee pensions and benefits.

B. The utility shall maintain a complete record of accruals or payments for pensions and be prepared to furnish full information to RUS 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, the specific functional operations, maintenance, and administrative expense accounts, and to construction and retirement activities unless such amounts are distributed directly to the accounts involved and are not included herein in the first instance.

D. Records in support of this account shall be so kept that the total pensions expense, the total benefits expense, the administrative expenses included herein, and the amounts of pensions and benefits expenses transferred to the operations, maintenance, administrative, construction or retirement accounts will be readily available.

Items

1. Payment of pensions to retirees on a nonaccrual basis.

2. Accruals for or payments to pension funds or to insurance companies for pension purposes.

3. Group and life insurance premiums (credit dividends received).

4. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.

5. Payments for accident, sickness, hospital, and death benefits or insurance.

6. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.

7. Expenses in connection with educational and recreational activities for the benefit of employees.

NOTE A: The cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, and the related supplies and expenses of administrative and general employees who are only incidentally engaged in employee pension and benefit activities may be included in Account 920 and Account 921, as appropriate.

NOTE B: Salaries paid to employees during periods of nonoccupational sickness may be charged to the appropriate labor account rather than to employee benefits.

927 Franchise Requirements

A. This account shall include payments to municipal or other governmental authorities and the cost of materials, supplies, and services furnished such authorities without reimbursement in compliance with franchise, ordinance, or similar requirements; provided, however, that the utility may charge to this account at regular tariff rates, instead of cost, utility service furnished without charge under provisions of franchises.

B. When no direct outlay is involved, concurrent credit for such charges shall be made to Account 929, Duplicate Charges—Credit.

C. The account shall be maintained so as to readily reflect the amounts of cash outlays, utility service supplied without charge, and other items furnished without charge.

NOTE A: Franchise taxes shall not be charged to this account, but to Account 408.1, Taxes Other Than Income Taxes, Utility Operating Income.

NOTE B: Any amount paid as initial consideration for a franchise running for more than one year shall be charged to Account 302, Franchises and Consents.

928 Regulatory Commission Expenses

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

B. Amounts of regulatory commission expenses which, by approval or direction of RUS, are to be spread over future periods shall be charged to Account 182.3, Other Regulatory Assets, and amortized by charges to this account.

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

Items

1. Salaries, fees, retainers, and expenses of counsel, solicitors, attorneys, accountants, engineers, clerks, attendants, witnesses, and others engaged in the prosecution of or defence against petitions or complaints presented to regulatory bodies or in the valuation of property owned or used by the utility in connection with such cases.

2. Office supplies and expenses, payments to public service or other regulatory commissions, stationery and printing, traveling expenses, and other expenses incurred directly in connection with formal cases before regulatory commissions.

NOTE A: Exclude from this account and include in other appropriate operating expense accounts, expenses incurred in the improvement of service, additional inspection, or rendering reports which are made necessary by the rules and regulations, or orders, of regulatory bodies.

NOTE B:Do not include in this account amounts includible in Account 302, Franchises and Consents; Account 181, Unamortized Debt Expense; or Account 214, Capital Stock Expense.

929 Duplicate Charges—Credit

This account shall include concurrent credits for charges which may be made to operating expenses or to other accounts for the use of utility service from its own supply. Include, also, offsetting credits for any other charges made to operating expenses for which there is no direct money outlay.

930.1 General Advertising Expenses

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, materials used, and expenses incurred in advertising and related activities, the cost of which by their content and purpose are not provided for elsewhere.

Items

Labor:

1. Supervision.

2. Preparing advertising material for newspapers, periodicals, and billboards and preparing or conducting motion pictures, radio, and television programs.

3. Preparing booklets and bulletins used in direct mail advertising.

4. Preparing window and other displays.

5. Clerical and stenographic work.

6. Investigating and employing advertising agencies, selecting media, and conducting

negotiations in connection with the placement and subject matter of advertising.

Taxes:

1. Federal and state unemployment.
2. F.I.C.A.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.
2. Group and life insurance premiums (credit dividends received).
3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.
4. Payments for accident, sickness, hospital, and death benefits or insurance.
5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.
6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.
2. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.
3. Fees and expenses of claim investigators.
4. Payment of awards to claimants for court costs and attorneys' services.
5. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.
6. Compensation payments under workmen's compensation laws.
7. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)
8. Cost of safety, accident prevention, and similar educational activities.

Materials and Expenses:

1. Advertising in newspapers, periodicals, billboards, and radios.
2. Advertising matter such as posters, bulletins, booklets, and related items.
3. Fees and expenses of advertising agencies and commercial artists.
4. Postage and direct mail advertising.
5. Printing of booklets, dodgers, and bulletins.
6. Supplies and expenses in preparing advertising materials.
7. Office supplies and expenses.

NOTE A: Properly includible in this account is the cost of advertising activities on a local or national basis of a goodwill or institutional nature, which is primarily designed to improve the image of the utility or the industry, including advertisements which inform the public concerning matters affecting the company's operations, such as, the cost of providing service, the company's efforts to improve the quality of service, and the company's efforts to improve and protect the environment. Entries relating to advertising included in this account shall contain or refer to supporting documents which identify the specific advertising message. If references are used, copies of the advertising message shall be readily available.

NOTE B: Exclude from this account and include in Account 426.4, Expenditures for Certain Civic, Political and Related Activities, expenses for advertising activities, which are designed to solicit public support or the support of public officials in matters of a political nature.

930.2 Miscellaneous General Expenses

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, property insurance, property taxes, and expenses incurred in connection with the general management of the utility not provided for elsewhere.

Items

Labor:

1. Miscellaneous labor not elsewhere provided for.

Taxes:

1. Federal and state unemployment.
2. F.I.C.A.
3. Property.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.
2. Group and life insurance premiums (credit dividends received).

3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.
4. Payments for accident, sickness, hospital, and death benefits or insurance.
5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.
6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for fire, storm, burglary, boiler explosion, lightning, fidelity, riot, and similar insurance.
2. Amounts credited to Account 228.1, Accumulated Provision for Property Insurance, for similar protection.
3. Special costs incurred in procuring insurance.
4. Insurance inspection service.
5. Insurance counsel, brokerage fees, and expenses.
6. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.
7. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.
8. Fees and expenses of claim investigators.
9. Payment of awards to claimants for court costs and attorneys' services.
10. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.
11. Compensation payments under workmen's compensation laws.
12. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)
13. Cost of safety, accident prevention, and similar educational activities.

Expenses:

1. Industry association dues for company memberships.
2. Contributions for conventions and meetings of the industry.
3. Research, development, and demonstration expenses not charged to other operation and maintenance expense accounts on a functional basis.
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. 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.

931 Rents

This account shall include rents properly includible in utility operating expenses for the property of others used, occupied, or operated in connection with the customer accounts, customer service and informational, sales, general, and administrative functions of the utility. (See § 1767.17 (c).)

(Maintenance)

935 Maintenance of General Plant

A. This account shall include the cost assignable to customer accounts, sales, administrative, and general functions of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, materials used, and expenses incurred in the maintenance of property, the book cost of which is includible in Account 390, Structures and Improvements; Account 391, Office Furniture and Equipment; Account 397, Communication Equipment; and Account 398, Miscellaneous Equipment. (See § 1767.17(b).)

B. Maintenance expenses on office furniture and equipment used elsewhere than in general, commercial, and sales offices shall be charged to the following accounts:

1. Steam Power Generation, Account 514.
2. Nuclear Power Generation, Account 532.
3. Hydraulic Power Generation, Account 545.
4. Other Power Generation, Account 554.
5. Transmission, Account 573.
6. Distribution, Account 598.
7. Merchandise and Jobbing, Account 416.
8. Garages, Shops, etc., Appropriate clearing account, if used.

NOTE: Maintenance of plant included in other general equipment accounts shall be included herein unless charged to clearing accounts or to the particular functional maintenance expense account indicated by the use of the equipment.

[58 FR 59825, Nov. 10, 1993, as amended at 62 FR 42317, Aug. 6, 1997]

§§ 1767.32–1767.40 [Reserved]

§ 1767.41 Accounting methods and procedures required of all RUS borrowers.

All RUS borrowers shall maintain and keep their books of accounts and

all other books and records which support the entries in such books of accounts in accordance with the accounting principles prescribed in this section. Interpretations Nos. 133, 134, 137, 403, 404, 602, 606, 618, 627, 628, and 629 adopt and implement the provisions of standards issued by the Financial Accounting Standards Board (FASB). Each interpretation includes a synopsis of the requirements of the standard as well as specific accounting requirements and interpretations required by RUS. The synopsis provides general information to assist borrowers in determining whether the standard applies to an individual cooperative's operations. The synopsis is not intended to change the requirements of the FASB standards unless it is set forth in the section entitled RUS Accounting Requirements in each interpretation. If a particular borrower believes a conflict exists between the FASB standard and an RUS interpretation, the borrower shall contact the Director, PASD, to seek resolution of the issue.

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101 Work Order Procedures

When a minor item of property is removed from service and not replaced, a retirement work order is not required except in the case of a conductor. The cost of the minor item shall remain in the appropriate plant account until the retirement unit, of which it is a part, is retired. However, as conductor is recorded in feet and is not part of any specific retirement unit, conductor shall be retired even though the amount taken down and not replaced is less than a retirement unit (two spans).

When minor items of plant are removed and not replaced, material salvaged shall be recorded on a material salvage ticket. Items of material recorded on this ticket shall be charged to the materials and supplies account and credited in the miscellaneous columns of the Materials Register to the Accumulated Provision for Depreciation. In this example, it is assumed that the cost of removal is nil. If, however, costs are incurred during the removal of minor items of plant, these costs shall reduce the credit to the Accumulated Provision for Depreciation.

When a staking sheet supporting a single work order reflects a combination of new construction and replacements, or system improvements, the predominant cost shall be the governing factor in determining the amount of cost RUS will finance. To illustrate, assume that a service is to be run to a new home near the end of an existing line. On inspection, the pole from which the service is to be run is found to be in very poor physical condition and must be replaced. In addition, a single span of wire and a service are presently connected to this pole which serve no purpose. The home originally served has been demolished and the existing span, pole, and service were retired. In other words, what started out to be simply the installation of a new service now includes the retirement of a span of wire, a pole, and a service; the replacement of a pole; and the running of a new service. Assuming the replacement of the pole is the costliest part of this project, the construction and retirement activity shall be classified as an ordinary replacement even though the work includes new construction and retirements without replacement.

102 Line Conversion

If it is necessary to move a conductor from one location to another on a pole assembly during the conversion of a line from one phase to another phase, the cost of moving the conductor is capitalizable as a system improvement.

103 Sacrificial Anodes and the Replacement of a Neutral

Many utilities conduct studies to determine whether sacrificial anodes are needed to protect underground cable against corrosion. The following procedures shall be followed to account for sacrificial anodes and the replacement of a neutral:

1. If the study results in the installation of sacrificial anodes, the cost of the study shall be capitalized to Account 367, Underground Conductors and Devices. If the study does not result in the installation of anodes, the cost shall be charged to Account 594, Maintenance of Underground Lines.

2. Costs incurred in the first installation are capitalizable even though anodes are considered minor items of property. However, only the first costs of installation shall be capitalized. All subsequent replacements of anodes shall be expensed.

3. Sacrificial anodes do not constitute a record unit; therefore, the cost of anodes shall be added to the cost of the underground cable unit.

4. Because a neutral is part of an underground cable record unit, and is not, in and of itself, a record unit, the cost to replace a corroded neutral shall be charged to Account 594, Maintenance of Underground Lines.

104 Terminal Facilities

Borrowers are sometimes required to construct terminal facilities in the transmission line of another utility in order to receive power from their power supplier. The document executed between the borrower and the utility is normally referred to as a ''License Agreement''. The license agreement may stipulate that certain items of the terminal facilities are to be transferred to, and become the property of, the other utility upon completion of the construction. The accounting for this type of transaction shall be as follows:

1. All construction costs incurred shall be charged to a work order. Upon completion of the construction and accumulation of all costs, the cost of the facilities that become the property of another utility shall be transferred from construction work-in-progress to Account 303, Miscellaneous Intangible Plant. The cost of the plant for which the borrower retains title shall be charged to the appropriate plant accounts.

2. The cost of the facilities recorded in Account 303 shall be amortized to Account 405, Amortization of Other Electric Plant, over the contract term or the estimated useful service life of the plant, whichever is shorter. If the related contract or contracts for this power supply are terminated, the unamortized balance shall be expensed, in the current period, in Account 557.

105 Pole Top Disconnect Switch

The installation of pole top service disconnect switches, where title is retained by the utility, shall be capitalized in Account 371, Installations on Customers' Premises. If a switch cabinet is purchased with a current transformer included as an integral part of the cabinet, the entire cost of the switch shall be charged to Account 371. If the current transformer is installed outside of the switch cabinet, the transformer, meter, and meter base, together with the first installation costs, shall be capitalized, upon purchase, in Account 370, Meters.

Payments received from the customer toward construction costs shall be credited to Account 371, Installations on Customers' Premises. Such payments, together with any amount not financed by RUS, shall be entered in column 9 of the RUS Form 219, Inventory of Work Orders. The associated maintenance costs shall be charged to Account 587, Customer Installations Expenses, or to Account 597, Maintenance of Meters, as appropriate.

When pole top disconnect switches are installed and title is held by the customer, the cost of the material shall be charged to Account 456, Other Electric Revenues and the receipts from the sale of line material shall be credited to Account 456. The portion of the receipts for resale material as well as that for installation shall be credited to Account 415, Revenues from Merchandising, Jobbing, and Contract Work. The cost of resale material sold and the cost of installation shall be charged to Account 416, Costs and Expenses of Merchandising, Jobbing and Contract Work.

Future maintenance costs incurred by the cooperative that are not billed to the customer shall be charged to Account 587, Customer Installations Expenses.

106 Steel Pole Reinforcers

The cost associated with the purchase and installation of steel pole reinforcers shall be charged to Account 593, Maintenance of Overhead Lines.

107 Mobile Substations

Mobile substations shall be accounted for in a manner similar to that for a spare and are, therefore, included as part of transmission or distribution station equipment, depending upon the use of the mobile substation. The mobile substation, together with the trailer on which it is permanently mounted, shall be capitalized upon purchase. A general purpose truck or tractor used to relocate a mobile substation and trailer shall be classified as transportation equipment.

The composite depreciation rate used for transmission plant or distribution plant, as appropriate, shall be applied to the mobile substation.

108 Security Lights

Where a pole supports both a secondary wire and a security light, the

cost of the pole shall be charged to Account 364, Poles, Towers, and Fixtures, even though the plant investment in security lights is recorded in Account 371, Installations on Customers' Premises.

109 Joint Use

There are many cases in which an electric utility and a communications utility enter into an agreement that provides for joint use of poles. Under the terms of these agreements, either utility may occupy the poles of the other upon payment of a stipulated annual rental. If such joint occupancy necessitates the use of a higher than standard pole, the new pole shall be provided at the expense of the utility having the need for the higher pole.

When an electric utility replaces, at its own expense, a standard pole belonging to the communications utility with a higher pole, the cost of the higher pole, less net salvage (if any) of the pole replaced, shall be charged to the account in which the pole rental is included.

Contributions made to an electric utility by a communications utility for the costs incurred in stubbing joint use electric poles shall be credited to Account 593, Maintenance of Overhead Lines. The cost of pole stubbing on electric plant distribution facilities shall be charged to Account 593.

An investment in outside plant that is held in joint ownership shall be recorded in the appropriate plant accounts at its cost to the utility. For continuing property record purposes, jointly owned property units shall be priced at their cost to the utility and shall be appropriately segregated in the CPRs to indicate joint ownership.

110 First Clearing and Grading of Land and Rights of Way

Utility accounting practice requires the costs associated with the first clearing and grading of land and rights of way and any resulting damage thereto, to be included in the accounts for structures and improvements or equipment to which such costs relate. Since the first clearing, as well as clearing which is ''directly occasioned by the building of a structure,'' is done, not for the purpose of enhancing the value of the land or the rights of way, but for the purpose of constructing plant, these costs are more directly related to the construction of plant than to the purchase of land or rights of way. The accounts shall be charged as follows:

1. For overhead transmission pole lines, Account 356, Overhead Conductors and Devices;
2. For overhead distribution lines, Account 365, Overhead Conductors and Devices; and
3. For underground distribution lines, Account 366, Underground Conduit, for a conduit installation; or Account 367, Underground Conductors and Devices, for a direct burial installation.

111 Engineering Contracts for System Planning

Engineering costs for long-range system plans shall be charged to Account 183, Preliminary Survey and Investigation Charges, as incurred. The cost of engineering services incurred in preparing a long-range system plan represents a legitimate component of the total cost of construction of all system improvements detailed in the plan. The amount of engineering costs to be associated with any specific system improvement is the annual costs incurred up to the time of the allocation (not previously allocated), plus that portion of the initial cost which relates to the particular construction in question. If any major system improvement included in the engineering plan is not constructed, or if the study is superseded by another complete study, the cost of that portion of the original study not resulting in construction shall be charged to Account 182.2, Unrecovered Plant and Regulatory Study Costs, if the costs are to be recovered through future rates. Costs recorded in Account 182.2 shall be amortized to Account 407, Amortization of Property Losses, Unrecovered Plant and Regulatory Study Costs, as the costs are recovered through the rates. Any costs included in Account 182.2 that are disallowed for rate-making purposes shall be charged to Account 426.5, Other Deductions.

The allocation of engineering services to the various construction

projects requires the exercise of judgment. In some cases, system improvements are continuous over a period of months or years, thus permitting the engineering cost to be spread monthly as overhead in relation to the direct costs incurred in construction. (If a substantial amount of retirement work is performed in connection with system improvements, a proportionate share of the engineering cost shall be allocated on the basis of direct retirement labor.) If the system improvements detailed in the plan are not performed in a continuous manner, the engineering cost shall be allocated on the basis of the estimated costs of the various larger system improvement projects which result from the long-range plan.

If construction is performed by contract, the engineering cost applicable thereto shall be transferred from Account 183 to Account 107, Construction Work-in-Progress—Electric, and thereby spread to the appropriate plant accounts on the basis of contract costs.

In the case of system improvement construction performed on the basis of work orders, engineering costs shall be transferred to Account 107, Construction Work-in-Progress—Electric, and included in total work order costs as either overhead or special services. If engineering services are not readily identifiable with individual work orders, they shall be capitalized as overhead. If engineering costs for each work order are readily separable from the engineering costs for all other work orders, they shall be capitalized as special services.

In summarizing system improvement work orders on the RUS Form 219, Inventory of Work Orders, the amount of engineering costs previously approved for advance on the long range plan, if any, shall be deducted to determine the balance of loan funds subject to advance by RUS.

112 Determination of Availability of Service

Costs relating to the determination of availability of service, rates, and similar items for individual applicants shall be charged to Account 912, Demonstrating and Selling Expenses. If it is expected that construction will result, the costs incurred to provide service, including staking, shall be charged to Account 107, Construction Work-in-Progress—Electric. If construction does not result, Account 107 shall be credited and Account 426.5, Other Deductions, shall be charged.

113 Temporary Facilities (Services)

Plant installed for temporary use, a period of less than 1.ar, shall be recorded in Account 185, Temporary Facilities, net of any payments received from customers. Upon retirement, this net cost plus cost of removal, less any salvage value, shall be cleared to Account 451, Miscellaneous Service Revenues.

When a temporary service is installed at the site of a building under construction, the location of the permanent service entrance and the load and its characteristics are usually known. The temporary service is of the proper capacity and is so located or has sufficient slack, that it can be relocated to serve the new building as a permanent service. Under these conditions, the service shall be charged to Account 369, Services, when first installed. The cost of moving and attaching the service to the permanent service entrance shall be charged to Account 593, Maintenance of Overhead Lines or Account 594, Maintenance of Underground Lines, as appropriate.

114 Construction Work-in-Progress Damaged or Destroyed by Storm

When installed plant, not yet completed or completed but not yet placed in service, has been damaged or destroyed by storm, the cost of the repair and restoration shall be added to the cost of construction and capitalized if the plant was constructed under force account or work order construction, and the utility paid for the cost of the repairs. If the plant was constructed under contract, the contractor is required to deliver the plant in new condition. Therefore, any repairs required prior to the completion of construction and acceptance by the utility, are ordinarily borne by the contractor.

115 Liquidated Damages

Liquidated damages are amounts paid by or assessed against contractors

for the completion of construction after an agreed upon date. Liquidated damages shall be credited to Account 107, Construction Work-in-Progress—Electric. Since these damages accrue during the construction period, they become one of the components of construction cost. Even though a portion of these damages may compensate the utility for costs which are not ''identifiable,'' no portion of the damages shall be credited to revenue or expense.

When a contractor has been paid in full from loan funds or from funds to be reimbursed by loan funds without a deduction for liquidated damages, the amount of liquidated damages received shall be deposited in the Construction Fund. This amount shall be reflected by a decrease in column 5, ''Total Expenditures to Date,'' of the RUS Form 595, Financial Requirement and Expenditure Statement, and as an increase in column 6, ''Cash Balance.'' If liquidated damages are obtained by withholding an equivalent amount from the contractor's payment, the net result will be the same.

116 Nonrefundable Payments for Construction

Nonrefundable payments (contributions) from customers and developers for underground construction shall first be credited to Account 107.2, Construction Work-in-Progress—Force Account. When the constructed plant is unitized and distributed to the individual plant accounts, the contributions shall be credited to those plant accounts which gave rise to the contribution.

When a customer or developer furnishes a trench or other service in connection with buried plant, the cooperative shall debit Account 107.2 with the actual or estimated cost of the service performed, and account for the credit as set forth above.

117 Refunds of Overpayments for Materials and Equipment

Refunds of overpayments for materials and equipment previously purchased are occasionally received as the result of legal action brought against electrical suppliers for price fixing in violation of antitrust laws. Such refunds shall be accounted for as follows:

1. The refund shall first be applied to any litigation costs that were incurred.
2. Refunds for special equipment items shall be accounted for, in detail, on the Summary of Special Equipment Costs and credited against the appropriate plant accounts.
3. Other material or equipment items that were installed through work orders or a materials furnished contract shall be adjusted on an amended work order. The amended work order shall include full details of the refund.
4. Continuing property records shall be adjusted to reflect the above transactions.
5. Amounts approved for advance on the RUS Form 595, Financial Requirement and Expenditure Statement, and on the loan budget records, shall be adjusted. For special equipment items, the adjustment shall be requested in a letter to RUS. For materials installed by work order or contract, the adjustments shall be made through credits shown on the RUS Form 219, Inventory of Work Orders.
6. Refunds for material currently in stock shall be credited to Account 154, Plant Materials and Operating Supplies.
7. If the material was used in maintenance activities or operations, the refund shall be credited to the appropriate maintenance or operations expense account.
8. Refunds for materials or equipment financed from loan funds shall be deposited in the Construction Fund—Trustee Account or remitted to RUS as a special payment on a note. Other refunds shall be deposited in the general funds.

118 Load Control Equipment

The primary purpose of a Load Management System is to optimize load dispatch and to reduce or minimize system peaks in order to reduce purchases of power or to delay or eliminate the need for construction of new plant. A Load Management System may be used on integrated systems, or on generation, transmission, or distribution systems separately. The telemetry equipment used for data acquisition and interpretation may be included at various points on a system, such as generation, transmission, or

distribution substation, switchyards or on consumers' premises.

An effective load control program should be coordinated with the G&T and requires full participation of all member distribution systems. The G&T monitors the power load of the total member distribution system to predict the time of the system's peak load. An optimal load control strategy is developed by the G&T and is passed on from the G&T computer system to the load control computer systems of the member distribution cooperatives.

The equipment at the member distribution system level is the type actually being used by an integrated power system to operate a load control program. The equipment used may vary from one integrated power system to another. The selection of equipment used is determined by the information needs of the integrated power system, and the method selected to operate the load control system.

Some equipment performs only SCADA-type functions. This equipment is included with the equipment that performs only load control functions because SCADA-type equipment is an integral part of a load control program. An effective load control strategy requires current information on loads so that member distribution systems can determine the actual loads to be shed and the duration of the load control.

The function and location of the load control equipment are the primary factors in determining the account in which the equipment shall be recorded. The following example depicts a common load control system and the associated accounting. Equipment type may vary, thereby necessitating the use of accounts not prescribed below. In all instances, however, the function and location of the equipment shall dictate the appropriate account classification.

G&T Borrower

1. *Coordinating System Equipment*

Coordinating System Equipment is the data acquisition, processing and control hardware and software used to coordinate the load control efforts of the member distribution system. Generally, this equipment is dedicated to load control use and is not shared with other electric utility activities.

The purpose of the G&T load control computer system is to reduce or minimize the peak power requirements of the entire member distribution system. This involves load dispatching to control transmission circuits and breakers. The computer system for load control shall, therefore, be recorded in Account 353, Station Equipment, with the associated operating expenses recorded in Account 561, Load Dispatching, and maintenance expenses recorded in Account 570, Maintenance of Station Equipment.

2. *Coordinating System Communications Link*

The G&T load control computer system is usually linked to the load control computer system for each member distribution system by a radio or telephone link that is dedicated to that purpose and is not shared with other communication activities. Under such circumstances, communications equipment shall be classified in Account 353, Station Equipment. If the communications equipment is shared with general use or voice communications equipment, however, the equipment shall be classified in Account 397, Communication Equipment.

3. *Depreciation*

Load control equipment shall be recorded in separate subaccounts of the primary plant accounts detailed above and shall be depreciated based upon the owner's estimate of the equipment's useful service life.

Distribution Borrower

1. *Member System Equipment*

Member system equipment is the data acquisition, processing and control hardware and software used as a subset to the overall load control efforts by the integrated power system.

The member system computer for each distribution member system accepts the control strategy from the G&T coordinating system and develops the tables that determine the control loads that are to be shed and the duration of the load control. The member system computer for each distribution system monitors the usage at each of its delivery points. This usage data is

then transmitted to the G&T coordinating system for use in developing load projects and evaluating control strategies for the integrated power system. The member system computer is generally dedicated to load control use and is not shared with other electric utility operations.

The member computer system shall be recorded in Account 362, Station Equipment. The associated operating expenses shall be recorded in Account 581, Load Dispatching, and maintenance expenses shall be recorded in Account 592, Maintenance of Station Equipment.

2. *Substation Remote Controllers*

Substation Remote Controllers are located at the distribution substation. They accept control signals from the member system computer and couple the signal to the portion of the distribution system to which it is connected. Substation Remote Controllers also serve as a receiver of inbound signals from transponders located in the distribution system. They also send data back to the member system computer.

Substation Remote Controllers shall be recorded in Account 362, Station Equipment. The associated operating expenses shall be recorded in Account 582, Station Expenses, and maintenance expenses shall be recorded in Account 592, Maintenance of Station Equipment.

3. *Substation Injection Units*

Substation Injection Units are used only in power line based systems and are located in distribution substations. A major function of the Substation Injection Unit is to receive load control signals from the member system computer and inject them into the power line based system to be transmitted to the Load Control Receivers. Substation Injection Units can also perform control and SCADA functions similar to those performed by Substation Remote Controllers.

Substation Injection Units shall be recorded in Account 362, Station Equipment. The associated operating expenses shall be recorded in Account 582, Station Expenses, and maintenance expenses shall be recorded in Account 592, Maintenance of Station Equipment.

4. *Remote Terminal Units*

Remote Terminal Units perform electric utility SCADA functions in a distribution substation or delivery point. These functions include monitoring equipment for abnormal operating conditions, monitoring analog quantities such as conductor voltage or substation load, and controlling of certain equipment within the substation.

Remote Terminal Units shall be recorded in Account 362, Station Equipment. The associated operating expenses shall be recorded in Account 582, Station Expenses, and maintenance expenses shall be recorded in Account 592, Maintenance of Station Equipment.

5. *Line Device Transponder*

A Line Device Transponder directly controls a piece of distribution apparatus, such as a voltage regulator or a power factor correction capacitor, located on a distribution feeder and not accessible to a Remote Terminal Unit. The Line Device Transponder actuates the control functions and reports back to the member system computer upon completion of the requested action. This transponder is located at the site of the distribution apparatus being controlled.

Line Device Transponders shall be recorded in Account 368, Line Transformers. The associated operating expense shall be recorded in Account 583, Overhead Line Expenses, or Account 584, Underground Line Expenses, as appropriate, and maintenance expenses shall be recorded in Account 595, Maintenance of Line Transformers.

6. *Communications Verification Transponders*

Communication Verification Transponders are used to respond to inquiries from Substation Remote Controllers. In power line based systems, these transponders are used to verify the performance of the communications system. They are also used during adverse system operations to isolate sections of the distribution system that are experiencing an outage.

Communication Verification Transponders shall be recorded in Account 362, Station Equipment. The associated operating expenses shall be recorded in Account 582, Station Expenses, and

maintenance expenses shall be recorded in Account 592, Maintenance of Station Equipment.

7. *Load Control Receivers*

The Load Control Receiver, also known as a load control switch, is located at the site of the consumer's load. These receivers directly control the electric supply to an end-use appliance, such as an electric water heater, central air conditioning compressor, or irrigation pump. The amount of time that an appliance will be turned off by the load control receiver is preset. When the member system computer determines that load shedding is necessary, it sends a signal to the communication link which then sends signals directly to the Load Control Receivers. In a power line based system, the signal from the communications link is sent by radio or telephone line to the Substation Injection Units, which then signals the Load Control Receivers to shut down the appliances for the present time. In nonpower line based systems, the signal from the communications link is sent by radio directly to the Load Control Receivers.

Load Control Receivers are located on the consumer's side of the meter. When the member distribution system retains title to the Load Control Receivers and assumes full responsibility for maintenance and replacement of the equipment, it shall be classified in Account 371, Installations on Customer's Premises. Load Control Receivers that are donated or given to consumers shall be charged to Account 908, Customer Assistance Expenses.

Operating and maintenance expenses applicable to Load Control Receivers recorded in Account 371 shall be charged to Account 587, Customer Installations Expenses, and Account 598, Maintenance of Miscellaneous Distribution Plant, respectively. Expenses applicable to Load Control Receivers donated or given to consumers shall be recorded in Account 908, Customer Assistance Expenses.

Load Control Receivers may be moved on a continual basis from one customer location to another and are, therefore, considered to be special equipment items. When ownership is maintained by the member distribution cooperative, Load Control Receivers shall be accounted for in accordance with the special equipment procedures outlined in Accounting Interpretation No. 119 of this section.

8. *Communication Links*

The communication link in the member distribution systems between the Member System Computer, the Substation Remote Controllers or Substation Injection Units, Remote Terminal Units, Line Device Transponders, Communication Verification Transponders, and Load Control Receivers is usually accomplished by radio, telephone line, or power line based system. The communication links are normally dedicated to the SCADA and load control functions being served. Under such circumstances, communications equipment shall be recorded in Account 362, Station Equipment. If, however, the communication equipment used is shared with general use or voice communications equipment, the equipment shall be charged to Account 397, Communication Equipment.

9. *Depreciation*

Load control equipment shall be recorded in separate subaccounts of the primary plant accounts detailed above and shall be depreciated based upon the manufacturer's estimate of the equipment's useful service life.

119 Special Equipment

Special Equipment items are classified as such because they are continually being moved from one location to another due to load changes and maintenance practices. The USoA provides accounting that differs from that used for other types of materials. The cost, new, of special equipment items shall be capitalized at the time of purchase; it shall not be charged to Account 154 as is the case with other materials. The first installation cost, as well as all incidental costs necessary to prepare the equipment for use, shall be capitalized with the material upon purchase. All subsequent costs of removing, resetting, changing, renewing oil, and repairing constitute operations and maintenance expenses. The capitalized cost of special equipment items, including the first installation, shall be

removed from the electric plant accounts only when the items are abandoned or retired from the system.

Meters, line-type transformers, oil circuit reclosers, sectionalizers, current and potential transformers, meter sockets, and other metering equipment listed in Account 370, Meters, as well as pole-type and underground voltage regulators in Account 368, Line Transformers, are considered to be special equipment items. Similarly, load control receivers (load control switches) recorded in Account 371, Installations on Customers' Premises, are considered to be items of special equipment. (See Interpretation No. 118.) Transformers, voltage regulators, metering equipment, and current and potential transformers for substations are not.

Special equipment items which are classified as nonusable shall be segregated in the warehouse and retired from service. The Summary of Special Equipment Costs shall be retitled Summary of Special Equipment Costs Retired and used for this purpose. A journal entry reflecting this information shall be prepared and posted to the books. Since loan funds for special equipment, including first installation costs, are approved for advance by RUS upon receipt of the borrower's written estimate of funds required, and not on the basis of an Inventory of Work Orders, it is improper to take a credit for any salvage involved in the retirement of special equipment on the Inventory of Work Orders.

120 Meter Sockets and Meters

When a utility furnishes meter sockets, ownership by the utility of the meter socket or base, as well as the meter itself, is established by virtue of them being furnished without cost to the consumer by the cooperative. While no agreement as to ownership between the cooperative and the property owner exists, cooperative ownership is implied by long standing practice and tradition in the electric utility industry.

121 Minimum—Maximum Voltmeters

A minimum—maximum voltmeter is used to record the minimum and maximum voltages at a specific line location over a period of time. It is normally installed on a pole in connection with a 1½ kVA transformer, a meter base and connecting wires, and other small items of materials. Meter bases are ordinarily set for these voltmeters throughout the system, and a lesser number of voltmeters are rotated among them periodically to obtain voltage readings. An average system may have one voltmeter to two installations, with a maximum of 20 or 25 voltmeters for the whole system.

Minimum—maximum voltmeters shall be recorded, through work orders, in Account 370, Meters, when installed. The cost of the transformers shall remain in Account 368, Line Transformers, with the cost of the meter bases remaining in Account 370, Meters. The miscellaneous material used in installing the transformer and the meter base shall be charged to Account 370, Meters.

Maintenance expense shall be charged to either Account 595, Maintenance of Line Transformers, or Account 597, Maintenance of Meters, as appropriate. Costs associated with reading the voltmeters shall be charged to Account 583, Overhead Line Expenses, and the cost of relocating or changing the complete installation or any part thereof, other than retirement of the meter base, shall be charged to Account 583, Overhead Line Expenses, or Account 586, Meter Expenses.

122 Retrofitting Demand Meters

A demand meter measures the amount of electricity used over a period of time in kilowatt-hours (kWh) and indicates the maximum kilowatts (kW) required at any one time by means of a pointer.

Electronic or solid state demand meters have a direct readout which reads kilowatt demand to two decimal places. The use of a direct readout demand meter may result in increased revenues as pointer readings tend to register lower than actual usages.

The process of retrofitting a demand meter replaces the pointer with a direct readout. The cost of such a replacement is usually expensed as a minor item of property; however, since the use of a direct readout results in a substantial betterment, the excess cost of the replacement over the estimated

cost, at current prices, of replacing the pointer without the betterment is capitalized.

123 Transformer Conversions

The conversion of an overhead transformer to an underground transformer constitutes a betterment and shall, therefore, be capitalized.

124 Transclosures

Transclosures are enclosures or cabinets in which line transformers are mounted. The cost of transclosures that are purchased separately from the transformer shall be charged to Account 154, Plant Materials and Operating Supplies, when received, and capitalized, upon installation, to Account 368, Line Transformers, as a separate unit of property. If the case and the transformer are inseparable, the unit is considered a transformer and shall be capitalized upon purchase.

125 Retirement Units

Services

A retirement unit shall consist of a complete service rather than the individual wires comprising that service. If each separate wire of a service were treated as a retirement unit, the retirement unit would represent a comparatively small cost. Such a small unit of property would substantially increase the number of retirement work orders. The complete service shall, therefore, be considered a retirement unit.

Minor Items

When minor items of property are added separately from complete retirement units, the costs of these items shall be included in work orders, and by unitizing all costs of completed construction for a month, these minor items shall be spread to the retirement units of which they normally form a part. For example, to convert a two-phase line to a three-phase line requires the addition of a conductor, an insulator and a pole-top pin. A pole-top pin is typically capitalized as a component of the cost of the pole to which it is attached. Assuming this is the only work order for the month, the cost of this pin shall be charged to the conductor, so that its cost is included in the total cost of the project. In actual practice, however, this does not happen as it is normal to have a number of work orders for a given month, which include the setting of poles. In allocating the cost of all construction projects for the month, part of the cost of pole-top pins shall be allocated to poles even though the work orders on which they were capitalized did not include poles.

The retirement and replacement of isolated single retirement units cannot be charged to maintenance; a retirement and construction work order shall be used.

126 Establishment of Continuing Property Records

The costs of installing a system of continuing property records shall be charged to Account 930.2, Miscellaneous General Expenses, and may include:

1. Labor and expenses incurred in developing an inventory of property;
2. Labor and material costs incurred in connection with developing pole records including map preparation and pole cards; and
3. Labor and material costs (ledger sheets, etc.) incurred in connection with the installation of the record system.

127 Continuing Property Records for Buildings

When establishing continuing property records for a building where there is no detailed breakdown of contract costs, it is necessary to estimate the cost of the each component part. It should be noted that the establishment of continuing property records is not required for buildings; however, if CPRs are not maintained, all repairs including the replacement of major component parts shall be expensed in the period incurred.

128 Sale of Property

All proceeds deposited in the Construction Fund account from the sale of property, regardless of materiality, shall be reflected on the RUS Form 595,

Financial Requirement and Expenditure Statement. Proceeds from the sale of property shall be reported on the Form 595, by budget purpose, as a reduction in total expenditures to date, column 5; and an increase in the cash balance, column 6.

Proceeds from the sale of property shall not be used to maintain an ''Employee Fund.'' A utility may, pursuant to board policy, use general funds for employee welfare equivalent in amount to proceeds received from the sale of scrap property. If general funds, in an amount equivalent to proceeds received from the sale of scrap property, are used for employee welfare, Account 926, Employee Pensions and Benefits, shall be charged.

129 Gain or Loss on the Sale of an Office Building

A gain on the sale of an office building shall be recorded in Account 421.1, Gain on the Disposition of Property, with a loss recorded in Account 421.2, Loss on the Disposition of Property. If the gain or loss will materially distort current year's net margins, such gain or loss is reportable as an extraordinary item in Account 434, Extraordinary Income, or Account 435, Extraordinary Deductions.

130 Salvage and Obsolete Material

The value of material salvaged from the retirement of units of property reduces the loss on the retirement and shall be so applied. The value assigned to salvage shall be credited to Account 108.8, Retirement Work-in-Progress, which results in reducing net charges to the provision for depreciation when the work order is completed and cleared.

If salvage is sold, any difference between the realized value and the estimated value of the salvaged material shall be charged or credited to the appropriate provision for depreciation.

Salvage resulting from maintenance where no retirement units are involved shall be debited to the materials and supplies account, and credited to the appropriate maintenance account.

Occasionally a utility will have a loss due to obsolescence of materials on hand. If the loss is due to obsolescence of new material, the loss shall be charged to Account 426.5, Other Deductions. If the loss is due to obsolescence of used material, the loss shall be charged to the appropriate subaccount of Account 108, Accumulated Provision for Depreciation.

131 Plant Acquisition Adjustments

Plant acquisition adjustments shall be amortized to the operating expense accounts. These adjustments are recorded in Account 114, Electric Plant Acquisition Adjustments, and amortized to Account 406, Amortization of Electric Plant Acquisition Adjustments, or Account 425, Miscellaneous Amortization, as required by the regulatory commission having jurisdiction. Accounts 406 and 425 shall be closed to operating margins.

132 General Plant

When the unit method of depreciation is used for general plant items, gains and losses on sales, trades or disposals of equipment shall be recorded as such. If the composite method of depreciation is used, gains or losses on the disposal of general plant items shall be recorded in the appropriate depreciation reserve account.

A truck which is used only for transporting power operated equipment mounted thereon shall be charged, together with the installed equipment, to Account 396, Power Operated Equipment. If the same type of truck is used for transporting materials and supplies, tools and work equipment, personnel, or other items, the cost of the truck shall be charged to Account 392, Transportation Equipment.

Depreciation and other expenses relating to power operated equipment shall be accumulated in a subaccount of Account 184, Clearing Accounts, and distributed monthly on an equitable basis to the accounts properly chargeable.

Depreciation expense on vehicles and other work equipment, furniture and office equipment, and other such plant used in the construction of utility plant, is a proper component of construction cost. To avoid a duplicate advance of funds, however, the amount of depreciation on such items that has previously been financed from loan

funds shall be deducted from Inventories of Work Orders submitted to RUS. This amount shall be specifically identified, and shown either monthly or annually as a single item in column 9 on the RUS Form 219, Inventory of Work Orders.

133 Plant Abandonments and Disallowances of Plant Costs

In December 1986, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 90, Regulated Enterprises—Accounting for Abandonments (Statement No. 90) and Disallowances of Plant Costs. This section provides an overview of the requirements outlined in Statement No. 90 together with the specific accounts that shall be used to record a plant abandonment or a disallowance of plant costs.

Plant Abandonments

When an abandonment becomes probable, the cost of the abandoned asset shall be removed from Construction Work-in-Progress or Plant-in-Service, as applicable. Before making this transfer, however, a determination must be made as to whether recovery of the allowed cost is likely to be provided with a full return on the investment during the period from the time the abandonment becomes probable, to the time when recovery is completed, or with a partial or no return on the investment. This determination shall be made based upon the facts and circumstances of the specific abandonment, and past practices and current policies of regulatory jurisdiction.

If a full return on the investment is likely to be provided, any disallowance of all or part of the cost of abandoned plant that is both probable and reasonably estimated shall be recognized as a loss in the current year with the carrying basis of the asset reduced by an equal amount. The remaining cost of abandoned plant shall be recorded as a separate new asset.

If partial or no return on the investment is likely to be provided, any disallowance of abandoned plant costs that is both probable and reasonably estimated shall be recognized as a loss. The present value of the future revenues expected to be provided to recover the allowable cost of the abandoned plant and return on the investment, if any, shall be reported as a separate new asset. The discount rate used to compute the present value shall be the borrower's incremental borrowing rate, which is the rate that the borrower would have to pay to borrow an equivalent amount for a period equal to the expected recovery period. In determining the value of expected future revenues, the borrower shall consider the probable time period before the recovery is expected to begin and the probable time period over which recovery is expected to be provided.

The amount of the new asset shall be adjusted from time to time, as necessary, if new information indicates that the estimates used to record the new asset have changed. The carrying value of the new asset, however, shall not be adjusted for changes in the incremental borrowing rate. The amount of any adjustments shall be recorded as a gain or loss.

During the period between the date on which a new asset is recognized and the date on which recovery begins, the carrying amount shall be increased by accruing a carrying charge. The rate used to accrue the carrying charge shall be:

1. If a full return on the investment is likely, a rate equal to the allowed overall cost of capital in the jurisdiction in which recovery is expected to be provided shall be used.

2. If partial or no return is likely, the asset shall be amortized in a manner that will produce a constant return on the unamortized investment in the new asset equal to the rate at which the expected revenues were discounted.

Due to the nonprofit environment in which electric cooperatives operate, full recovery of interest expense on plant related long-term debt equates to full recovery of the rate of return for an investor-owned utility. Therefore, if a cooperative is permitted full recovery of the interest expense incurred on the long-term debt borrowed to finance construction of an abandoned plant, no discounting of the asset is required nor is accrual of the carrying charge permitted.

If, at the time the provisions of Statement No. 90 are first applied, the

borrower elects to restate the financial statements, the financial statements for all periods presented shall be restated and the financial statements shall disclose the nature of the restatement and its effect on margins before extraordinary items, net margins, and patronage capital at the beginning of the earliest period presented. If the borrower elects not to restate the financial statements, the effect of applying Statement No. 90 shall be reported as a change in accounting principle and the financial statements shall disclose the nature of the change and the effect of applying Statement No. 90 on margins before extraordinary items and net margins.

The specific accounts that shall be used to record transactions involving plant abandonments are as follows:

1. In the year of the abandonment, the unrecoverable portion of the cost of abandoned plant included in construction work-in-progress shall be recognized as a loss by a charge to Account 426.5, Other Deductions, and a credit to Account 107, Construction Work-in-Progress.

2. The balance of the cost remaining in the construction work-in-progress account shall be credited to Account 107 and charged to Account 182.2, Unrecovered Plant and Regulatory Study Costs.

3. The difference between the charge to Account 182.2 and the present value of expected future revenues for recovery of the new asset, shall be recorded as a credit to Account 182.2 and a debit to Account 426.5. The credit to Account 182.2 shall be segregated from the amount charged to Account 182.2 by the use of a separate subaccount. Statement No. 90 does not require this segregation; however, it is necessary under the USoA to provide for the appropriate segregation of operating and nonoperating income.

4. During the waiting period for recovery of the new asset to begin, carrying charges shall be accrued by a debit toAccount 182.2 with a concurrent credit to Account 421, Miscellaneous Nonoperating Income. Debits to Account 182.2 shall be treated as reductions to the credit subaccount of Account 182.2.

5. The borrower shall amortize the amount debited to Account 182.2 by charges to operating income, consistent with the way the amortized amounts are recovered through rates. These charges to income shall be recorded in Account 407, Amortization of Property Losses, Unrecovered Plant and Regulatory Study Costs.

6. As the recoverable amount recorded in Account 182.2 is recovered through rates, the borrower shall accrue income by charges to Account 182.2 and credits to Account 421, Miscellaneous Nonoperating Income. Accruals shall be computed by applying the same rate used to derive the present value of the asset established in Account 182.2, to the unamortized balance in that account. Accrued amounts charged to Account 182.2 shall be treated as reductions to the credit subaccount withinAccount 182.2.

Prior to implementing the accounting prescribed above, the borrower shall submit the details of each plant abandonment to RUS for approval.

Disallowances of Costs of Recently Completed Plant

When it becomes probable that a portion of the cost of recently completed plant will be disallowed for rate making purposes and a reasonable estimate of the amount of the disallowance can be made, the estimated amount of the probable disallowance shall be deducted from the reported cost of the plant and recognized as a loss. If a portion of the costs is explicitly, but indirectly disallowed, the equivalent amount of the cost shall be deducted from the reported cost of the plant and recognized as a loss.The specific accounts that shall be used to record transactions involving the disallowance of plant costs are as follows:

1. Estimated disallowed plant costs which the borrower records as a credit to Account 101, Electric Plant-in-Service, shall be charged to Account 426.5, Other Deductions.

2. If the loss qualifies as an extraordinary item under the criteria set forth in General Instruction No. 7 of the USoA, the borrower shall record the loss in Account 435, Extraordinary Deductions. To be considered extraordinary, an item shall be more than five

percent of income computed before extraordinary items. If a borrower believes that a loss of less than five percent should be treated as an extraordinary item; the borrower shall, with commission approval, record the loss in Account 435 and report the loss as an extraordinary item. If the borrower is not subject to state commission jurisdiction, RUS approval is required.

134 Utility Plant Phase-in Plans

In August 1987, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 92, Regulated Enterprises—Accounting for Phase-in Plans (Statement No. 92). This section provides an overview of the requirements outlined in Statement No. 92.

The term phase-in plan is used to refer to any method of recognition of allowable costs in rates that meets all of the following criteria:

1. The method was adopted by the regulator in connection with a major, newly completed plant of the regulated enterprise or one of its suppliers or a major plant scheduled for completion in the near future.

2. The method defers the rates intended to recover allowable costs beyond the period in which those allowable costs would be charged to expense under generally accepted accounting principles applicable to enterprises in general.

3. The method defers the rates intended to recover allowable costs beyond the period in which those rates would have been ordered under the rate-making methods routinely used prior to 1982 by that regulator for similar allowable costs of that regulated enterprise.

If a phase-in plan is ordered by a regulator in connection with a plant on which no substantial physical construction had been performed before January 1, 1988, none of the allowable costs that are deferred for future recovery by the regulator under the plan for rate-making purposes, shall be capitalized for general-purpose financial reporting purposes (financial reporting).

If a phase-in plan is ordered by a regulator in connection with a plant completed before January 1, 1988, or a plant on which substantial physical construction had been performed before January 1, 1988, the criteria specified below shall be applied to that plan. If the phase-in plan meets all of those criteria, all allowable costs that are deferred for future recovery by the regulator under the plan shall be capitalized for financial reporting purposes as a separate asset (a deferred charge). If any one of those criteria is not met, none of the allowable costs that are deferred for future recovery by the regulator under the plan shall be capitalized for financial reporting. The criteria for determining whether capitalization is appropriate are:

1. The allowable costs in question are deferred pursuant to a formal plan that has been agreed to by the regulator;

2. The plan specifies the timing of recovery of all allowable costs that will be deferred under the plan;

3. All allowable costs deferred under the plan are scheduled for recovery within 10 years of the date when the deferral began; and

4. The percentage increase in rates scheduled under the plan for each future year is no greater than the percentage increase in rates scheduled under the plan for each immediately preceding year. That is, the scheduled percentage increase in year two is no greater than the percentage increase granted in year one, the scheduled percentage increase in year three is no greater than the percentage increase in year two, etc.

By definition, a phase-in plan approved prior to 1982 that contains provisions contrary to those detailed above is not subject to the provisions of Statement No. 92. This exemption, however, only relates to a specific utility and a specific regulator. For example, a utility cannot use a phase-in plan approved by its regulator for a different utility as justification for its phase-in plan exceeding the 10-year limit imposed by Statement No. 92.

A phase-in plan is a method of rate making intended to moderate a sudden increase in rates while providing the regulated enterprise with recovery of its investment and a return on that investment during the recovery period. A disallowance is a rate-making action that prevents the regulated enterprise

from recovering either some amount of its investment or some amount of return on its investment. Statement No. 90 specifies the accounting for disallowances of plant costs (see item 133 of this regulation). If a method of rate making that meets the criteria for a phase-in plan includes an indirect disallowance of plant costs, that disallowance shall be accounted for in accordance with Statement No. 90. Cumulative amounts capitalized under phase-in plans shall be reported as a separate asset in the balance sheet. The net amount capitalized in each period or the net amount of previously capitalized allowable costs recovered during each period shall be reported as a separate item of other income or expense in the income statement. Allowable costs capitalized shall not be reported as reductions of other expenses.

The terms of any phase-in plan in effect during the year or ordered for future years shall be disclosed in the financial statements. Statement No. 92 does not permit capitalization for financial reporting of allowable costs deferred for future recovery by the regulator pursuant to a phase-in plan that does not meet the criteria or a phase-in plan related to plant on which substantial physical construction was not completed before January 1, 1988. Nevertheless, the financial statements shall include disclosures of the net amount deferred at the balance sheet date for rate-making purposes, and the net change in deferrals for rate-making purposes during the year for those plans.

If the provisions of Statement No. 92 are applied retroactively, the financial statements of all periods presented shall be restated. In addition, the restated financial statements shall, in the year that Statement No. 92 is first applied, disclose the nature of any restatement and its effect on margins before extraordinary items, net margins, and on patronage capital at the beginning of the earliest period presented. If the financial statements for prior years are not restated, the effects of applying Statement No. 92 to existing phase-in plans shall be reported as a change in accounting principle and the financial statements shall disclose the effect of adopting Statement No. 92 on margins before extraordinary items and net margins.

The application of Statement No. 92 to an existing phase-in plan shall be delayed if both of the following conditions are met:

1. The enterprise has filed a rate application to have the plan amended to meet the criteria of Statement No. 92 or intends to do so as soon as practicable; and

2. It is reasonably possible that the regulator will change the terms of the phase-in plan so that it will meet the criteria of Statement No. 92.

If the above conditions are met, the provisions of Statement No. 92 shall be applied to the existing phase-in plan on the earlier of the date when one of the conditions ceases to be met or the date when the final rate order is received, amending or refusing to amend the phase-in plan. However, if the enterprise delays filing its application for the amendment or the regulator does not process the application in the normal period of time, the application of Statement No. 92 shall not be further delayed.

In applying the criteria of Statement No. 92 to a plan that was in existence prior to the first fiscal year beginning after December 15, 1987, and that was revised to meet that criteria, the 10-year criterion and the requirement concerning the percentage increase shall be measured from the date of the amendment rather than from the date of the first scheduled deferrals under the original plan. All phase-in plans must receive RUS approval prior to implementation.

135 Accounting for Removal or Relocation of Electric Facilities Resulting from the Action of Others

Under arrangements with another party, a borrower agrees, or is obliged, to remove, relocate, rearrange, or otherwise make changes in utility property, other than for the purpose of rendering utility service to the other party, for which the utility is reimbursed for all or a portion of the costs incurred.

Plant Accounting

The relocation of the line shall be accounted for as follows:

1. If all of the assemblies in the line are retired or completely removed and later reinstalled or if the line is constructed in a new location before the old line is removed, construction and retirement work orders shall be prepared except for the costs relating to special equipment items (transformers, oil circuit reclosers, etc.) which shall be charged to operations expense.

2. If a line is moved in its entirety to a new location except for isolated retirement units (such as at the end of the line) or poles not suitable for resetting, the cost of moving the portion of line that is moved intact shall be charged to maintenance expense while the cost related to the change in isolated retirement units or the replacement of poles not suitable for resetting shall be accounted for through use of construction and retirement work orders.

3. If a line is moved intact without any change in assemblies, the cost shall be charged to maintenance expense.

Reimbursement

If the borrower receives reimbursement for the costs related to the relocation of the line, the reimbursement shall be accounted for by crediting operation and maintenance expenses to the extent of actual expenses occasioned by the plant changes and crediting the remainder to the accumulated provision for depreciation, unless contractual terms definitely characterize residual or specific amounts as applicable to the cost of replacement. In the latter event, appropriate credits shall be entered in the plant accounts.

Reimbursement received from a telephone company for adding a pole or replacing a present pole with a taller pole under joint use contracts falls within this latter category. In this instance, appropriate credits are charged against the plant accounts.

Financing

The total reimbursement, less any portion for operations and maintenance costs, shall be entered in the ''Contributions in Aid of Construction'' section at the bottom of the Construction Work Order. When the Inventory of Work Orders (RUS Form 219) is prepared, enter only enough of the contribution in column 9 to reduce to zero the amount in column 10, ''Loan Funds Subject to Advance by RUS.'' This entry is made although none of the reimbursement received is recorded in the accounting records as a contribution in aid of construction.

136 Storm Damage

As a result of recent hurricane, flood, and ice storm damage, the Rural Utilities Service (RUS) has received several inquiries concerning the proper accounting for storm damage costs and the associated funds received from the Federal Emergency Management Administration (FEMA).

Storm damage costs should be accounted for under the work order procedure. Units of property destroyed or otherwise removed from service must be reflected on retirement work orders and units of property installed must be shown on construction work orders. To ensure that the accounting for construction and retirement costs is as accurate as possible, an effort should be made to accurately accumulate material, labor, and overhead costs. Even when extreme care has been exercised, however, it may still be necessary to use estimates to develop the appropriate cost figures.

When a storm occurs, a utility typically incurs a large retirement loss, all or a part of which should be charged to the accumulated provision for depreciation. Storm damage costs over and above construction and retirement costs represent maintenance expense. Maintenance costs include the costs of resagging lines, straightening poles, and replacing minor items of property. When extensive damage has occurred, the need to restore the property to an operating condition without delay usually results in excessive costs being incurred. Standard property unit costs may be used as a guide in determining the amount to be capitalized. It should be noted, however, that when standard property unit costs are used, all excess costs are charged to maintenance expense.

Because of the storm's destruction, property is retired prematurely and as a result, extraordinary retirement losses occur. When such extraordinary losses occur, they should be recorded in the year in which the losses are incurred. If the recording of such losses will materially distort the income statement, such losses may be charged to Account 435, Extraordinary Deductions. These costs may be deferred and amortized to future periods only if the provisions of Statement of Financial Accounting Standards No. 71, Accounting for the Effects of Certain Types of Regulation (Statement No. 71), are applied. Under the provisions of Statement No. 71, a utility may defer certain costs, provided such costs are included in the utility's rate base and recovered through future rates. If an RUS borrower elects to apply the provisions of Statement No. 71, RUS approval is required. To obtain RUS approval, a borrower must submit:

a. A detailed description of the plan including the nature of the expense item, the amount of the deferral, the specific time period for rate recovery, and justifying support for the time period selected;

b. The accounting journal entries being used by the cooperative to record the expense deferral and amortization of the deferred costs;

c. A copy of the state Commission order authorizing recovery of the deferred costs through future rates, or in the absence of commission jurisdiction, a resolution from the cooperative's board of directors authorizing such recovery; and

d. A statement from the borrower's certified public accountant (CPA) or CPA firm indicating that the deferral and amortization of these costs is in accordance with generally accepted accounting principles.

To assist in the restoration of the damaged facilities, the Federal government often provides assistance through FEMA. Under current FEMA procedures, FEMA provides funds for the restoration of facilities based upon the cost estimates submitted by the entity requesting assistance. If the FEMA grant is for less than 100 percent of the cost estimates, FEMA does not specify which costs are to be reimbursed. When the funds are received, therefore, they should be accounted for by crediting construction, retirement, maintenance expense, and administrative expense in direct proportion to the total costs incurred. For example, if total storm damage costs are $1,000,000 with $450,000 incurred for maintenance, $300,000 for retirement, $200,000 for construction, and $50,000 for administrative costs, the FEMA reimbursement should be accounted for by applying 45 percent of the funds received as a credit to maintenance expense, 30 percent as a credit to retirement costs, 20 percent as a credit to construction, and 5 percent as a credit to administrative and general costs.

ACCOUNTING JOURNAL ENTRIES

Dr. 108.8X, Retirement Work in Progress—Storm Damage	$1,015.17	
Cr. 107.4, Construction Work in Progress—Storm Damage		$1,015.17

To transfer the removal costs recorded in Column 11 of Retirement Work Order #4401X to Account 108.8X.

Dr. 107.4, Construction Work in Progress—Storm Damage	$4,141.55	
Cr. 108.8X, Retirement Work in Progress—Storm Damage		$4,141.55

To remove material salvaged in the _____ rebuild from Account 107.4. The original entry debited Account 154, Plant Materials and Operating Supplies, and credited Account 107.4. (See Column 12 of Retirement Work Order #4401X.)

Dr. 108.8X, Retirement Work in Progress—Storm Damage	$312,230.41	
Cr. 364, Poles Towers and Fixtures		$133,377.55
Cr. 365, Overhead Conductors and Devices		59,683.08
Cr. 368, Lines Transformers		19,704.60
Cr. 369, Services		97,651.23
Cr. 373, Street Lighting and Signal Systems		1,813.95

To remove the original cost of property destroyed and retired from the classified plant accounts. This retirement is recorded, in detail, on Retirement Work Order #4401X. It is understood that this retirement covers all distribution property retired or destroyed in the _____ area exclusive of substations and special equipment items (meters, meter sockets, current and potential transformers, transformers, voltage regulators, oil circuit reclosers (OCR), and sectionalizers).

ACCOUNTING JOURNAL ENTRIES—Continued

Dr. 108.6, Accumulated Provision for Depreciation of Distribution Plant	$309,104.03	
Cr. 108.8X, Retirement Work in Progress—Storm Damage		$309,104.03
To record the net loss due to the retirement of distribution lines in the _____ area. (See Retirement Work Order #4401X.)		
Dr. 364, Poles, Towers and Fixtures	$99,075.40	
Dr. 365, Overhead Conductors and Devices	104,142.22	
Dr. 368, Line Transformers	25,036.07	
Dr. 369, Services	28,865.08	
Dr. 373, Street Lighting and Signal Systems	2,101.60	
Cr. 107.4, Construction Work in Progress—Storm Damage		$259,220.37
To record, in the proper classified plant accounts, Construction Work Order #4401 covering the _____ rebuild.		
This entry includes:		
Material Issued	$150,336.49	
Less: Materials Returned	15,631.39	
Net Material Used	134,705.10	
Labor and overhead estimated by using standard record unit costs	124,515.27	
Total	259,220.37	
Dr. 108.8X, Retirement Work in Progress—Storm Damage	2,384.00	
Cr. 107.4, Construction Work in Progress—Storm Damage		$2,384.00
To transfer the removal costs associated with the retirement of old transmission lines ($1,966) and substations ($418) to Account 107.4. This cost is shown in Column 11 of Retirement Work Order #4400X).		
Dr. 107.4, Construction Work in Progress—Storm Damage	$1,939.74	
Cr. 108.8X, Retirement Work in Progress—Storm Damage		$1,939.74
To remove material salvaged from transmission lines ($1,545.74) and substations ($394.00) from Account 107.4. The original entry debited Account 154 and credited Account 107.4. (See Column 12 of Retirement Work Order #4400X.)		
Dr. 108.8X, Retirement Work in Progress—Storm Damage	$162,172.06	
Cr. 355, Poles and Fixtures		$47,738.45
Cr. 356, Overhead Conductors & Devices		80,304.11
Cr. 362, Station Equipment		34,129.50
To remove the original cost of transmission lines and substations destroyed and retired from the classified plant accounts. (See Retirement Work Order #4400X.) (New substations were built and separately accounted for on Work Order #4406.)		
Dr. 108.5, Accumulated Provision for Depreciation of Transmission Plant	$128,462.82	
Dr. 108.6, Accumulated Provision for Depreciation of Distribution Plant	34,153.50	
Cr. 108.8X, Retirement Work in Progress—Storm Damage		$162,616.32
To record the net loss due to the retirement of transmission lines ($128,462.82) and substations ($34,153.50). (See Retirement Work Order #4400X):		

	Substations	Transmission plant
Original Cost	$34,129.50	$128,042.56
Add: Cost of Removal	418.00	1,966.00
	34,547.50	130,008.56
Less: Material Salvaged	394.00	1,545.74
Total	34,153.50	128,462.82

Dr. 355, Poles and Fixtures	$161,784.05	
Dr. 356, Overhead Conductors and Devices	124,704.77	
Cr. 107.4, Construction Work in Progress—Storm Damage		$286,488.82
To record, in the proper classified plant accounts, the costs of a 69 kV transmission line (_____) as detailed in Work Order #4400. This work order includes construction costs as follows:		

Material Used (Net)	$171,665.62	
Labor and overhead estimated by using standard record unit costs	114,823.20	
Total	286,488.82	
Dr. 107.4, Construction Work in Progress—Storm Damage	$329.40	
Cr. 108.8X, Retirement Work in Progress—Storm Damage		$329.40
To correct the journal entry for cash received from the sale of scrapped meters and transformers. The original entry credited Account 107.4 at the time of receipt.		
Transformers	$318.00	
Meters	11.40	
Net Materials Used	329.40	
Dr. 108.8X, Retirement Work in Progress—Storm Damage		$137,671.22
Cr. 365, Overhead Conductors and Devices		$4,557.00
Cr. 368, Line Transformers		112,815.22
Cr. 370, Meters		20,299.00
To remove the cost of meters, transformers, and OCRs lost or destroyed from the primary plant accounts. (See Retirement Work Order #4402X.)		
737 Transformers	$112,815.22	
31 OCRs	4,557.00	
1,532 Meters	20,299.00	
Total	137,671.22	
Dr. 108.6, Accumulated Provision for Depreciation of Distribution Plant	$137,341.82	
Cr. 108.8X, Retirement Work in Progress		$137,341.82
To record the net loss due to the retirement of meters, transformers, and OCRs. (See Retirement Work Order #4402X.)		
Original Cost	$137,671.22	
Salvaged Realized	329.40	
Total	137,341.82	
Dr. 186, Miscellaneous Deferred Debits	$1,319.85	
Cr. 107.4, Construction Work in Progress—Storm Damage		$1,319.85
To record the engineering costs associated with future construction work in the _____ area.		
Dr. 593, Maintenance of Overhead Lines	$607.24	
Dr. 595, Maintenance of Line Transformers	19,365.86	
Dr. 597, Maintenance of Meters	6,595.56	
Cr. 107.4, Construction Work in Progress—Storm Damage		$26,568.66
To charge the costs of repairing damaged meters, transformers, voltage regulators, and OCRs to the appropriate expense accounts. Repair costs were originally charged to Account 107.4.		

	593	595	597
Meters			$6,595.56
Transformers		$18,869.95	
Voltage Regulators		495.91	
Oil Circuit Reclosers	$607.24		
Total	607.24	19,365.86	6,595.56

Dr. 920, Administrative and General Salaries	$32,000.00	
Dr. 921, Office Supplies and Expenses	4,421.69	
Cr. 107.4, Construction Work in Progress—Storm Damage		$36,421.69
To charge the administrative costs incurred to obtain the FEMA grant to the appropriate expense accounts. Administrative costs were originally charged to Account 107.4.		
Salaries	$32,000.00	
Office Supplies	4,421.69	
Total	$36,421.69	

Dr. 571, Maintenance of Overhead Lines	$3,675.60	
Dr. 593, Maintenance of Overhead Lines	33,080.40	
Cr. 107.4, Construction Work in Progress Storm Damage		$36,756.00

To allocate expenses remaining in Account 107.4 to distribution and transmission maintenance expense. It was estimated that only 10 percent is applicable to transmission.

Dr. 426.5, Other Deductions	$275,000.00	
Dr. 435, Extraordinary Deductions		
Dr. 182.1, Extraordinary Property Losses		
Cr. 108.5, Accumulated Provision for Depreciation of Transmission Plant		$35,000.00
Cr. 108.6, Accumulated Provision for Depreciation of Distribution Plant		240,000.00

To restore the accumulated provisions for depreciation to their appropriate levels based upon a study of plant currently in service.

NOTE: Account 426.5, Other Deductions, should be used to record the retirement loss as a current period expense. Account 435, Extraordinary Deductions, may be used when the loss will materially distort the income statement. Account 182.1, Extraordinary Property Losses, should be used when such costs are being deferred under the provisions of Statement No. 71. Costs recorded in this account should be amortized to Account 407, Amortization of Property Losses, as the costs are recovered through rates.

Dr. 131.1, Cash—General	$1,000,000.00	
Cr. 253, Other Deferred Credits		$1,000,000.00

To record the receipt of funds from the Federal Emergency Management Administration (FEMA).

Dr. 253, Other Deferred Credits	$1,000,000.00	
Cr. 108.5, Accumulated Provision for Depreciation of Transmission Plant		$74,205.00
Cr. 108.6, Accumulated Provision for Depreciation of Distribution Plant		191,575.00
Cr. 186, Miscellaneous Deferred Debits		872.00
Cr. 355, Poles and Fixtures		129,056.00
Cr. 356, Overhead Conductors and Devices		99,408.00
Cr. 364, Poles, Towers and Fixtures		78,916.00
Cr. 365, Overhead Conductors and Devices		82,840.00
Cr. 368, Line Transformers		20,056.00
Cr. 369, Services		23,108.00
Cr. 373, Street Lighting and Signal Systems		1,744.00
Cr. 426.5, Other Deductions		219,220.00
Cr. 571, Maintenance of Overhead Lines		2,900.00
Cr. 593, Maintenance of Overhead Lines		26,600.00
Cr. 595, Maintenance of Line Transformers		15,300.00
Cr. 597, Maintenance of Meters		5,200.00
Cr. 920, Administrative and General Salaries		25,491.00
Cr. 921, Office Supplies and Expenses		3,509.00

To allocate FEMA funds to the proper accounts..

Summary of Costs

Maintenance:	
Account 571, Maintenance of Overhead Lines	$3,675.60
Account 593, Maintenance of Overhead Lines	33,687.24
Account 595, Maintenance of Line Transformers	19,365.86
Account 597, Maintenance of Meters	6,595.56
Total Maintenance Costs	63,324.26
Retirement Loss:	
Account 108.5, Accumulated Provision for Depreciation of Transmission Plant	93,462.82
Account 108.6, Accumulated Provision for Depreciation of Distribution Plant	240,599.35
Account 426.5, Other Deductions	275,000.00
Total Retirement Loss	609,062.17
Construction:	
Account 186, Miscellaneous Deferred Debits	1,319.85
Account 355, Poles and Fixtures	161,784.05
Account 356, Overhead Conductors and Devices	124,704.77

Account 364, Poles, Towers and Fixtures	99,075.40
Account 365, Overhead Conductor and Devices	104,142.22
Account 368, Line Transformers	25,036.07
Account 369, Services	28,865.08
Account 373, Street Lighting and Signal Systems	2,101.60
Total Construction Cost	547,029.04
Administrative:	
Account 920, Administrative and General Salaries	$32,000.00
Account 921, Office Supplies and Expenses	4,421.69
Total Administrative Cost	36,421.69
Maintenance	63,324.26
Retirement Loss	609,062.17
Construction	547,029.04
Administrative	36,421.69
Total Costs	1,255,837.16

Distribution of FEMA Funds

Maintenance: 63,324.26÷1,255,837.16=.0504=5.0%
Retirement: 609,062.17÷1,255,837.16=.4850=48.5%
Construction: 547,029.04÷1,255,837.16=.4356 = 43.6%
Administrative: 36,421.69÷1,255,837.16=.0290=2.9%

Maintenance: $1,000,000.00×5.0%=	$50,000.00
Retirement: $1,000,000.00×48.5%=	485,000.00
Construction: $1,000,000.00×43.6%=	436,000.00
Administrative: $1,000,000.00×2.9%=	29,000.00
Total	1,000,000.00

Distribution of FEMA Funds—Maintenance

Account 571: 3,675.60÷63,324.26=.0580=5.8%
Account 593: 33,687.24÷63,324.26=.5320=53.2%
Account 595: 19,365.86÷63,324.26=.3058=30.6%
Account 597: 6,595.56÷63,324.26=.1041=10.4%

Account 571: $50,000.00×5.8%=	$2,900.00
Account 593: $50,000.00×53.2%=	26,600.00
Account 595: $50,000.00×30.6%=	15,300.00
Account 597: $50,000.00×10.4%=	5,200.00
Total	50,000.00

Distribution of FEMA Funds—Retirement Loss

Account 108.5: 93,462.82÷609,062.17=.1535=15.3%
Account 108.6: 240,599.35÷609,062.17=.3950=39.5%
Account 426.5: 275,000.00÷609,062.17=.4515=45.2%

Account 108.5: $485,000.00×15.3%=	$74,205.00
Account 108.6: $485,000.00×39.5%=	191,575.00
Account 426.5: $485,000.00×45.2%=	219,220.00
Total	485,000.00

Distribution of FEMA Funds—Construction

Account 186: 1,319.85÷547,029.04=.0024=.2%
Account 355: 161,784.05÷547,029.04=.2958=29.6%
Account 356: 124,704.77÷547,029.04=.2280=22.8%
Account 364: 99,075.40÷547,029.04=.1811=18.1%
Account 365: 104,142.22÷547,029.04=.1904=19.0%
Account 368: 25,036.07÷547,029.04=.0457=4.6%
Account 369: 28,865.08÷547,029.04=.0528=5.3%
Account 373: 2,101.67÷547,029.04=.0038=.4%

Account 186: $436,000.00×.2%=	$872.00
Account 355: $436,000.00×29.6%=	129,056.00
Account 356: $436,000.00×22.8%=	99,408.00
Account 364: $436,000.00×18.1%=	78,916.00

Account 365: $436,000.00×19.0%=	82,840.00
Account 368: $436,000.00×4.6%=	20,056.00
Account 369: $436,000.00×5.3%=	23,108.00
Account 373: $436,000.00×.4%=	1,744.00
Total	436,000.00

Distribution of FEMA Funds—Administrative

Account 920: 32,000.00÷36,421.69=.8786=87.9%
Account 921: 4,421.69÷36,421.69=.1213=12.1%

Account 920: $29,000.00×87.9%=	$25,491.00
Account 921: $29,000.00×12.1%=	3,509.00
Total	29,000.00

137 Impairment of Long-Lived Assets

Statement of Financial Accounting Standards No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of (Statement No. 121), requires reporting entities to review all long-lived assets and certain identifiable intangibles that are to be held, used, or disposed of by that entity for impairment whenever events and changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If the sum of the expected future cash flows (undiscounted and without interest charges) is less than the carrying value of the asset, the entity must recognize an impairment loss. The impairment loss is measured as the amount by which the carrying amount of the asset exceeds the fair value of the asset. The impairment loss is reported as a component of income from continuing operations before income taxes for entities presenting an income statement and in the statement of activities of not-for-profit organizations. Statement No. 121 does not apply to assets included in the scope of Statement of Financial Accounting Standards No. 90, Regulated Enterprises—Accounting for Abandonments and Disallowances of Plant Costs.

Assets To Be Held or Used

Entities are required to review long-lived assets and certain identifiable intangibles whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. For example:

1. A significant decrease in the market value of an asset;
2. A significant change in the extent or manner in which an asset is used;
3. A significant physical change in an asset;
4. A significant adverse change in legal factors or in the business climate that could affect the value of an asset;
5. An adverse action or assessment by a regulator;
6. An accumulation of costs significantly in excess of the amount originally expected to acquire or construct an asset; and
7. A current period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continued losses associated with an asset used for the purpose of producing revenue.

The impairment of the asset is measured by estimating the future cash flows expected to result from the use of the asset and its disposition. Assets are grouped at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. Future cash flows are those cash inflows that are expected to be generated by the asset less the cash outflows expected to be necessary to maintain those inflows. If the future cash flows (undiscounted and without interest charges) are less than the carrying value of the asset, an impairment loss must be recognized. If the expected future cash flows are greater than the carrying value of the asset, no impairment loss exists.

The impairment loss is the amount by which the carrying amount (acquisition cost less accumulated depreciation) of the asset exceeds the fair value of the asset. The fair value of the asset

is the amount for which the asset could be bought or sold in an arms-length transaction between willing parties. A quoted market price is the best evidence of fair value. If this information is not available, the fair value should be based upon the best information available. Consideration should be given to the price of similar assets and valuation techniques such as the present value of the expected future cash flows discounted at a rate representative of the risk involved, option-pricing models, matrix pricing, option-adjusted spread models, and fundamental analysis. All available information should be considered when using the above pricing techniques.

If an impairment is recognized, the carrying value of the asset is reduced to the lower of its fair value or its carrying value and, if depreciable, depreciated over the remaining useful life. Previously recognized impairment losses cannot be restored. If the asset was acquired in a business combination and there is goodwill resulting from the transaction, the goodwill is included in the asset grouping and reduced or eliminated before any adjustment is made to the carrying value of the asset.

The following financial statement disclosures are required in the period in which the impairment is recognized:

1. A description of the impaired assets and the facts and circumstances surrounding the impairment;

2. The amount of the impairment and how fair value was determined;

3. The caption in the income statement or the statement of activities in which the impairment loss is aggregated if that loss has not been presented as a separate caption or reported parenthetically on the face of the statement; and

4. If applicable, the business segment(s) affected.

Assets To Be Disposed

Statement No. 121 also applies to all long-lived assets and certain identifiable intangibles for which management, having the authority to approve the action, has committed to a plan of disposal except those assets covered by APB No. 30, Reporting the Results of Operations—Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions. An asset to be disposed of is carried at the lower of its carrying amount (acquisition cost less accumulated depreciation) or its fair value less cost to sell.

The fair value of the asset to be disposed of is computed in the same manner as that for an asset to be held or used by the entity. Selling costs include the incremental direct cost to transact the sale—broker commissions, legal fees, title transfer, and other closing costs that must be incurred before legal title can be transferred. Costs such as insurance, security service, and utilities are generally excluded unless these costs are part of a contractual agreement that obligates the entity to incur such costs in the future. If the asset's fair value is based upon current market price or the current selling price for a similar asset, the fair value is considered a current amount and is not discounted. If, however, the fair value is based upon discounted expected future cash flows and if the sale is to occur beyond one year, the cost to sell must also be discounted. Assets covered by this statement are not depreciated (amortized) while being held for disposal.

Subsequent revisions in estimates of fair value less cost to sell are reported as adjustments to the carrying amount of the asset to be disposed of as long as the carrying amount of the asset does not exceed the original carrying amount.

The following financial statement disclosures are required in the period in which the impairment is recognized:

1. A description of the assets to be disposed of including the facts and circumstances leading to the expected disposal, the expected disposal date, and the carrying amount of those assets;

2. If applicable, the business segment(s) in which the assets to be disposed of are held;

3. The amount, if any, of the impairment loss resulting from the adoption of this statement;

4. The gain or loss, if any, resulting from subsequent revisions in the estimates of fair value less cost to sell;

5. The caption in the income statement or statement of activities in which the gains or losses are aggregated if those gains or losses have not been presented as a separate caption or reported parenthetically on the face of the statement; and

6. The results of operations for assets to be disposed of to the extent that those results are included in the entity's results of operations for the period and can be identified.

Accounting Requirements

All borrowers must adopt the accounting prescribed by Statement No. 121.

Effective Date and Implementation

Statement No. 121 is effective for financial statements for fiscal years beginning after December 15, 1995. Impairment losses resulting from the application of this statement to assets that are held or used by the entity must be reported in the period in which the recognition criteria are first applied and met. Impairment losses attributable to assets to be disposed of must be reported as the cumulative effect of a change in accounting principle as prescribed in Accounting Principles Board Opinion No. 20, Accounting Changes.

Accounting Journal Entries—Implementation Date

If a borrower has impaired assets that are held or used at the implementation date, the following entry should be recorded:

Dr. 426.5, Other Deductions
Cr. 300 Series of Accounts, Plant Accounts
To record the adoption of Statement No. 121 for the impairment of assets that are held or used.

If a borrower has impaired assets to be disposed of at the implementation date, the following entry should be recorded:

Dr. 435.1, Cumulative Effect on Prior Years of a Change in Accounting Principle
Cr. 300 Series—Plant Accounts
To record the adoption of Statement No. 121 for assets that are to be disposed.

Accounting Journal Entries—Subsequent to Implementation Date

If an asset that is either held, used or to be disposed of becomes impaired, the following entry should be recorded:

Dr. 426.5, Other Deductions
Cr. 300 Series—Plant Accounts
To record the impairment of a plant asset.

If a borrower makes a subsequent revision in the estimate of the fair value less the cost to sell of an asset to be disposed of, the following entry should be recorded:

Dr. 300 Series—Plant Accounts
Cr. 421, Miscellaneous Nonoperating Income
To revise the fair value of an asset to be disposed.

138 Automatic Meter Reading Systems—Turtles

Automatic meter reading systems were developed from technology called power line carrier communication systems. One such system, developed by Hunt Technologies, Inc., is called by its brand name, the Turtle system. In addition to its function as an automated reading device, the Turtle can provide outage detection, power failure counts, and other potential applications. The current Turtle system does not have the capability for applications such as collection of load survey or interval data. A Turtle system consists of:

1. A meter reader mounted (retrofitted) inside the meter;

2. A receiver located in each substation; and

3. Monitoring and programming equipment (software and personal computer) usually located in the headquarters building.

The system transmits continuous information one way from the meter to a receiver located in the substation. The receiver constantly monitors every Turtle meter served by the substation. The substation receiver can be sized to monitor up to 3,000 Turtle meter readers at the same time. The data is then

transmitted to the headquarters monitoring equipment via telephone line or an equivalent communication system.

The technical literature and other information provided by the manufacturer indicates that this system can only be used for remote meter reading, outage detection, power failure counts, and phase identification. At this time, there is no indication that the system supports other functions such as home security. Therefore, the accounting prescribed for the Turtle meter reading devices and support equipment relates only to electric utility operations.

Accounting Requirements

The function of the equipment is the primary factor in determining the account in which the equipment shall be recorded. The components of the Turtle automatic meter reading system shall be recorded in Account 370, Meters. The cost of the meter reader encoding device and retrofitting the meter with the meter reader unit shall be capitalized to the cost of the existing meter. Any associated operating expenses shall be charged to Account 586, Meter Expenses, with maintenance expenses charged to Account 597, Maintenance of Meters.

Separate continuing property records shall be established for the meters, either fitted or retrofitted with the device; the receiver; the personal computer; and the system software. The meters, receivers, and personal computer shall be depreciated over the manufacturer's estimated useful service life. The system software shall be depreciated over the estimated useful service life of the program not to exceed 5 years.

139 Global Positioning Systems

The Global Positioning System (GPS) is a worldwide radio-navigation system formed from a network of 24 satellites and their ground stations. Utilities are using this advanced technology geographic data collection system to update and modernize their system maps. GPS uses a system of satellites orbiting the earth to establish plant locations with pinpoint accuracy. By triangulating from three satellites and using radio signals to measure distances and locate items, system-wide maps can be created of the utility's service area. A field inventory is then taken of the utility's plant and plotted onto the map. The GPS consists of base station equipment, remote station equipment, the GPS program, and mapping conversion software.

All equipment associated with GPS is dedicated to the mapping effort. The base station is installed at a fixed location and ties satellite measurements into a solid local reference. The remote station is a portable receiver that is taken into the field to determine locations and is moved from site to site. The GPS program is the application software that operates the station equipment and is used by layout technicians to gather information of existing and new facilities in the field. The conversion software is used for converting the GPS and inventory information gathered in the field into a form usable by the mapping program.

Accounting Requirements

The function and location of the equipment are the primary factors in determining the account in which the equipment shall be recorded. The components of the GPS shall be accounted for as follows:

1. *Remote and Base Station Equipment.* The cost of the equipment, both remote and fixed, shall be capitalized in a subaccount of Account 391, Office Furniture and Equipment.

2. *GPS Program and Conversion Software for Mapping.* The cost of GPS program and conversion software shall be capitalized in a subaccount of Account 391, Office Furniture and Equipment.

3. *GPS/GIS Field Inventory of System.* The cost of performing a GPS/GIS survey and field inventory of the existing system, by either a consultant or the utility's own forces, shall be charged to Account 588, Miscellaneous Distribution Expenses.

140 Radio-Based Automatic Meter Reading Systems

Radio-based automatic meter reading technology allows meters equipped with a low-power radio device called an ERT (Encoder, Receiver, Transmitter) to be read from a remote location. The ERT device can either be retrofitted to

an existing meter or purchased installed in a new meter. The ERT device ''encodes'' energy consumption and transmits this information to a radio transceiver equipped handheld computer. The data collected and stored in the handheld computer is then uploaded to a billing computer using specialized software for that purpose.

Accounting Requirements

The function of the equipment is the primary factor in determining the account in which the equipment shall be recorded. The components of the radio-based automatic meter reading system shall be recorded in Account 370, Meters. The cost of the meter reader encoding device and retrofitting the meter with the meter reader unit shall be capitalized to the cost of the existing meter. Any associated operating expenses shall be charged to Account 586, Meter Expenses, with maintenance expenses charged to Account 597, Maintenance of Meters.

Separate continuing property records shall be established for the meters, either fitted or retrofitted with the device; the handheld computer; and the upload software. The meters and handheld computer shall be depreciated over the manufacturer's estimated useful service life. The upload software shall be depreciated over the estimated useful service life of the program not to exceed 5 years.

201 Supplemental Financing

Many borrowers secure additional financing from sources other than RUS. CFC was established to provide a source of supplemental financing. Although the accounting provided in this section refers to CFC, it is applicable to other sources of supplemental financing as well.

1. *Membership Fees*

When a membership fee is paid to CFC, the payment shall be recorded as a debit to Account 123.23, Other Investments in Associated Organizations.

2. *Subscriptions*

The subscription agreement to purchase Capital Term Certificates (CTCs) is a binding obligation to pay an initial subscription in equal annual payments over the first three years and an additional annual subscription payable in the fourth through fifteenth years.

The annual subscriptions to CFC for the fourth through fifteenth years is 2.0 percent of total operating revenues after deducting the cost of power. Using the best data available, each borrower shall estimate the amount of CTCs that are required to be purchased. Estimates are not expected to be precise and adjustments shall be made when future projections indicate a change is needed. When the agreement to purchase CTCs is made, an entry shall be recorded debiting Account 123.21, Subscriptions to Capital Term Certificates—Supplemental Financing, and crediting Account 224.11, Other Long-Term Debit—Subscriptions. When the CTCs are actually purchased, the following entries shall be recorded:

Dr. 224.11, Other Long-Term Debt—Subscriptions
  Cr. 131.1, Cash—General
Dr. 123.22, Investments in Capital Term Certificates—Supplemental Financing
  Cr. 123.21, Subscriptions to Capital Term Certificates—Supplemental Financing

3. *Interest Receipts*

Interest accrues monthly to the holder of CTCs at a rate in accordance with the terms of the CFC Invitation to Subscribe. The accrual of interest and the receipt of interest proceeds shall be recorded as follows:

Dr. 171, Interest and Dividends Receivable
  Cr. 419, Interest and Dividend Income
To record the monthly accrual of interest.
Dr. 131.1, Cash—General
  Cr. 171, Interest and Dividends Receivable
To record the receipt of interest proceeds from the investment in CTCs.

NOTE: Any amounts received in excess of the previous accruals shall be credited to Account 419.

Interest penalties may be charged by CFC for late payments on any subscription from the date that the payment was due to the date that the payment was actually received. Such charges shall be expensed to Account 431, Other Interest Expense.

4. *Notes*

If a note is due more than one year after the date of the note, the appropriate subaccount of Account 224, Other Long-Term Debt, shall be credited. If the note is due less than one year from the date of the note, Account 231, Notes Payable, shall be credited.

When a loan from CFC has been consummated and a note is executed, Account 224.13, Supplemental Financing Notes Executed—Debit, shall be debited; and Account 224.12, Other Long-Term Debt—Supplemental Financing, credited. When a loan from another source has been consummated, Account 224.15, Notes Executed—Other—Debit, shall be debited; and Account 224.14, Other Long-Term Debt—Miscellaneous, credited.

5. *Loan Proceeds*

Cash proceeds from unsecured short-term loans shall be deposited into the General Fund Account. Cash proceeds from all secured loans shall be deposited into the Construction Fund Trustee Account.

From two to seven percent, depending upon the class of borrower and its debt-equity ratio, of each CFC loan is applied to the purchase of Capital Term Certificates. At the time of a borrower's first requisition under the CFC loan, the following entry shall be recorded:

Dr. 131.2, Cash—Construction Fund—Trustee
Dr. 123.22, Investments in Capital Term Certificates—Supplemental Financing
  Cr. 224.13, Supplemental Financing Notes Executed—Debit
To record the requisition of funds from CFC.

6. *Capital Credits*

As a result of borrowing from CFC or other lenders organized on a cooperative basis, a borrower may receive capital credit allocations. These allocations are usually based upon the borrower's participation in the lending program with participation measured by the amount of interest expense and conversion costs incurred.

To account for patronage capital allocations from cooperative lenders, the following journal entries shall be recorded:

Dr. 123.1, Patronage Capital from Associated Cooperatives
  Cr. 424, Other Capital Credits and Patronage Capital Allocations
To record the allocation of capital credits from a cooperative lender.

NOTE: If any portion of the interest expense was capitalized as a component of construction cost, a similar portion of the capital credit allocation shall be credited to construction rather than to Account 424. The portion credited to construction shall be determined by applying the percentage of interest expense charged to construction for that particular lender to the interest expense incurred for that lender.

Dr. 131.1, Cash—General
  Cr. 123.1, Patronage Capital from Associated Cooperatives
To record the cash receipt of patronage capital credits from cooperative lenders.

301 Forfeited Customers' Deposits

Customers may be required to make deposits to guarantee payment of amounts billed for electric service. When a customer discontinues service, the customer's deposit shall first be applied to unpaid energy bills, with the balance remitted by check to the customer. If the check is returned, it shall be voided and the original entry that was made when the check was issued shall be reversed.

Unclaimed balances of customer deposits shall remain in Account 235, Customer Deposits, until the legal liability of the cooperative to make such a refund has elapsed. When there is no further legal liability to refund the deposit and if it does not escheat to the state, it shall be transferred to Account 144, Accumulated Provision for Uncollectible Customer Accounts—Credit, retaining full information of all particulars.

401 Computer Software Costs

Computer software consists of programs and routines (sets of computer instructions) which direct the operation of the computer. Software may refer to generalized routines useful in computer operations or to programs for specific applications such as payroll.

The distinction between generalized software and application software is important. Generalized software provides operating support for individual

applications. This would include programs for such tasks as making printouts of machine-readable records, sorting records, organizing and maintaining files, translating programs written in a symbolic language into machine-language instructions, and scheduling jobs through the computer. These programs are generally furnished by the manufacturer.

Application software consists of a set of instructions for performing a particular data processing task. Application programs are generally written by the user installation, but are frequently obtained as prewritten packages from software vendors. Application software includes programs such as payroll, billing, general ledger, as well as engineering or managerial applications.

Costs incurred with the purchase or development of computer software shall be accounted for as follows:

1. Capitalize in a subaccount of Account 391, Office Furniture and Equipment, all costs for generalized software. Depreciate the cost over the service life (or remaining life) of the main hardware (i.e., containing central processor). If the purchase invoice does not break out or assign a cost to the ''generalized software,'' it is appropriate to include the full amount in hardware costs. Capitalize in a separate subaccount of Account 391, all costs for applications software determined to have a service life of over one year. Depreciate the cost over the estimated useful service life of the program. This depreciation period shall not exceed five (5) years. RUS realizes, however, that there may be circumstances that justify a useful life longer than 5 years. When this is the case and it is management's intent to utilize these programs over an extended period, written justification shall be submitted to RUS for approval.

2. Expense in Account 921, Office Supplies and Expenses, in the period incurred, all costs associated with the maintenance, updating, and conversion of files or revision of all software, and all costs for software with a useful life of less than 1 year. Also expense in Account 921, the unamortized cost of all software determined, during the year, to be no longer used by or useful to the cooperative. Such costs that are clearly applicable to any category of operating expenses other than the administrative and general category, however, shall be included in the appropriate account in such category. In accordance with the USoA, no portion of such costs shall be capitalized to construction or retirement activities.

In determining the total cost of purchased or internally developed software, the following items shall be included:

a. Costs incurred for feasibility studies if they result in the purchase or development of software;

b. All costs related to the actual purchase or development of the software. These costs must be specifically identifiable with the software and properly supported by time cards, invoices, or other documents; and

c. All costs incurred in ''testing and debugging'' the software.

Computer software costs are properly chargeable to Account 107, Construction Work in Progress, provided that the following criteria are met:

1. The computer program is specifically dedicated to performing a construction related activity, and

2. The cost of the software is itemized separate and apart from other hardware and software costs.

The cost of software programs meeting the above requirements and having an estimated useful service life in excess of 1 year shall be recorded in Account 186, Miscellaneous Deferred Debits, and amortized to Account 107, Construction Work in Progress, over the estimated service life of the program not to exceed 5 years.

All costs related to training personnel in the use of software shall be expensed as incurred.

The accounting in this section is not intended to apply to immaterial amounts. When it is deemed that the costs of the recordkeeping necessary to amortize these costs outweigh the benefits to the members, software costs shall be expensed in the year incurred.

For computer costs relating to load control equipment, refer to Item 118 of this section.

402 Legal Expenses

Utilities may incur legal expenses which pertain to construction activities, loan activities, or general services. The proper accounting treatment for legal expenses is as follows:

1. Legal fees incurred in connection with a construction project, including the court costs directly related thereto, which can be identified and supported as such, shall be capitalized in Account 107, Construction Work-in-Progress, as a cost of construction.

2. Legal fees specifically identified and properly supported as resulting from activities designed to obtain long-term debt, shall be deferred in Account 181, Unamortized Debt Expense.

3. Legal fees for all other services and fees which cannot be properly identified will require expensing to either Account 417.1, Expenses of Nonutility Operations, or Account 923, Outside Services Employed, as appropriate.

To properly support the capitalization or deferral of legal fees, the attorney shall provide an itemization of services performed and the corresponding costs. Only those costs specifically identified by the attorney as being related to construction or loan activities shall be capitalized or deferred as described above.

403 Leases

Lease transactions shall be accounted for as either a capital lease or an operating lease depending upon whether or not the lease meets the criteria for classification as a capital lease. The definitions for capital and operating leases and the criteria used to determine which method shall be used are as follows:

Definitions

1. *Capital Lease:* A lease that transfers substantially all of the benefits and risks inherent in the ownership of the property to the lessee, who accounts for the lease as an acquisition of an asset and the incurrence of a liability.

2. *Operating Lease:* An operating lease is a simple rental agreement which does not meet the criteria for a capital lease. Under the terms of an operating lease, the lessee records the rental payments due over the term of the lease as rent expense.

Criteria

A lease agreement shall be classified as a capital lease if one or more of the following criteria is met:

1. Ownership of the property is transferred to the lessee by the end of the lease term;

2. The lease contains a bargain purchase option;

3. The lease term is equal to 75 percent or more of the estimated useful life of the leased property; or

4. The present value of the lease payments at the inception of the lease equals or exceeds 90 percent of the fair market value of the leased property.

A lease agreement qualifying as a capital lease shall be recorded in either Account 101.1, Property Under Capital Leases;Account 120.6, Nuclear Fuel Under Capital Leases; or Account 121, Nonutility Property, as appropriate, at the present value (at the beginning of the lease term) of the minimum lease payments. If, however, this amount exceeds the fair value of the leased property at the inception of the lease, the asset shall be recorded at its fair market value. An offsetting credit shall be recorded in Account 227, Obligations Under Capital Leases—Noncurrent, with the current portion recorded in Account 243, Obligations Under Capital Leases—Current. Assets recorded in Account 101.1 shall be classified separately according to the detailed accounts (301–399) provided for electric plant in service.

Monthly payments made under the lease obligation shall be charged to rent expense, fuel expense, or construction work-in-progress as they become payable. Similarly, the leased asset and the associated obligation shall be reduced by the current amount due.

The following journal entries shall be used by the lessee to record capital lease transactions:

Dr. 101.1, Property Under Capital Leases
Cr. 243, Obligations Under Capital Leases—Current
Cr. 227, Obligations Under Capital Leases—Noncurrent

To record the capital lease agreement.
Dr. 550, Rents
Cr. 232, Accounts Payable
Dr. 243, Obligations Under Capital Leases—Current
Cr. 101.1, Property Under Capital Leases
To record the monthly rental payment due.
Dr. 232, Accounts Payable
Cr. 131.1, Cash—General
To record the monthly lease payment.

Operating leases which are simple rental agreements do not require the recording of an asset or a liability. The entries that are required to record an operating lease by the lessee are as follows:

Dr. 550, Rents
Cr. 232, Accounts Payable
To record the monthly rental payment due.
Dr. 232, Accounts Payable
Cr. 131.1, Cash—General
To record the monthly lease payment.

For purposes of illustration, the journal entries presented in this interpretation debit Account 550, Rents. However, Account 507, Rents (steam power generation); Account 525, Rents (nuclear power generation); Account 540, Rents (hydraulic power generation); Account 550, Rents (other power production); Account 567, Rents (transmission expense); Account 589, Rents (distribution expense); and Account 931, Rents (general and administrative), should be charged, as appropriate, depending upon the function of the equipment being leased.

404 Consolidated Financial Statements

In October 1987, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 94, Consolidation of All Majority-Owned Subsidiaries (Statement No. 94). For purposes of reporting to RUS, Statement No. 94 shall be applied as follows:

1. An RUS borrower that is a subsidiary of another entity shall prepare and submit to RUS separate financial statements even though this financial information is presented in the parent's consolidated statements.

2. In those cases in which an RUS borrower has a majority-ownership in a subsidiary, the borrower must prepare consolidated financial statements in accordance with the requirements of Statement No. 94. These consolidated statements must also include supplementary schedules presenting a Balance Sheet and Income Statement for each majority-owned subsidiary included in the consolidated statements.

Although Statement No. 94 requires the consolidation of majority-owned subsidiaries, RUS Forms 7 and 12 must be prepared on an unconsolidated basis.

501 Patronage Capital Assignments

Accounting for patronage capital and margins may vary depending upon the individual cooperative's bylaws. The comments contained in this section relate to the application of the standard bylaw provisions.

The entries required, at year's end, to record patronage capital transactions where there is no major merchandising program are as follows:

Dr. 219.1, Operating Margins
Dr. 219.2, Nonoperating margins
Cr. 201.2, Patronage Capital Assignable
To record the amount of patronage capital assignable.
Dr. 201.2, Patronage Capital Assignable
Cr. 201.1, Patronage Capital Credits
To record the allocation of patronage capital to the patrons' accounts.

The procedure for determining the amount of patronage capital assignable to the individual patron on a total dollar basis is as follows:

1. Determine the total amount to be assigned for the year (Account 201.2).

2. Determine patronage from electric service, the total of consumers' billings (Accounts 440–447).

3. Determine the percentage factor to be used in calculating patronage capital to be credited to each consumer account. Divide ''1'' by ''2''.

4. Determine the amount of capital to be credited to each consumer. Multiply the individual consumer's billings for the year by the percentage factor obtained in ''3'' above.

The procedure for determining the amount of patronage capital assignable to the individual patron on a dollar

basis, less the cost of power, is as follows:

1. Determine the total amount to be assigned for the year.
2. Determine the total amount of revenue received from each classification of customers.
3. Determine the total cost of power for each classification of customers. (For example, use cost per kWh sold).
4. For each classification of customers subtract the amount obtained in ''3'' from the amount obtained in ''2,'' to obtain the total amount received, less cost of power, by classification of customers.
5. Add the amounts obtained in ''4'' to obtain the total amount of revenue, less cost of power.
6. Divide the total amount received, less cost of power for each classification of customers (amounts obtained in ''4''), by the total amount received, less cost of power for all customers (amount obtained in ''5'') to obtain the prorata percentage for each classification of customers.
7. Multiply the total amount to be allocated (amount obtained in ''1'') by the prorata percentage for each classification of customers (obtained in ''6'') to obtain the amount to be assigned each classification of customers.
8. Divide the amount to be assigned each classification of customers (amount obtained in ''7'') by the total amount received from the classification of customers (amount obtain in ''2'') to obtain the percentage factor for each classification of customers.
9. Determine the total amount received from each individual customer.
10. Multiply the total amount received from each individual customer (amount obtained in ''9'') by the percentage factor for his classification (amount obtained in ''8'') to obtain the amount of capital to be assigned each individual customer.

After calculating the patronage capital to be credited to each customer, there is usually a small balance remaining. This small balance shall remain in Account 201.2, Patronage Capital Assignable, and shall be added to the amount to be assigned in the following year.

Proper records shall be maintained to support all capital credit transactions. As a minimum, these records shall show, for each patron, the amount of capital credited for each year as well as the amount and date retired for each year.

The process of transferring capital credits from the Patronage Capital Assignable accounts to the Patrons' Capital Credits Assigned accounts or to the Patrons' Capital Credits accounts and the making of entries to individual patron's records constitutes an assignment of capital credits. This holds true for recordkeeping purposes as well as from a legal point of view. This assignment shall be followed by formal notification to patrons within a reasonable period of time.

In the event that a distribution cooperative incurs a net loss, that loss shall not be allocated to its members (patrons). The loss shall be accumulated and offset by future nonoperating margins.

502 Patronage Capital Retirements

As the board of directors has the responsibility for determining whether the financial condition of the cooperative will permit retirement of capital credits and whether the proposed retirement complies with mortgage and bylaw provisions, the authorization for the retirement shall be set forth in the board minutes. The entries to record the general retirement of capital credits shall be as follows:

Dr. 201.1, Patronage Capital Credits
Cr. 238.1, Patronage Capital Payable
To record the board of directors' authorization to make payments of capital credits.
Dr. 238.1, Patronage Capital Payable
Cr. 131.1, Cash—General.
To record actual cash payments of capital credits.

NOTE: To provide better control over the payment of patronage capital credits, a special checking account should be established in an amount equal to the authorized general retirement. Special prenumbered checks shall be used for each general retirement of patronage capital.

To strengthen internal control and to facilitate the settlement of estates, the board should adopt a policy specifying

exactly how payments of capital credits shall be made to the estates of deceased patrons. Payments made to estates shall be recorded as follows:

Dr. 201.1, Patronage Capital Credits
Cr. 131.1, Cash—General
To record the payment of capital credits when an estate is settled by refunding 100 cents on the dollar.

Dr. 201.1, Patronage Capital Credits
Cr. 131.1, Cash—General
Cr. 217, Retired Capital Credits—Gain
To record the payment of capital credits when an estate is settled for less than the full amount of capital credited to the deceased customer's account.

Dr. 217, Retired Capital Credits—Gain
Cr. 201.2, Patronage Capital Assignable
To record the reallocation to current patrons of the amount of the discount, if provided for in the bylaws.

If a capital credit check is returned due to an inability to locate the patron, it shall be held pending a recheck of available records to ascertain the correct address of the patron. If it is determined that the patron cannot be located, the check shall be cancelled and the amount of the check debited to Account 131.1, Cash—General, and credited to Account 217, Retired Capital Credits—Gain. If the state, however, has unclaimed property laws to which the amount is subject, the amount shall be credited to Account 253, Other Deferred Credits, until final disposition has been made. A notation shall be made in the records of the former patron to facilitate payment if his or her whereabouts is subsequently determined.

If the records show that a number of former patrons have moved and left no forwarding address, it is not necessary to prepare a capital credit retirement check for these patrons when a general retirement of capital credits is made. When setting funds aside to make a general retirement, however, appropriate amounts shall be included to cover payments due these patrons. The cooperative shall then make a reasonable effort to locate these patrons through publication of their names in the newsletter or local newspaper. If the patrons are not located, the amounts set aside and the credits to their accounts shall be handled in a manner similar to those for whom payment checks are returned.

Under the standard bylaw provisions recommended by RUS, it is not proper to use capital credits that were assigned to former patrons to liquidate their delinquent bills. When the standard bylaws are in effect and collection efforts have failed, the balance of an uncollectible bill, after application of customers deposits and membership fees, shall be charged against the accumulated provision for uncollectible accounts. If the patron has capital credits assigned to him or her, these remain untouched except for a notation to indicate the amount of the unpaid bill. When a general retirement of capital credits is made at some future date, amounts which would otherwise be due the patron may be applied to satisfy the unpaid bill with the balance refunded to him or her.

503 Operating and Nonoperating Margins

Occasionally questions arise concerning the accounting for the balances in Accounts 218, Capital Gains and Losses; 219.3, Other Margins; 219.4, Other Margins and Equities-Prior Periods; 434, Extraordinary Income; and 435, Extraordinary Deductions. The balance in these accounts shall be accounted for as follows:

1. The balance in Account 219.4, Other Margins and Equities—Prior Periods, shall be transferred, at year's end, to Account 219.1 or 219.2, as appropriate. Accounts 219.1 and 219.2 are then closed to Account 201.2, Patronage Capital Assignable, unless otherwise provided for in the bylaws.

2. The balances in Account 434, Extraordinary Income, and Account 435, Extraordinary Deductions, shall be cleared to Account 219.2 at year's end.

3. The balances in Account 219.3, Other Margins, and Account 218, Capital Gains and Losses, shall remain in these accounts unless they are allocated to patrons or used to absorb future losses as provided for in the bylaws of the cooperative.

When a cooperative is engaged in a major merchandising activity, all costs

properly chargeable to the merchandising activity shall be allocated as such to offset the associated revenue. Nonoperating margins generated from this source shall be prorated annually on a patronage basis and credited to those patrons accounts from whom such amounts were obtained. Merchandising activities of this nature may require a bylaw provision allowing for the allocation of margins generated by a major merchandising activity separate from other operating or nonoperating margins.

If, at the time of the adoption of the bylaw provisions for the allocation of nonoperating margins, there are prior years' losses resulting in debit balances in Accounts 218, Capital Gains and Losses; 219.1, Operating Margins; 219.2, Nonoperating Margins; or 219.3, Other Margins; the credit balances in Accounts 218, 219.2, or 219.3 resulting from prior years' operations shall be transferred, to the extent necessary, to offset such deficits. If the board determines that amounts shall be allocated to prior years' patrons, the credit balances remaining in these accounts shall be transferred to Account 201.2, Patronage Capital Assignable.

If there are current year's losses resulting in debit balances in either Account 219.1 or 219.2, credit balances in Accounts 219.2, 219.3, and 218 shall be transferred, to the extent necessary, to offset such deficits. Remaining credit balances allocable to patrons shall be transferred to Account 1.2.

504 Patronage Capital from G&T Cooperatives

When a cooperative receives capital credits from a G&T cooperative, the transaction shall be recorded by a debit to Account 123.1, Patronage Capital from Associated Cooperatives, and a credit to Account 423, Generation and Transmission Cooperative Capital Credits. This entry shall be made priorto the closing of the cooperative's books even though, in most cases, the notice of the G&T allocation is not received until after the close of the year to which it relates. If precise information cannot be obtained from the G&T within a reasonable time, capital credits shall be recorded on an estimated basis. The difference between the estimated amount and the actual shall be recognized in the following year unless the difference is material.

A distribution cooperative shall not recognize its proportionate share of losses incurred by the G&T. G&T losses shall be accumulated and offset as provided for in the bylaws. Unlike distribution cooperatives, a G&T has the option to offset accumulated losses with future operating and/or nonoperating margins.

505 Patronage Capital Furnished by Other Cooperative Service Organizations

Utilities may obtain long-term and short-term loans, telephone or data processing services, or may purchase oil, gasoline, materials, insurance, and various items from cooperative or mutual enterprises. These enterprises often make patronage refunds or provide evidence that an amount equal to such a refund has been credited to the utility as an investment of capital. The refund may be in the form of cash in the year following the purchase or it may be deducted from the next invoice. The notice of patronage credited to the borrower's account may indicate that such capital may be retired at some future date upon certain conditions having been met. The following provides the accounting journal entries for these types of transactions:

1. Insurance policy refunds from mutual companies, in cash or as credits against subsequent purchases, shall be credited to the appropriate expense account. If sufficient information is not available to credit the refunds to the appropriate expense accounts, they shall be credited to Account 165, Prepayments, and reduce premiums for the current year.

2. Patronage capital allocations from cooperatives, other than mutual insurance companies, shall be credited, in the year that the allocation notice is received, to Account 424, Other Capital Credits and Patronage Allocations, or to construction work-in-progress, as appropriate. The allocation of patronage capital credits between Account 424 and construction work-in-progress shall be made on an equitable basis. For example, patronage capital allocations received from a cooperative

money lender are allocated between Account 424 and construction work-in-progress based upon the ratio of interest charged to construction for that particular lender to total interest expense incurred for that lender. Patronage capital allocations received from a material supplier are allocated based upon the ratio of materials charged to construction to total materials purchased.

3. The face amount of patronage capital certificates received by the cooperative from the purchase of goods or services from cooperative money lenders (CFC), oil dealers, material suppliers, pole treating plants, communications services, and others shall be charged to either Account 123.1, Patronage Capital from Associated Cooperatives, or Account 124, Other Investments, as appropriate. Account 123.1 shall include investments in only those cooperatives, or enterprises, that are directly related to the electric utility industry and controlled by the electric cooperatives. These include statewide cooperatives, power cooperatives, and NRECA. Other investments in oil cooperatives and insurance companies shall be charged to Account 124.

506 Forfeited Membership Fees

The bylaws of each cooperative prescribe certain rules and regulations concerning membership in the cooperative. Among these are provisions for forfeiture of membership fees. Some bylaws provide for application of membership fees against any unpaid accounts at the time of termination of service. Any remaining balance may be refunded to the member. Balances that cannot be refunded to the member due to an inability to locate the member or due to bylaw restriction, shall be credited to Account 208, Donated Capital, provided they do not escheat to the state. If disposition of the fees cannot be determined immediately, the amount involved shall be transferred to Account 253, Other Deferred Credits, until the determination is made.

601 Employee Benefits

The costs of employees' fringe benefits (hospitalization, retirement, holiday, sick and vacation pay, etc.) shall be accumulated in an appropriate clearing account and allocated monthly on the basis of payroll. Vacation costs shall be accrued monthly by appropriate credits to an accrual account. These monthly accruals shall be allocated on the basis of direct payroll costs to construction, retirement, and the applicable operations, maintenance, and administrative expense accounts.

Sick leave costs are not normally accrued unless the employee is entitled to be paid for accumulated sick leave at the termination of employment. Salary payments and the associated employee pensions and benefits and social security and other payroll taxes for an employee who is actually sick shall be charged to the same account or accounts to which his or her salary is normally charged.

602 Compensated Absences

Statement of Financial Accounting Standards No. 43, Accounting for Compensated Absences (Statement No. 43), requires employers to accrue a liability as an employee earns the right to be paid for future absences. Four criteria were established for this accrual:

1. The employer's obligation for payment for future absences is attributable to employees' services already performed.

2. The obligation relates to employee rights which vest or accumulate. Vested rights are considered those for which the employer is obligated to make payment even if the employee terminates. Rights which accumulate are those earned but unused rights to compensated absences which may be carried forward to one or more periods, subsequent to the period in which they are earned.

3. Payment of the compensation is probable.

4. The amount can be reasonably estimated.

A company's liability shall be estimated based upon payments it expects to make as a result of employees' work already performed. If a reasonable estimate cannot be made, the company shall disclose that fact in the financial statements.

Statement No. 43 does not apply to severance or termination pay, post-retirement benefits, deferred compensation, stock or stock options, group insurance, or other long-term fringe benefits.

The entries required to account for the accrual of compensated absences are as follows:

Dr. 435.1, Cumulative Effect on Prior Years of a Change in Accounting Principle
Cr. 242.3, Accrued Employees' Vacation and Holidays
To record the liability for benefits earned in prior years.

Dr. 107, Construction Work in Progress
Dr. 108.8, Retirement Work in Progress
Dr. Various Operations, Maintenance, and Administrative Expense Accounts
Cr. 242.3, Accrued Employees Vacation and Holidays
To record the liability for benefits earned in the current period.

603 Employee Retirement and Group Insurance

Some borrowers have group insurance or retirement plans or both for their employees. As a general rule the cost of these programs is borne partially by the cooperative and partially by its employees. The cooperative may pay the full cost in advance and recover the employee's share through payroll deductions. The accounting for these transactions is as follows:

1. The cooperative's advanced payment of premiums on insurance and retirement agreements shall be charged to Account 165, Prepayments, for the employers portion, and Account 143, Other Accounts Receivable, for the employee's portion.

2. The cost of the employer's portion of a retirement and group insurance program shall be charged to construction and retirement activities and the applicable operations, maintenance, and administrative expense accounts based upon a specific identification with employees' labor costs charged therein or, in the absence of specific employee identification, based upon direct labor dollars or direct labor hours depending upon which allocation technique provides the most equitable distribution of costs.

604 Deferred Compensation

Many utilities participate in the NRECA Deferred Compensation Program. Based upon the provisions of the program, the following accounting entries shall be made:

Dr. 186.XX, Miscellaneous Deferred Debits—Deferred Compensation
Cr. 228.3, Accumulated Provision for Pensions and Benefits
To increase the deferred compensation provision by the amount of the annual deposit to NRECA's Deferred Compensation Fund.

Dr. 128, Other Special Funds—Deferred Compensation
Cr. 131.1, Cash—General
To record the annual deposit to NRECA's Deferred Compensation Fund.

Dr. Construction Work in Progress, Retirement Work in Progress, or the Various Operations, Maintenance, and Administrative Expense Accounts, as appropriate.
Cr. 186.XX, Miscellaneous Deferred Debits—Deferred Compensation
To record monthly accrual of deferred compensation.

NOTE: If an employee joins the deferred compensation program during the year, use entry #1 to record the additional deposit to the NRECA Deferred Compensation Fund and increase the monthly accrual in entry #2 to reflect this deposit.

NRECA provides borrowers that participate in the deferred compensation program with an annual account statement disclosing the activity for each Homestead Fund investment including the number of shares owned, interest income, dividend income, capital gains/losses, and the value of the shares owned at statement date. Funds may be invested in the Short-term Bond Fund, the Value Fund, the Short-term Government Securities Fund, and the Daily Income Fund. Depending upon the Homestead Fund selected, invested funds may earn interest and dividend income and may experience unrealized holding gains or losses. Based upon the information provided on the annual

statement, the following journal entries shall be recorded to recognize the increase or decrease in the fund assets:

Dr. 128, Other Special Funds—Deferred Compensation
Cr. 419, Interest and Dividend Income
Cr. 421, Miscellaneous Nonoperating Income
To record an increase in the fund value as of December 31, 19xx, resulting from interest and dividend income and from unrecognized holding gains on trading securities.

Dr. Various Operations, Maintenance, and Administrative Expense Accounts
Cr. 228.3, Accumulated Provision for Pensions and Benefits
To record an increase in the liability to the employee resulting from an increase in the investment account.

Dr. 426.5, Other Deductions
Cr. 128, Other Special Funds—Deferred Compensation
To record a decrease in fund value as of December 31, 19xx, resulting from unrecognized holding losses on trading securities.

Dr. 228.3, Accumulated Provision for Pensions and Benefits
Cr. Various Operations, Maintenance, and Administrative Expense Accounts
To record a decrease in the liability to the employee resulting from a decrease in the investment account.

Payments made to participating employees because of retirement or separation for other reasons shall be recorded using the following entries:

Dr. 131.1, Cash—General
Cr. 128, Other Special Funds—Deferred Compensation
To record the receipt of funds from NRECA.

and

Dr. 228.3, Accumulated Provision for Pensions and Benefits
Cr. 131.1, Cash—General
To record payment to employee for deferred compensation.

If the borrower has elected to bear the market risk of the funds which guarantee that the amount of money an employee receives will not be less than the amount of salary deferred, the following entry shall be recorded if total payment(s) from NRECA are less than the amount of salary deferred:

Dr. Various Operations, Maintenance, and Administrative Expense Accounts
Cr. 131.1, Cash—General
To record payment to employee for deferred compensation. Payment was made because amount returned did not equal salary deferred.

Appropriate disclosure of the terms of the program shall be made in the notes to the financial statements.

605 Life Insurance Premium on Life of a Borrower Employee

Some borrowers insure the life of the manager and/or key employees with the borrower being named as the beneficiary. Such arrangements shall be accounted for as follows:

1. Charge Account 426.2, Life Insurance, for the net amount of the premium paid each year on the insurance policy.

2. At the anniversary date of the policy each year, charge Account 124, Other Investments, and credit Account 426.2, Life Insurance, with the amount of the annual increase in the cash surrender value of the policy; provided such increase is less than the net premium paid for that year. If the annual increase in the surrender value exceeds the net premium paid for the same year, only that portion of the surrender value increase equal to the net premium paid shall be credited to Account 426.2. The remainder is to be credited to Account 419, Interest and Dividend Income.

3. Upon retirement of the insured employee and surrender of the insurance policy, charge Account 131.1, Cash—General, and credit Account 124, Other Investments, for the amount received from the insurance company. If it is decided to grant to the retiring insured employee all, or any portion, of the cash received upon surrender of the policy, Account 926, Employee Pensions and Benefits, shall be charged and Account 131.1 credited for the amount paid to the retiring employee.

4. If the insured employee dies within his term of service, charge Account 131.1, Cash—General, for the face

amount of the policy paid by the insurance company. Credit Account 124, Other Investments, for the cash surrender value previously charged thereto, and credit the remainder to Account 421, Miscellaneous Nonoperating Income.

606 Pension Costs

With the issuance of Statement of Financial Accounting Standards No. 87, Employers' Accounting for Pensions (Statement No. 87), there have been significant changes in the accounting and reporting requirements relating to pension costs. This section will highlight the accounting and reporting requirements for the major types of pension plans. It should be noted, however, that the definitions and accounting procedures outlined in this section relate to financial accounting and they may differ from those used for tax accounting.

Defined Benefit Pension Plans

A defined benefit pension plan is a plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service, or compensation. In a defined benefit plan, the employer promises to provide, in addition to current wages, retirement income payments in future years after the employee retires or terminates service. Generally, the amount of benefit to be paid depends upon a number of future events that are incorporated into the plan's benefit formula, after including how long the employee and any survivors live, how many years of service the employee renders, and the employee's compensation in the years immediately before retirement or termination.

Under a defined benefit plan, the determination of pension costs, assets, liabilities, and the disclosures in the financial statements require many calculations and assumptions to be made. This section provides a general overview of the accounting and reporting requirements associated with a defined benefit pension plan. Consult Statement No. 87 for guidance in making the necessary calculations and assumption.

The accounting and reporting requirements related to a defined benefit pension plan are as follows:

1. The following components shall be included in the periodic recognition of net pension cost by an employer sponsoring a defined benefit pension plan:

a. The service cost component recognized in a period shall be determined as the actuarial present value of benefits attributed by the pension plan formula to employee service during that period. The measurement of the service cost component requires use of an attribution method and assumptions.

b. The interest cost component recognized in a period shall be determined as the increase in the projected benefit obligation due to the passage of time. Measuring the projected benefit obligation as a present value requires accrual of an interest cost at rates equal to the assumed discount rates.

c. For a funded plan, the actual return on plan assets, if any, shall be determined based upon the fair value of plan assets at the beginning and the end of the period, adjusted for contributions and benefit payments.

d. Plan amendments (including initiation of a plan) often include provisions that grant increased benefits based upon services rendered in prior period. Because plan amendments are granted with the expectation that the employer will realize economic benefits in future period, Statement No. 87 does not require the cost of providing such retroactive benefits (prior service cost) to be included in net periodic pension cost entirely in the year of the amendment but provides for recognition during the future service periods of those employees active at the date of the amendment who are expected to receive benefits under the plan.

The cost of retroactive benefits (including benefits that are granted to retirees) is the increase in the projected benefit obligation at the date of the amendment. Except as noted below, prior service cost shall be amortized by assigning an equal amount to each future period of service of each employee active at the date of the amendments who is expected to receive benefits under the plan. If all or almost all of the plan's participants are inactive,

the cost of retroactive plan amendments affecting benefits of inactive participants shall be amortized based upon the remaining life expectancy of those participants rather than the remaining service period.

To reduce the complexity and detail of the computations required, consistent use of an alternative amortization approach that more rapidly reduces the unrecognized cost of retroactive amendments is acceptable. For example, a straight-line amortization of the cost over the average remaining service period of employees expected to receive benefits under the plan is acceptable. The alternative method used shall be disclosed.

In some situations, a history of regular plan amendments and other evidence may indicate that the period during which the employee expects to realize economic benefits from an amendment granting retroactive benefits is shorter than the entire remaining service period of the active employees. Identification of such situations requires an assessment of the individual circumstances and the substance of the particular plan situation. In those circumstances, the amortization of prior service cost shall be accelerated to reflect the more rapid expiration of the employer's economic benefits and to recognize the cost in the periods benefited.

A plan amendment can reduce rather than increase the projected benefit obligation. Such a reduction shall be used to reduce an existing unrecognized prior service cost, and the excess, if any, shall be amortized on the same basis as the cost of benefit increases.

e. Gains and losses are changes in the amount of either the projected benefit obligation or plan assets resulting from experience different from that assumed and changes in assumptions. Gains and losses include amounts that have been realized. Because gains and losses may reflect refinements in estimates as well as real changes in economic values, and because some gains in one period may be offset by losses in another or vice versa, the recognition of gains and losses as components of net pension cost of the period in which they arise is not required.

The expected return on plan assets shall be determined based upon the expected long-term rate of return on plan assets and the market-related value of plan assets. The market-related value of plan assets shall be either fair value or a calculated value that recognizes changes in fair value in a systematic and rational manner over not more than 5 years. Different ways of calculating market-related value may be used for different classes of assets but the manner of determining market-related value shall be applied consistently from year to year for each asset class.

Asset gains and losses are the differences between the actual return on assets during a period and the expected return on assets for that period. Assets gains and losses include both changes reflected in the market-related value of assets and changes not yet reflected in the market-related value (that is, the difference between the fair value of assets and the market-related value). Asset gains and losses not yet reflected in market-related values are not required to be amortized.

As a minimum, amortization of an unrecognized gain or loss (excluding asset gains and losses not yet reflected in market-related value) shall be included as a component of net pension cost for a year if, as of the beginning of the year, that unrecognized net gain or loss exceeds 10 percent of the greater of the projected benefit obligation or the market-related value of plan assets. If amortization is required, the minimum amortization shall be that excess divided by the average remaining service period of active employees expected to receive benefits under the plan. If all or almost all of a plan's participants are inactive, the average remaining life expectancy of the inactive participants shall be used instead of average remaining service life.

Any systematic method of amortization of gains and losses may be used in lieu of the minimum specified in the previous paragraph provided that the minimum is used in any period in which the minimum is greater (i.e., reduces the net balance by more), the method is applied consistently, the method is applied similarly to both

gains and losses, and the method is disclosed.

The gain or loss component of net periodic pension cost shall consist of the difference between the actual return on plan assets and the expected return on plan assets and amortization of the unrecognized net gain or loss from previous periods.

2. A liability (unfunded accrued pension cost) shall be recognized if the net periodic pension cost recognized pursuant to Statement No. 87 exceeds amounts the employer has contributed to the plan. An asset (prepaid pension cost) shall be recognized if the net periodic pension cost is less than the amounts the employer has contributed to the plan.

If the accumulated benefit obligation exceeds the fair value of plan assets, the employer shall recognize a liability (including unfunded accrued pension cost) that is at least equal to the unfunded accumulated benefit obligation. Recognition of an additional minimum liability is required if an unfunded accumulated benefit obligation exists and an asset has been recognized as a prepaid pension cost, the liability already recognized as unfunded accrued pension cost is less than the unfunded accumulated benefit obligation, or no accrued or prepaid pension cost has been recognized.

If an additional minimum liability is recognized, an equal amount shall be recognized as an intangible asset, provided that the asset does not exceed the amount of unrecognized prior service cost. If an additional liability required to be recognized exceeds unrecognized prior service cost, the excess (which represents a net loss not yet recognized as a net periodic pension cost) shall be reported as a separate component (reduction) of equity.

When a new determination of the amount of additional liability is made to prepare a balance sheet, the related intangible asset and separate component of equity shall be eliminated or adjusted, as necessary.

3. An employer sponsoring a defined benefit pension plan shall disclose the following information:

a. A description of the plan including employee groups covered, type of benefit formula, funding policy, types of assets held and significant nonbenefit liabilities, if any, and the nature and effect of significant matters affecting comparability of information for all period presented.

b. The amount of net periodic pension cost for the period showing separately the service cost component, the interest cost component, the actual return on assets for the period, and the net total of other components.

c. A schedule reconciling the funded status of the plan with amounts reported in the employer's balance sheet, showing separately, the fair value of plan assets, the projected benefit obligation identifying the accumulated benefit obligation and the vested benefit obligation, the amount of unrecognized prior service cost, the amount of unrecognized net gain or loss including asset gains and losses not yet reflected in market-related value), the amount of any remaining unrecognized net obligation or net asset existing at the date of initial application of Statement No. 87, the amount of any additional liability recognized, and the amount of net pension asset or liability recognized in the balance sheet (which is the net result of combining the previous six items).

d. The weighted-average assumed discount rate and rate of compensation increase (if applicable) used to measure the projected benefit obligation and the weighted-average expected long-term rate of return on plan assets.

e. If applicable, the amount and type of securities of the employer and related parties included in plan assets, and the approximate amount of annual benefits of employees and retirees covered by annuity contracts issued by the employer and related parties. Also, if applicable, the alternative amortization periods used.

f. An employer that sponsors two or more separate defined benefit pension plans shall determine net periodic pension cost, liabilities, and assets by separately applying the provisions of Statement No. 87 to each plan. In particular, unless an employer clearly has a right to use the assets of one plan to pay benefits of another, a liability required to be recognized for one plan shall not be reduced or eliminated because another plan has assets in excess

of its accumulated benefit obligation or because the employer has prepaid pension cost related to another plan.

The required disclosures may be aggregated for all of an employer's single-employer defined benefit plans, or plans may be disaggregated into groups so as to provide the most useful information. Plans with assets in excess of the accumulated benefit obligation, however, shall not be aggregated with plans that have accumulated benefit obligations that exceed plan assets.

Annuity Contracts

An annuity contract is a contract in which an insurance company unconditionally undertakes a legal obligation to provide specified benefits to specific individuals in return for a fixed consideration or premium. An annuity contract is irrevocable and involves the transfer of significant risk from the employer to the insurance company. Some annuity contracts (participating annuity contracts) provide that the purchaser (either the plan or the employer) may participate in the experience of the insurance company. Under these contracts, the insurance company ordinarily pays dividends to the purchaser. If the substance of a participating contract is such that the employer remains subject to all or most of the risks and rewards associated with the benefit obligation covered and the assets transferred to the insurance company, that contract is not an annuity contract for purposes of Statement No. 87.

To the extent that benefits currently earned are covered by annuity contracts, the cost of these benefits shall be the cost of purchasing the contracts, except as noted below. That is, if all benefits attributed by the plan's benefits formula to service in the current period are covered by nonparticipating annuity contracts, the cost of the contracts determines the service cost component of net pension cost for that period.

Benefits provided by the pension benefit formula beyond benefits provided by annuity contracts (for example, benefits related to future compensation levels) shall be accounted for according to the provisions applicable to plans not involving insurance contracts.

Benefits covered by annuity contracts shall be excluded from the projected benefit obligation and the accumulated benefit obligation. Except as noted below, annuity contracts shall be excluded from plan assets.

Some annuity contracts provide that the purchaser (either the plan or the employer) may participate in the experience of the insurance company. Under these contracts, the insurance company ordinarily pays dividends to the purchaser, the effect of which is to reduce the cost of the plan. The purchase price of a participating annuity contract ordinarily is higher than the price of an equivalent contract without participation rights. The cost of the participation right shall be recognized, at the date of purchase, as an asset. In subsequent periods, the participation right shall be measured at its fair value if the contract is such that the fair value is reasonably estimable. Otherwise, the participation right shall be measured at its amortized cost (not in excess of its net realizable value), and the cost shall be amortized systematically over the expected dividend period under the contract.

Other Contracts with Insurance Companies

Insurance contracts that are, in substance, equivalent to the purchase of annuities shall be accounted for as such. Other contracts with insurance companies shall be accounted for as investments and measured at fair value. For some contracts, the best available evidence of fair value may be contract value. If a contract has a determinable cash surrender value or conversion value, that is presumed to be its fair value.

Defined Contribution Plans

A defined contribution pension plan is a plan that provides pension benefits in return for services rendered, provides an individual account for each participant, and has terms that specify how contributions to the individual's accounts are to be determined rather than the amount of pension benefits the individual is to receive. Under a defined contribution plan, the pension

benefits a participant will receive depend only upon the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to the participant's account.

To the extent that a plan's defined contributions to an individual's account are to be made for periods in which that individual renders services, the net pension cost for a period shall be the contribution called for in that period. If a plan calls for contributions for periods after an individual retires or terminates, the estimated cost shall be accrued during the employee's service period.

An employer that sponsors one or more defined contribution plans shall disclose the following separately from its defined benefit plan disclosures:

1. A description of the plan(s) including employee groups covered, the basis for determining contributions, and the nature and effect of significant matters affecting comparability of information for all periods presented.

2. The amount of cost recognized during the period.

A pension plan having characteristics of both a defined benefit plan and a defined contribution plan requires careful analysis. If the substance of the plan is to provide a defined benefit, as may be the case with some ''target benefit'' plans, the accounting and disclosure requirements shall be determined in accordance with the provisions applicable to a defined benefit plan.

Multiemployer Plans

A multiemployer plan is a pension plan to which two or more unrelated employers contribute, usually pursuant to one or more collective-bargaining agreements. A characteristic of multiemployer plans is that assets contributed by one participating employer may be used to provide benefits to employees of other participating employers since assets contributed by an employer are not segregated in a separate account or restricted to provide benefits only to employees of that employer.

An employer participating in a multiemployer plan shall recognize as net pension cost, the required contribution for the period and shall recognize as a liability, any contributions due and unpaid. The required contribution includes both current costs and prior service costs. If an employer elects to fund prior service cost in full at the inception of the plan, the total payment becomes the employer's required contribution, and accordingly, its pension cost for the period.

The following provisions are applicable to RUS borrowers participating in a multiemployer pension plan:

1. An electric utility participating in a multiemployer plan may defer current period pension expenses if the provisions of Statement of Financial Accounting Standards No. 71 (Statement No. 71), Accounting for the Effects of Certain Types of Regulation, are applied.

Under the provisions of Statement No. 71, pension costs may be deferred provided such costs are recovered through future rates.

2. An electric utility instituting an amendment to the NRECA Retirement and Security plan enters into a contractual agreement to pay the costs incurred (prior service pension costs) for the amendment. In such cases, the agreement is noncancelable and payable regardless of continued participation in the plan.

Since the utility is unconditionally committed to making these payments and such payments are not contingent upon the utility's continued participation in the plan, the recognition of that liability is appropriate. The costs associated with this liability shall be expensed, in their entirety, when the liability is recognized.

The accounting journal entries required to record the transactions associated with a multiemployer pension plan are as follows:

Sample 1—Current Pension Expense

The journal entry required to record the normal costs associated with the NRECA Retirement and Security Program is as follows:

Dr. Various Operations, Maintenance, and Administrative Expense Accounts
Dr. 107, Construction Work-in-Progress
Dr. 108.8, Retirement Work-in-Progress
Cr. 131.1, Cash—General

To record the payment of pension costs to NRECA.

NOTE: This entry shall not be recorded during the moratorium.

Sample 2—Prior Service Pension Expense

The journal entries required to record the prior service costs associated with the NRECA Retirement and Security Program are as follows:

1. If the RUS borrower elects to pay the prior service pension costs in full, and there is no deferral of costs under the provision of Statement No. 71, the following entry shall be recorded:

Dr. Various Operations, Maintenance, and Administrative Expense Accounts
Dr. 107, Construction Work-in-Progress
Dr. 108.8, Retirement Work-in-Progress
Cr. 131.1, Cash—General
To record the payment of prior service pension costs to NRECA.

2. If the RUS borrower elects to finance prior service pension costs over a period of years and there is no deferral of costs under the provisions of Statement No. 71, the following entries shall be recorded:

Dr. Various Operations, Maintenance, and Administrative Expense Accounts
Dr. 107, Construction Work-in-Progress
Dr. 108.8, Retirement Work-in-Progress
Cr. 224, Other Long-Term Debt
To record the liability to NRECA for prior service pension costs.

Dr. 224, Other Long-Term Debt
Dr. 427, Interest on Long-Term Debt
Cr. 131.1, Cash—General
To record the annual payment to NRECA for prior service pension costs.

3. If the RUS borrower elects to finance prior service pension costs over a period of years and such costs are being deferred and amortized in accordance with the provisions of Statement No. 71, the following entries shall be recorded:

Dr. 182.3, Other Regulatory Assets
Cr. 224, Other Long-Term Debt
To record the liability to NRECA for prior service pension costs.

Dr. Various Operations, Maintenance, and Administrative Expense Accounts
Dr. 107, Construction Work-in-Progress
Dr. 108.8, Retirement Work-in-Progress
Cr. 182.3, Other Regulatory Assets
To record the amortization of deferred prior service pension costs.

Dr. 224, Other Long-Term Debt
Dr. 427, Interest on Long-Term Debt
Cr. 131.1, Cash—General
To record the annual payment to NRECA for prior service pension costs.

4. If the RUS borrower elects to pay the prior service pension costs in full and such costs are being deferred and amortized in accordance with the provisions of Statement No. 71, the following entries shall be recorded:

Dr. 182.3, Other Regulatory Assets
Cr. 131.1, Cash—General
To record the payment to NRECA for prior service pension costs.

Dr. Various Operations, Maintenance, and Administrative Expense Accounts
Dr. 107, Construction Work-in-Progress
Dr. 108.8, Retirement Work-in-Progress
Cr. 182.3, Other Regulatory Assets
To record the amortization of deferred prior service pension costs.

It should be noted that although the above entries relate specifically to the NRECA Retirement and Security Program, they are applicable to all multiemployer pension plans.

An employer that participates in one or more multiemployer plans shall disclose the following separately from disclosures for a single-employer plan:

1. A description of the multiemployer plan(s) including the employee groups covered, the type of benefits provided (defined benefit or defined contribution), and the nature and effect of significant matters affecting comparability of information for all periods presented.

2. The amount of cost recognized during the period.

Multiple-Employer Plans

A multiple-employer plan is, in substance, aggregations of single-employer plans combined to pool their assets for investment purposes to reduce the cost of plan administration. Under a multiple-employer plan, assets are segregated and specifically identified to an employer. In addition, such plans

may have features that allow participating employers to have different benefit formulas. Such plans shall be considered single-employer plans for financial accounting purposes and each employer's accounting shall be based upon its respective interest in the plan.

607 Unproductive Time

Lost time relating to construction, operations and maintenance shall be allocated on the basis of direct payroll costs to the appropriate construction, operations or maintenance accounts in the month incurred. Lost time is defined as time on duty during which productive work is not performed due to inclement weather conditions, material shortages, machine repairs, or other reasons.

If lost time attributable to construction has a material effect on the construction accounts in any one month, these costs shall be deferred and distributed over a reasonable period of time by means of a predetermined percentage based upon direct labor.

608 Training Costs, Attendance at Meetings, Etc.

Utilities engage in many types of training programs. Seminars are conducted for directors, managers, office managers, attorneys, engineers, and others. Bookkeepers and office managers attend accountants' meetings. Safety engineers attend safety schools and subsequently conduct regular safety meetings at the cooperative. Costs incurred for the various types of training activities shall be accounted for as follows:

1. Managers' and directors' expenses to attend the NRECA national and state conventions shall be charged to Account 930.2, Miscellaneous General Expenses.

2. Management or engineering seminar fees, salary time attending such seminars including the associated pensions and benefits expense and payroll taxes, and the related per diem and expenses shall be charged to the functional expense accounts. Salaries paid to employees shall also be charged to the appropriate functional expense account. Fees and expenses for directors' attendance shall be charged to Account 930.2, Miscellaneous General Expenses.

3. When the office manager, bookkeeper, or work order clerk attends a state or regional accounting meeting, their salary time and the associated employee pensions and benefits and social security and other payroll taxes shall be charged to the account to which the employees' time is ordinarily charged.

4. Employees' salary time employee and the associated pensions and benefits and social security and other payroll taxes spent attending regular safety meetings conducted by the cooperative shall be charged to the account to which the employees' time is ordinarily charged.

5. A safety engineer's salary time and the associated employee pensions and benefits and social security and other payroll taxes spent attending a statewide safety school shall be charged to Account 925, Injuries and Damages.

6. The salary time and the associated employee pensions and benefits and social security and other payroll taxes spent by a manager or line foreman conducting weekly safely meetings shall be charged to the appropriate functional expense accounts including Account 590, Maintenance, Supervision and Engineering, and Account 920, Administrative and General Services.

609 Maintenance and Operations

''Operations'' is the general term used to describe activities involved in the delivery of electric service, by means of a distribution system, to the end user. It pertains to the use of the utility's electric plant facilities and does not include activities intended to prevent or remedy an impending or actual breakdown of those facilities. These activities are classified as maintenance.

''Maintenance'' is the general term used to describe the activities involved in the upkeep and repair, but not the enlargement or improvement, of property owned or leased and operated by the company. It does not include the replacement of retirement units.

610 Financial Forecast

Costs incurred and salaries paid to perform a 10-year financial forecast

shall be charged to Account 920, Administrative and General Salaries. Related office supplies and expenses shall be charged to Account 921, Office Supplies and Expenses. When a forecast is performed by an outside consultant, the cost shall be charged to Account 923, Outside Services Employed.

611 Advertising Expense

The cost of advertising and the cost of informing the public about the electric cooperative's activities shall be charged to Account 930.2, Miscellaneous General Expenses.

Most of a cooperative's advertising is instructional in nature and relates the cooperative's history and current activities. This type of advertising activity should not be confused with that directed towards the enactment of a specific law or laws directed toward obtaining a specific decision from a regulatory body. Political advertising of the type defined above shall be charged to Account 426.4, Expenditures for Certain Civic, Political, and Related Activities.

612 Special Power Cost Study

A special power cost study is defined as a study to determine whether sufficient power will be available in the future. If additional power or power sources are needed, the study determines whether generation or purchase will supply the lesser cost. The study also indicates when additional power will be needed. As costs are incurred, they shall be charged to a subaccount of Account 186, Miscellaneous Deferred Debits. Upon completion of the study, the costs shall be charged to Account 557, Other Expenses, or amortized to Account 557 over a period of time not to exceed 5 years.

613 Mapping Costs

The purpose of posting completed work orders to system maps is to improve the operation of the system. These costs shall, therefore, be charged to Account 588, Miscellaneous Distribution Expenses. However, the cost of system mapping in the planning stage of construction is an acceptable overhead cost of the resulting construction.

614 Member Relations Costs

Many electric cooperatives hire employees whose duties concern a mixture of power use and member relations activities. The salaries for these employees shall be charged to Account 930.2, Miscellaneous General Expenses, except as provided below:

1. Account 912, Demonstrating and Selling Expenses, shall be charged with all labor, material, advertising, and other expenses incurred in promotional, demonstrating, and selling activities; the objective of which is to promote or retain the use of utility services by present or prospective customers.

2. Account 930.1, General Advertising Expenses, shall be charged with labor, material, and other expenses incurred in advertising and related activities, the cost of which by their content and purpose, are not provided for elsewhere.

3. Account 416, Costs and Expenses of Merchandising, Jobbing, and Contract Work, shall be charged with all costs specifically related to merchandising activities when the utility is engaged in a major merchandising program.

4. Account 426.4, Expenditures for Certain Civic, Political, and Related Activities, shall be charged with expenditures for the purpose of influencing public opinion with respect to the election or appointment of public officials, referenda, legislation, or ordinances (either with respect to the possible adoption of new referenda, legislation or ordinances or repeal or modification of existing referenda, legislation or ordinances); or approval, modification, or revocation of franchises; or for the purpose of influencing the decisions of public officials. Account 426.4 shall not include expenditures which are directly related to appearances before regulatory or other governmental bodies in connection with the borrower's existing or proposed operations.

615 Statewide Fees

Additional fees collected by a statewide association from its members for construction of a statewide building shall be charged to Account 930.2, Miscellaneous General Expenses. Any

amounts that are to be repaid by the state association shall be charged to Account 143, Other Accounts Receivable, or Account 123.23, Other Investments in Associated Organizations, depending upon the terms of the repayment.

616 Power Supply/Distribution Cooperative Borrowings

When a power supply cooperative borrows money from a distribution cooperative as the result of a long-term loan agreement, the money shall be recorded on the books of the power supply cooperative as general funds unless restricted to a specific purpose. If restricted, the funds shall be recorded in Account 128, Other Special Funds. The resulting liability shall be recorded in Account 224, Other Long-Term Debt.

The transaction shall be charged to Account 123.23, Other Investments in Associated Organizations, on the books of the distribution cooperative.

617 Rate Discount Allowed by the Power Cooperative to Distribution Cooperatives Owning Connecting Transmission Lines

A distribution cooperative purchases power from a power cooperative. The distribution cooperative owns and operates the transmission line between the power cooperative's facilities and the distribution facilities. Because of this, power is sold at the standard rate at which the power cooperative sells to other distribution cooperatives who do not own their transmission lines, less a discount. The discount or reduction in rate is based upon the distribution cooperative's expense in operating and maintaining its transmission facilities. The contract between the power cooperative and the distribution cooperative must specifically state that the member shall receive a reduced rate or discount from the seller's rate to other member cooperatives.

Under this type of arrangement, the distribution cooperative shall record the cost of purchased power by charging the net amount to Account 555, Purchased Power.

618 Theft Losses not Covered by Insurance

Utilities may suffer losses as a result of thefts of cash, materials and supplies, equipment, or electric plant-in-service that is not covered by insurance. The charges for nominal uninsured losses shall be recorded in the following accounts:

1. Cash—Account 924, Property Insurance, shall be charged.

2. Plant materials and operating supplies—Account 163, Stores Expense Undistributed, shall be charged.

3. Equipment—Account 163, Stores Expense Undistributed, shall be charged for stores equipment; and Account 184, Transportation Expense—Clearing, for transportation and garage equipment. The appropriate miscellaneous operations or administrative expense account (Account 506, 524, 539, 549, 566, 588, 905, 910, 916, or 930.2, as appropriate) shall be charged for all other equipment.

4. Electric Plant-in-Service—A retirement work order shall be prepared for electric plant constituting a unit of property. The loss due to retirement shall be charged to Account 108.6, Accumulated Provision for Depreciation of Distribution Plant. If the plant does not constitute a retirement unit, the loss shall be charged to the appropriate maintenance expense account.

619 Self Billing

To maintain the books of accounts on an accrual basis, bills for customers who self bill and have not sent in a reading or remittance, shall be estimated. A journal entry shall be made to record the estimated revenue and kWh sold by debiting accounts receivable and crediting the appropriate revenue accounts. The estimated bill shall be posted to the customer's account and identified by an appropriate symbol indicating that it is an estimate. Reconciliation with the general ledger control is made in the usual manner.

620 Purchase Rebates

Some vendors from which electric cooperatives purchase plant materials and supplies and merchandise for resale are making purchase rebates based upon the quantity or dollar volume of

purchases. These ''quantity discounts'' may be in the form of cash or credit memoranda, in the form of prepaid package travel arrangements, or a combination of such methods. The rebate shall be accounted for as a reduction in the cost of the material or appliances upon which it was based.

In some instances, the rebate may be for material or appliances that are no longer in stock or cannot be identified. If the rebate is based upon the purchase of plant materials and operating supplies that are normally charged to Account 154, Plant Materials and Operating Supplies, a credit shall be made to Account 163, Stores Expense Undistributed. If the rebate is based upon appliances and equipment held for merchandising or contract work, the credit shall be spread over the items in Account 155, Merchandise. To avoid materially distorting the cost of the remaining appliances, if a portion of the items upon which the rebate was based are no longer in stock, a portion of the credit shall be prorated to Account 416, Cost and Expenses of Merchandising, Jobbing, and Contract Work, on the basis of the number of items sold to the quantity remaining in stock.

If the rebate is in the form of a travel package or travel arrangements, the value of the rebate shall be estimated and recorded as a reduction of the cost of the material or appliances upon which it was based in a manner similar to that of the cash rebates discussed above. The beneficiary of the travel or travel allowance shall be designated by or in accordance with policy established by the board of directors. The contra charge to the reduction in cost shall be to an appropriate account depending upon the relationship of the recipient to the cooperative. For employees, this shall be Account 926, Employee Pensions and Benefits; for directors or patrons, Account 930.2, Miscellaneous General Expenses.

621 Integrity Fund

The CFC Integrity Fund was established to assist borrowers in their attempts to stop takeover bids by investor-owned utilities. A borrower makes a contribution to the Integrity Fund in the form of cash or patronage capital refunds. CFC retains the contribution for a 5-year period during which time the borrower earns interest on the balance in its account. Each year, the borrower receives a statement indicating (both for the total fund and the individual borrower's share) the amount contributed, interest earned, disbursements made, and the ending balance. The disbursements from the fund are allocated to each contributing borrower's account based upon their individual account balances. At the end of the 5-year period, the balance in the account, if any, is refunded to the contributing borrower.

Since the contributing borrower will receive a refund only if its funds are not totally disbursed, the contribution shall be charged to expense in Account 426.1, Donations. If any part of the contribution is returned at the end of the 5-year period, the refund shall be credited to Account 421, Miscellaneous Nonoperating Income.

622 In-Substance Defeasance

An in-substance defeasance has been defined as the process whereby a debtor irrevocably places cash or other assets in a trust to be used solely for the purpose of satisfying scheduled payments of both principal and interest related to a specific debt obligation. Under the structural arrangements of an in-substance defeasance, the probability that the debtor will be required to make additional future debt payments is remote. In these specific circumstances, debt has been determined to be extinguished even though the debtor has not been legally released from his obligations under the debt instrument.

The trust established in a defeasance transaction is restricted as to the nature of the assets held. The trust must be funded with monetary assets that are essentially risk free as to the amount, timing, and collection of interest and principal. For debt denominated in United States dollars, ''risk free'' assets are limited to:

1. Direct obligations of the United States government;

2. Obligations guaranteed by the United States government; and

3. Securities that are backed by United States government obligations as collateral under an arrangement by

which the interest and principal payments on the collateral, flow immediately through to the holder of the security.

The monetary assets of the trust must provide cash flows sufficient to coincide with the scheduled interest and principal payments on the defeased debt. If the trust is expected to pay the costs associated with the defeasance, such as trustee fees, these costs must be considered in determining the amount of funds required by the trust.

The principles of in-substance defeasance apply only to debt with specific maturities and fixed payment schedules and, as such, do not apply to debt with variable terms in which advance determination of debt service requirements is not possible.

Generally accepted accounting principles (GAAP) address the extinguishment of debt in Accounting Principles Board Opinion No. 26, and Statement of Financial Accounting Standard No. 76, Extinguishment of Debt. In accordance with these two statements, debt which has been defeased remains recorded in the regulated books of account as do the assets placed in the irrevocable trust. They are not, however, recognized as an asset and liability for financial reporting purposes. The transaction, including the total amount of debt outstanding and the total amount of debt that is considered extinguished at the end of the period, must be disclosed in the footnotes to the financial statements as long as the debt remains outstanding.

Debt is frequently extinguished before its scheduled maturity. Debt may be extinguished by the use of the borrower's general funds, or by the reacquisition of another debt issue at a different interest rate or varying terms. As these assets are expected to be revenue producing during those years, both the assets and the revenue they generate may be utilized to meet maturing debt payments. Therefore, in most instances, the dollar value of the assets initially placed in the trust do not equal the dollar value of the outstanding principal balance. The difference represents an ''economic '' gain or loss to the borrower.

To provide consistency in reporting among all RUS borrowers, any gain or loss that is recognized for financial statement purposes should be reported in accordance with the provisions of General Instruction No. 17 of this part. Therefore, the gain or loss should be amortized (for reporting purposes) in equal monthly amounts over the remaining life of the original debt issue or the remaining life of the new issue. The gain or loss may be reported in the current period only in those instances in which it is immaterial to the financial statements.

The RUS Form 7, Financial and Statistical Report, and the RUS Form 12, Operating Report—Financial, must, however, reflect the actual amounts recorded in the books and records of the borrower.

623 Satellite or Cable Television Services

Many electric borrowers have become involved in either providing satellite or cable television services or obtaining satellite or cable television services for their own use. This section outlines the accounting to be followed when recording transactions involving satellite or cable television services.

1. *Separate Subsidiary*

If a borrower provides satellite or cable television services through a separate subsidiary, the investment in the subsidiary shall be recorded in Account 123.11, Investment in Subsidiary Companies. The net income or loss of the subsidiary shall be debited or credited to Account 123.11, as appropriate, with an offsetting entry to Account 418.1, Equity in Earnings of Subsidiary Companies.

2. *Segment of Current Operations*

If a borrower provides satellite or cable television services as part of its normal operations, the investment in satellite or cable television equipment shall be recorded in Account 121, Nonutility Property. All income associated with these services shall be recorded in Account 417, Revenues from Nonutility Operations, and the associated expenses shall be charged to Account 417.1, Expenses of Nonutility Operations.

3. *Sale and Installation of Satellite or Cable Television Equipment*

If a borrower sells or installs satellite or cable television equipment, the equipment purchased for resale shall be recorded in Account 156, Other Materials and Supplies, until sold. The revenues generated from such sales or installations shall be recorded in Account 415, Revenues from Merchandising, Jobbing, and Contract Work, and the associated expenses shall be charged to Account 416, Costs and Expenses of Merchandising, Jobbing, and Contract Work.

4. *Equipment Purchased for Own Use*

If a borrower purchases satellite or cable television equipment for its own use, the investment in the equipment shall be recorded in Account 397, Communication Equipment.

624 Pollution Control Bonds

The construction and installation of pollution control facilities are often financed by issuing tax exempt municipal securities. The funds generated from the sale of these securities are deposited into an account that is controlled by a designated trustee. The funds under the control of the trustee are usually invested, earning interest, until they are needed.

Interest expense accrued on the pollution control bonds during the construction period shall be capitalized in Account 107, Construction Work-in-Progress. After construction is complete, all subsequent accruals of interest expense shall be charged to Account 427, Interest on Long-Term Debt.

Interest income earned during the construction period shall be recorded as a debit to Account 171, Interest and Dividends Receivable, and a credit to Account 107, Construction Work-in-Progress. Upon notification of receipt of the interest in the trustee account, Account 221.XX, Long-Term Debt—Pollution Control Bonds, shall be debited and Account 171, Interest and Dividends Receivable shall be credited. Upon completion of construction, Account 419, Interest and Dividend Income, shall be credited for the amount of interest income earned during the period.

The entries required to account for the transactions associated with the issuance of pollution control bonds are as follows:

Dr. 221.XX, Long-Term Debt—Pollution Control Bonds—Trustee
  Cr. Account 221.X1, Long-Term Debt—Pollution Control Bonds
To record the sale of pollution control bonds.

Dr. 107, Construction Work-in-Progress
  Cr. 232, Accounts Payable
To record costs incurred in construction of pollution control facilities.

Dr. 131.1, Cash—General Funds
  Cr. 221.XX, Long-Term Debt—Pollution Control Bonds—Trustee
To record the transfer of funds from the trustee.

Dr. 107, Construction Work-in-Progress
  Cr. 221.XX, Long-Term Debt—Pollution Control Bonds—Trustee
To record interest expense on pollution control bonds.

Dr. 171, Interest and Dividends Receivable
  Cr. 107, Construction Work-in-Progress
To record earnings from investments made by the trustee.

Dr. 221.XX, Long-Term Debt—Pollution Control Bonds—Trustee
  Cr. 171, Interest and Dividends Receivable
To record receipt of interest income by the trustee account.

Dr. XXX, Various Plant Accounts
  Cr. 107, Construction Work-in-Progress
To close completed construction to the primary plant accounts.

625 Prepayment of Debt

Many RUS borrowers have decided to redeem (prepay) their issues of long-term debt. As a result of this redemption, the borrower may incur a gain (discount) or a loss (penalty) on the early extinguishment of debt. The accounting for this gain or loss is highlighted in this section.

If debt is redeemed without refunding (paid with general funds), the gain or loss incurred shall be recorded in Account 189, Unamortized Loss on Reacquired Debt, or Account 257, Unamortized Gain on Reacquired Debt, as appropriate. The borrower shall amortize the recorded deferral on a monthly basis over the remaining life

of the old debt issue. Amounts so amortized shall be charged to Account 428.1, Amortization of Loss on Reacquired Debt, or credited to Account 429.1, Amortization of Gain on Reacquired Debt—Credit, as appropriate.

If the debt is redeemed with refunding (refinanced), the gain or loss incurred shall be recorded in Account 189 or Account 257, as appropriate. The borrower may elect to account for the deferrals as follows:

1. Write them off immediately when the amounts are insignificant;
2. Amortize them by equal monthly amounts over the remaining life of the old debt issue; or
3. Amortize them by equal monthly amounts over the life of the new debt issue.

Once an election has been made, it shall be applied on a consistent basis. Regardless of the option selected, the amortization shall be charged to either Account 428.1 or 429.1, as appropriate.

Where a regulatory authority having jurisdiction over the borrower specifically disallows the rate principle of amortizing gains or losses on the redemption of long-term debt without refunding, and does not apply the gain or loss to interest charges in computing the borrower's rates, the alternative method may be used to account for gains or losses relating to the redemption of long-term debt with or without refunding. The alternative method requires that gains or losses be recorded in Account 421, Miscellaneous Nonoperating Income, or Account 426.5, Other Deductions, as incurred. When the alternative method is used, the borrower shall include a footnote to the financial statements stating the reason for using this method and its treatment for rate making purposes.

626 Rural Economic Development Loan and Grant Program

On December 21, 1987, Section 313, Cushion of Credits Payments Program, was added to the Rural Electrification Act. Section 313 establishes a Rural Economic Development Subaccount and authorizes the Administrator of the Rural Utilities Service to provide zero interest loans or grants to RE Act borrowers for the purpose of promoting rural economic development and job creation projects.

Subpart B, Rural Economic Development Loan and Grant Program, 7 CFR Part 1703, sets forth the policies and procedures relating to the zero interest loan program and for approving and administering grants.

The accounting journal entries required to record the transactions associated with a rural economic development loan are as follows:

Dr. 224.17, RUS Notes Executed—Economic Development—Debit
  Cr. 224.16, Long-Term Debt—RUS Economic Development Notes Executed

To record the contractual obligation to RUS for the Economic Development Notes.

Dr. 131.12, Cash—General—Economic Development Funds
  Cr. 224.17, RUS Notes Executed—Economic Development—Debit

To record the receipt of the economic development loan funds.

Dr. 123, Investment in Associated Organizations or
Dr. 124, Other Investments
  Cr. 131.12, Cash—General—Economic Development Funds

To record the disbursement of Economic development loan funds to the project.

Dr. 131.1, Cash—General Funds
  Cr. 421, Miscellaneous Nonoperating Income

To record payment received from the project for loan servicing charges.

Dr. 171, Interest and Dividends Receivable
  Cr. 419, Interest and Dividend Income

To record the interest earned on the investment of rural economic development loan funds.

Dr. 426.1, Donations or
Dr. 426.5, Other Deductions
  Cr. 131.1, Cash—General Funds

To record the payment of interest earned in excess of $500.00 on the investment of rural economic development loan funds.

NOTE: Interest earned in excess of $500.00 must be used for the rural economic development project for which the loan funds were received or returned to RUS.

Dr. 131.12, Cash—General—Economic Development Funds
Cr. 123, Investment in Associated Organizations or
Cr. 124, Other Investments

To record receipt of the repayment, by the project, of economic development loan funds.

Dr. 224.16, Long-Term Debt—RUS Economic Development Notes Executed
Cr. 131.12, Cash—General—Economic Development Funds

To record the repayment, to RUS, of the economic development loan funds.

The accounting journal entries required to record the transactions associated with a rural economic development grant are as follows:

Dr. 131.13, Cash—General—Economic Development Grant Funds
Cr. 224.18, Other Long-Term Debt—Grant Funds;
Cr. 208, Donated Capital; or
Cr. 421, Miscellaneous Nonoperating Income

To record grant funds disbursed by RUS. If the grant agreement requires repayment of the funds upon termination of the revolving loan program, Account 224.18 should be credited. If the grant agreement states that there is absolutely no obligation for repayment upon termination of the revolving loan program, the funds should be accounted for as a permanent infusion of capital by crediting Account 208. If, however, the grant agreement is silent as to the final disposition of the grant funds, Account 421 should be credited.

Dr. 123.3, Investment in Associated Organizations—Federal Economic Development Loans
Cr. 131.13, Cash—General—Economic Development Grant Funds

To record advances of Federal funds to associated organizations for authorized rural economic development projects.

Dr. 124.1, Other Investments—Federal Economic Development Loans
Cr. 131.13, Cash—General—Economic Development Grant Funds

To record advances of Federal funds to nonassociated organizations for authorized rural economic development projects.

Dr. 171, Interest and Dividends Receivable
Cr. 419, Interest and Dividend Income

To record the accrual of interest on loans made to associated and nonassociated organizations with Federal funds for authorized rural economic development projects.

Dr. 131.14, Cash—General—Economic Development Non-Federal Revolving Funds
Cr. 123.3, Investment in Associated Organizations—Federal Economic Development Loans or
Cr. 124.1, Other Investments—Federal Economic Development Loans

To record repayment of loans made with Federal funds.

Dr. 123.4, Investment in Associated Organizations—Non-Federal Economic Development Loans
Cr. 131.14, Cash—General—Economic Development Non-Federal Revolving Funds

To record advances of non-Federal funds to associated organizations for authorized rural economic development projects.

Dr. 124.2, Other Investments—Non-Federal Economic Development Loans
Cr. 131.14, Cash—General—Economic Development Non-Federal Revolving Funds

To record advances of non-Federal funds to nonassociated organizations for authorized rural economic development projects.

Dr. 171, Interest and Dividends Receivable
Cr. 419, Interest and Dividend Income

To record the accrual of interest on loans made to associated and nonassociated organizations with non-Federal funds for authorized rural economic development projects.

Dr. 131.14, Cash—General—Economic Development Non-Federal Revolving Funds
Cr. 123.4, Investment in Associated Organizations—Non-Federal Economic Development Loans or
Cr. 124.2, Other Investments—Non-Federal Economic Development Loans

To record repayment of loans made with non-Federal funds.

627 Postretirement Benefits

Statement of Financial Accounting Standards No. 106, Employers' Accounting for Postretirement Benefits Other than Pensions (Statement No. 106), requires reporting entities to accrue the expected cost of postretirement benefits during the years the employee provides service to the entity. For purposes of applying the provisions of Statement No. 106, members of the board of directors are considered to be employees of the cooperative. Prior to the issuance of Statement No. 106, most reporting entities accounted for postretirement benefit costs on a ''pay-as-you-go'' basis; that is, costs were recognized when paid, not when the employee provided service to the entity in exchange for the benefits.

As defined in Statement No. 106, a postretirement benefit plan is a deferred compensation arrangement in which an employer promises to exchange future benefits for an employee's current services. Postretirement benefit plans may be funded or unfunded. Postretirement benefits include, but are not limited to, health care, life insurance, tuition assistance, day care, legal services, and housing subsidies provided outside of a pension plan.

This statement applies to both written plans and to plans whose existence is implied from a practice of paying postretirement benefits. An employer's practice of providing postretirement benefits to selected employees under individual contracts with specified terms determined on an employee-by-employee basis does not, however, constitute a postretirement benefit plan under the provisions of this statement.

Postretirement benefit plans generally fall into three categories: single-employer defined benefit plans, multi-employer plans, and multiple-employer plans.

The accounting requirements set forth in this interpretation focus on single-and multiple-employer plans. The accounting requirements set forth in Statement No. 106 for multiemployer plans or defined contribution plans shall be adopted for borrowers electing those types of plans.

Under the provisions of Statement No. 106, there are two components of the postretirement benefit cost: the current period cost and the transition obligation. The transition obligation is a one-time accrual of the costs resulting from services already provided. Statement No. 106 allows the transition obligation to be deferred and amortized on a straight-line basis over the average remaining service period of the active employees. If the average remaining service life of the employees is less than 20 years, a 20-year amortization period may be used.

Accounting Requirements

All RUS borrowers must adopt the accrual accounting provisions and reporting requirements set forth in Statement No. 106. The transition obligation and accrual of the current period cost must be based upon an actuarial study. This study must be updated to allow the borrower to comply with the measurement date requirements of Statement No. 106; however, the study must, at a minimum, be updated every five years. RUS will not allow electric borrowers to account for postretirement benefits on a ''pay-as-you-go'' basis.

The deferral and amortization of the transition obligation does not require RUS approval provided that it complies with the provisions of Statement No. 106. If, however, a borrower elects to expense the transition obligation in the current period and subsequently defer this expense in accordance with Statement of Financial Accounting Standards No. 71, Accounting for the Effects of Certain Types of Regulation, the deferral must be approved by RUS. In those states in which the commission will not allow the recovery of the transition obligation through future rates, the transition obligation must be expensed, in its entirety, in the year in which Statement No. 106 is adopted. A portion of the transition obligation may be charged to construction and retirement activities provided such charges are properly supported.

Effective Date and Implementation

For plans outside the United States and for defined benefit plans of employers that (a) are nonpublic enterprises and (b) sponsor defined benefit postretirement plans with no more than 500

plan participants in the aggregate, Statement No. 106 is effective for fiscal years beginning after December 15, 1994. For all other plans, Statement No. 106 is effective for fiscal years beginning after December 15, 1992.

RUS borrowers must comply with the implementation dates set forth in Statement No. 106. At the time of the adoption of Statement No. 106, rates must be in place sufficient to recover the current period expense and any amortization of the transition obligation. A copy of a board resolution or commission order, as appropriate, indicating that the transition obligation and current period expense have been included in the borrower's rates must be submitted to RUS.

Accounting Journal Entries—Transition Obligation

The journal entries required to record the transition obligation are as follows:

1. If the borrower elects to expense the transition obligation in the current period and there is no deferral of costs, the following entry shall be recorded:

Dr. 435.1, Cumulative Effect on Prior Years of a Change in Accounting Principle

or

Dr. 926, Employee Pensions and Benefits
Dr. 107, Construction Work-in-Progress
Dr. 108.8, Retirement Work-in-Progress
Cr. 228.3, Accumulated Provision for Pensions and Benefits
To record the current period recognition of the transition obligation for postretirement benefits. Note: A portion of the transition obligation may be charged to construction and retirement activities provided such charges are properly supported.

2. If the borrower elects to defer and amortize the transition obligation in accordance with the provisions of Statement No. 71, the following entry shall be recorded:

Dr. 182.3, Other Regulatory Assets
Cr. 228.3, Accumulated Provision for Pensions and Benefits
To record the deferral of the transition obligation under the provisions of Statement No. 71.

Dr. Various Operations, Maintenance, and Administrative Expense Accounts
Dr. 107, Construction Work-in-Progress
Dr. 108.8, Retirement Work-in-Progress
Cr. 182.3, Other Regulatory Assets
To record the amortization of postretirement benefits expenses as they are recovered through rates in accordance with Statement No. 71.

3. The deferral and amortization of the transition obligation under the provisions of Statement No. 106 is considered to be an off balance sheet item. If, therefore, the borrower elects to defer and amortize the transition obligation on a straight-line basis over the average remaining service period of the active employees or 20 years in accordance with Statement No. 106, no entry is required. Instead, the transition obligation is recognized as a component of postretirement benefit cost as it is amortized. It should be noted, however, that the amount of the unamortized transition obligation must be disclosed in the notes to the financial statements.

Accounting Journal Entries—Current Period Expense

The current period postretirement expense should be recorded by the following entry:

Dr. Various Operations, Maintenance, and Administrative Expense Accounts
Dr. 107, Construction Work-in-Progress
Dr. 108.8, Retirement Work-in-Progress
Cr. 228.3, Accumulated Provision for Pensions and Benefits
To record current period postretirement benefit expense.
Dr. 228.3X, Accumulated Provision for Pensions and Benefits—Funded
Cr. 131.1, Cash—General
To record cash payments on a ''pay-as-you-go'' basis for postretirement benefits.

Accounting Journal Entry—Funding

If a borrower elects to voluntarily fund its postretirement benefits obligation in an external, irrevocable trust, the following entry shall be recorded:

Dr. 228.3X, Accumulated Provision for Pensions and Benefits—Funded

Cr. 131.1, Cash—General
To record the funding of postretirement benefits expense into an external, irrevocable trust.

If a borrower elects to voluntarily fund its postretirement benefits obligation in an investment vehicle other than an external, irrevocable trust, the following entry shall be recorded:

Dr. 128, Other Special Funds
Cr. 131.1, Cash—General
To record the funding of postretirement benefits expense into an investment vehicle other than an external, irrevocable trust.

628 Postemployment Benefits

Statement of Financial Accounting Standards No. 112, Employers' Accounting for Postemployment Benefits (Statement No. 112) establishes the standards of financial accounting and reporting for employers who provide benefits to former or inactive employees after employment but before retirement. Inactive employees are those who are not currently rendering service to the employer but who have not been terminated, including employees who are on disability leave, regardless of whether they are expected to return to active service. For purposes of applying the provisions of Statement No. 112, former members of the board of directors are considered to be employees of the cooperative.

Postemployment benefits include benefits provided to former or inactive employees, their beneficiaries, and covered dependents. They include, but are not limited to, salary continuation, supplemental benefits (including workmen's compensation), health care, job training and counseling, and life insurance coverage. Benefits may be provided in cash or in kind and may be paid upon cessation of active employment or over a specified period of time.

The cost of providing postemployment benefits is considered to be a part of the compensation provided to an employee in exchange for current service and should, therefore, be accrued as the employee earns the right to be paid for future postemployment benefits. Applying the criteria set forth in Statement of Financial Accounting Standards No. 43, Accounting for Compensated Absences, a postemployment benefit obligation is accrued when all of the following conditions are met:

1. The employer's obligation for payment for future absences is attributable to employees' services already performed;

2. The obligation relates to employee rights that vest or accumulate. Vested rights are considered those rights for which the employer is obligated to make payment even if the employee terminates. Rights that accumulate are those earned, but unused rights to compensated absences that may be carried forward to one or more periods subsequent to the period in which they are earned;

3. Payment of the compensation is probable; and

4. The amount can be reasonably estimated.

If all of these conditions are not met, the employer must account for its postemployment benefit obligation in accordance with Statement of Financial Accounting Standards No. 5, Accounting for Contingencies (Statement No. 5) when it becomes probable that a liability has been incurred and the amount of that liability can be reasonably estimated.

If an obligation for postemployment benefits is not accrued in accordance with the provisions of Statement No. 5 or Statement No. 43 only because the amount cannot be reasonably estimated, the financial statements should disclose that fact.

Accounting Requirements

All RUS borrowers must adopt the accrual accounting provisions and reporting requirements set forth in Statement No. 112 as of the statement's implementation date. A portion of the cumulative effect may be charged to construction and retirement activities provided such charges are properly supported. If a borrower elects to defer the cumulative effect of implementing Statement No. 112 in accordance with the provisions of Statement of Financial Accounting Standards No. 71, Accounting for the Effects of Certain Types of Regulation, the deferral must be approved by RUS.

Effective Date and Implementation

Statement No. 112 is effective for fiscal years beginning after December 15, 1993. Previously issued financial statements should not be restated.

RUS borrowers must comply with the implementation date set forth in Statement No. 112. At the time of the adoption of Statement No. 112, rates must be in place sufficient to recover the current period expense.

Accounting Journal Entries

The journal entries required to account for postemployment benefits are as follows:

Dr. 435.1, Cumulative Effect on Prior Years of a Change in Accounting Principle
Dr. 107, Construction Work in Progress
Dr. 108.8, Retirement Work in Progress
Cr. 228.3, Accumulated Provision for Pensions and Benefits
To record the cumulative effect of implementing Statement No. 112.

NOTE: A portion of the cumulative effect may be charged to construction and retirement activities provided such charges are properly supported. Account 435.1 is closed to Account 219.2, Nonoperating Margins.

If the borrower elects to defer and amortize the cumulative effect in accordance with the provisions of Statement No. 71, the following entry shall be recorded:

Dr. 182.3, Other Regulatory Assets
Cr. 228.3, Accumulated Provision for Pensions and Benefits
To record the deferral of the cumulative effect of implementing Statement No. 112 in accordance with the provisions of Statement No. 71.

Dr. Various Operations, Maintenance, and Administrative Expense Accounts
Dr. 107, Construction Work in Progress
Dr. 108.8, Retirement Work in Progress
Cr. 182.3, Other Regulatory Assets
To record the amortization of the cumulative effect of implementing Statement No. 112 as it is recovered through rates in accordance with Statement No. 71.

Dr. Various Operations, Maintenance, and Administrative Expense Accounts
Dr. 107, Construction Work in Progress
Dr. 108.8, Retirement Work in Progress
Cr. 228.3, Accumulated Provision for Pensions and Benefits
To record current period postemployment benefit expense.

NOTE: If postemployment benefits are accrued under the criteria set forth in Statement No. 43, this journal entry is made on a monthly basis. If, however, the accrual is based upon the provisions of Statement No. 5, this is a one-time entry unless the liability is reevaluated and subsequently adjusted.

629 Investments in Debt and Equity Securities

Statement of Financial Accounting Standards No. 115, Accounting for Certain Investments in Debt and Equity Securities (Statement No. 115), establishes the standards of financial accounting and reporting for investments in debt securities and for investments in equity securities that have readily determinable fair values. Statement No. 115 does not apply to investments in equity securities accounted for under the equity method nor to investments in consolidated subsidiaries.

At the time of acquisition, an entity must classify debt and equity securities into one of three categories: held-to-maturity, available-for-sale, or trading. At the balance sheet date, the appropriateness of the classifications must be reassessed.

Investments in debt securities are classified as held-to-maturity and are measured at amortized cost in the balance sheet only if the reporting entity has the positive intent and ability to hold these securities to maturity. Debt securities are not classified as held-to-maturity if the entity has the intent to hold the security only for an indefinite period; for example, if the security would become available for sale in response to changes in market interest rates and related changes in the security's prepayment risk, needs for liquidity, changes in the availability of and the yield on alternative investments, changes in funding sources and terms, and changes in foreign currency risk.

Investments in debt securities that are not classified as held-to-maturity and equity securities that have readily determinable fair values are classified

as either trading securities or available-for-sale securities and are measured at fair value in the balance sheet. Trading securities are those securities that are bought and held principally for the purpose of selling them in the near future. Trading generally reflects active and frequent buying and selling and trading securities are generally used with the objective of generating profits on short-term differences in prices. Available-for-sale securities are those investments not classified as either trading securities or held-to-maturity securities.

Statement No. 115 requires unrealized holding gains and losses for trading securities to be included in earnings in the current period. Unrealized holding gains and losses for available-for-sale securities are excluded from earnings; however, they are reported as a net amount in a separate component of shareholders' equity until realized.

For individual securities classified as either available-for sale or held-to-maturity, an entity must determine whether a decline in the security's fair value below the amortized cost is other than temporary. If the decline in fair value is determined to be permanent, that is, it is probable that the entity will not be able to collect all amounts due under the contractual terms of the security, the realized loss is accounted for in earnings of the current period. The new cost basis is not adjusted upward for subsequent recoveries in the fair value. Subsequent increases in the fair value of available-for-sale securities are included in the separate component of equity. Subsequent decreases are also included in the separate component of equity.

All trading securities are reported as current assets in the balance sheet and individual held-to-maturity and available-for-sale securities are classified as either current or noncurrent, as appropriate. Cash flows from the purchase, sale, or maturity of available-for-sale securities and held-to-maturity securities are classified in the statement of cash flows as cash flows from investing activities and reported gross for each security classification.

Accounting Requirements

All RUS borrowers must adopt the accounting, reporting, and disclosure requirements set forth in Statement No. 115 as of the statement's implementation date. Unrealized holding gains or losses for trading securities shall be recorded in either Account 421, Miscellaneous Nonoperating Income, or Account 426.5, Other Deductions, as appropriate. Unrealized holding gains or losses for available-for-sale securities held by the corporate entity are recognized as a component of stockholder's equity in Account 215.1, Unrealized Gains and Losses—Debt and Equity Securities. A contra account of the investment account shall be debited or credited accordingly. Unrealized gains and losses for available-for-sale securities held in a decommissioning fund shall increase or decrease, as appropriate, the reported value of the fund.

Effective Date and Implementation

Statement No. 115 is effective for fiscal years beginning after December 15, 1993. At the beginning of the entity's fiscal year, the entity must classify its debt and equity securities on the basis of the entity's current intent. This statement may not be applied retroactively to prior years' financial statements. For fiscal years beginning prior to December 16, 1993, reporting entities are permitted to apply Statement No. 115 as of the end of a fiscal year for which annual financial statements have not previously been issued.

630 Split Dollar Life Insurance

The National Rural Electric Cooperative Association Split Dollar Life Insurance provides life insurance benefits to cooperative employees. The benefits provided under this policy consist of two components, the face value of the insurance policy and the accumulated cash surrender value. While the employee is the owner of the policy, the employee must sign a collateral assignment giving the cooperative absolute right to the cash surrender value of the policy. Under the terms of this collateral assignment, the employee must reimburse the cooperative for the premiums paid upon the employee's termination of employment or attainment of

the age of 62 if the employee wishes to maintain the insurance coverage. If death occurs prior to either of these events, the premiums paid to date by the cooperative are deducted from the death benefits payable to the policy beneficiary.

Accounting Requirements

Financial Accounting Standards Board Technical Bulletin 85–4, Accounting for Purchase of Life Insurance (Bulletin 85–4), states that the amount that could be realized under an insurance contract as of the date of the financial statements should be reported as an asset. The change in the cash surrender or contract value of that asset during the period should be reported as an adjustment to the premiums paid in determining the expense or income to be recognized for the period. The cooperative shall, therefore, record the cash surrender value of the policy as an asset because of its absolute right to receive that value based upon the employee's collateral assignment. Any receivable that may occur as a result of the employee reimbursement for the premiums paid is contingent upon the employee electing to maintain the insurance coverage after termination of employment or reaching the age of 62 and is not recorded as an asset on the cooperative's records.

Accounting Journal Entries

The journal entries required to account for the NRECA Split Dollar Life Insurance Program are as follows:

Dr. 124, Other Investments
Cr. Various Operations, Maintenance, and Administrative Expense Accounts
To record an increase in the cash surrender value of the insurance contract.

or

Dr. Various Operations, Maintenance, and Administrative Expense Accounts
Cr. 124, Other Investments
To record a decrease in the cash surrender value of the insurance contract.

Dr. Various Operations, Maintenance, and Administrative Expense Accounts
Dr. 107, Construction Work-in-Progress
Dr. 108.8, Retirement Work-in-Progress
Cr. 131.1, Cash—General
To record the premium cost of the insurance contract.

631 Special Early Retirement Plan

The Special Early Retirement Plan (SERP) being offered through the National Rural Electric Cooperative Association (NRECA) constitutes an amendment to its Retirement and Security (R&S) program. The SERP is often chosen as a vehicle through which the cooperative may reduce the size of its workforce or replace more highly paid employees with lower paid entry level employees. If an employee covered by an NRECA retirement plan chose to retire before his/her normal retirement date, that employee would receive an actuarially reduced benefit. However, when a cooperative elects to offer a SERP, no such reduction is required. The cooperative selects the criteria under which an employee will be eligible to participate such as age, years of service, or a combination of age and benefit service requirements. As with other amendments to the R&S program, NRECA calculates the cost of the plan based upon the criteria selected by the cooperative and allows the cooperative to pay the cost immediately or on an installment basis.

Under this plan, the employee receives full retirement benefits in the form of either an immediate lump-sum settlement or annuity payments. It is not unusual for the cooperative to add an incentive to encourage participation such as medical or life insurance, either in whole or in part, until age 65. The actuarial analysis provided by NRECA includes the cost of the SERP and the estimated reduction and/or increase in costs associated with Statement of Financial Accounting Standards No. 106, Employer's Accounting for Postretirement Benefits Other Than Pensions (Statement No. 106).

Statement of Financial Accounting Standards No. 87, Employer's Accounting for Pensions (Statement No. 87)

In accordance with the provisions of Statement No. 87, the costs associated with an amendment to a multiemployer plan are recognized when they become due and payable. Since NRECA calculates the amount due and payable at the time of the amendment, the entire amount due, whether paid immediately or financed through NRECA or any other institution, must be recognized as an expense at that time. This cost may, however, be deferred in accordance with the provisions of Statement of Financial Accounting Standards No. 71, Accounting for the Effects of Certain Types of Regulation (Statement No. 71).

Accounting Journal Entries

The journal entry required to record the additional pension costs associated with the SERP is as follows:

Dr. Various Operations, Maintenance, and Administrative Expense Accounts
Dr. 107, Construction Work-in-Progress
Dr. 108.8, Retirement Work-in-Progress
Cr. 131.1, Cash—General

or

Cr. 224, Other Long-Term Debt
To record the prior service pension costs incurred as a result of adopting the SERP.

If the borrower elects to defer and amortize the cost in accordance with Statement No. 71, the following entries shall be recorded:

Dr. 182.3, Other Regulatory Assets
Cr. 131.1, Cash—General

or

Cr. 224, Other Long-Term Debt
To record, under the provisions of Statement No. 71, the deferral of the prior service pension costs incurred as a result of adopting the SERP.

Dr. Various Operations, Maintenance, and Administrative Expense Accounts
Dr. 107, Construction Work-in-Progress
Dr. 108.8, Retirement Work-in-Progress
Cr. 182.3, Other Regulatory Assets
To record the amortization of deferred prior service pension costs as they are recovered through rates in accordance with Statement No. 71.

Statement No. 106

In the event that net reductions in postretirement benefits result from this plan amendment, the reductions are recognized as follows:

1. The amount of the reduction shall first reduce any existing unrecognized prior service cost;

2. Any remaining reductions shall next reduce any unrecognized transition obligation; and

3. Any remaining reduction shall be recognized in a manner consistent with the accounting for prior service postretirement benefit costs.

In accordance with Statement No. 106, prior service postretirement benefit costs are recognized in equal amounts in each remaining year of service for active plan participants. Because it is an off-balance sheet item, only a memorandum entry is required to reduce the amount of unrecognized prior service cost.

At adoption, Statement No. 106 permitted the recognition of the transition obligation in one of two ways. The transition obligation was recognized over the longer of the average remaining service period of current plan participants or 20 years, or it may have been recognized immediately. If the delayed recognition option was chosen under Statement No. 106, this, too, was an off-balance sheet item that requires only a memorandum entry to reduce the amount of unrecognized transition obligation. However, if the immediate recognition option was chosen, the cooperative either recorded the expense in that year or, with RUS approval, deferred the expense under the provisions of Statement No. 71. If the expense were recorded, in total, in the year of adoption, no unrecognized transition obligation remains to reduce. If, however, the transition obligation was deferred in accordance with Statement No. 71, the journal entry required to effect the reduction in Statement No. 106 expense is as follows:

Dr. 228.3, Accumulated Provision for Pensions and Benefits
Cr. 182.3, Other Regulatory Assets

To record a reduction in the deferred Statement No. 106 transition obligation resulting from the adoption of the SERP.

NOTE: The dollar value of this entry must not exceed the deferral shown on the balance sheet.

If, after the two previous reductions have been made, any net credit remains, it shall be recognized in a manner consistent with prior service costs; that is, as an off balance sheet item that is amortized over the remaining service lives (to full eligibility) of the active plan participants. The annual amortization reduces amounts normally charged to the various operations, maintenance, and administrative expense accounts and Account 228.3 as postretirement benefit expenses.

[58 FR 59825, Nov. 10, 1993, as amended at 59 FR 27436, May 27, 1994; 60 FR 55430, 55435–55438, Nov. 1, 1995; 62 FR 42319–42321, 42323, 42330, Aug. 6, 1997]

§§ 1767.42–1767.45 [Reserved]

Subpart C—Depreciation Rates and Procedures [Reserved]

§§ 1767.46–1767.65 [Reserved]

Subpart D—Preservation of Records [Reserved]

§§ 1767.66–1767.85 [Reserved]

PART 1770—ACCOUNTING REQUIREMENTS FOR RUS TELEPHONE BORROWERS

Subpart A—General Provisions

Sec.

1770.1—1770.9 [Reserved]

Subpart B—Uniform System of Accounts

1770.10 General.
1770.11 Accounting system requirements.
1770.12 Supplementary accounts.
1770.13 Accounting requirements.
1770.14 Continuing property records.
1770.15 Supplementary accounts required of all borrowers.
1770.16 Supplementary accounts required of nonprofit organizations.
1770.17—1770.25 [Reserved]

Subpart C—Accounting Interpretations

1770.26 General.
1770.27 Definitions.
1770.28–1770.45 [Reserved]

APPENDIX TO SUBPART C TO PART 1770—ACCOUNTING METHODS AND PROCEDURES REQUIRED OF ALL BORROWERS

AUTHORITY: 7 U.S.C. 901 *et seq.*; 7 U.S.C. 1921 *et seq.*; Pub. L. 103–354, 108 Stat. 3178 (7 U.S.C. 6941 *et seq.*).

SOURCE: 55 FR 3388, Feb. 1, 1990, unless otherwise noted.

Subpart A—General Provisions

§§ 1770.1—1770.9 [Reserved]

Subpart B—Uniform System of Accounts

§ 1770.10 General.

This subpart implements provisions of the standard RUS loan documents with respect to the accounting system accounts to be maintained by telecommunications borrowers of the Rural Utilities Service.

§ 1770.11 Accounting system requirements.

(a) Each RUS borrower subject to the jurisdiction of the Federal Communications Commission (FCC) or a State regulatory body shall maintain its accounts and records in accordance with the rules and regulations prescribed by that regulatory body.

(b) Each RUS borrower not subject to regulatory control as specified in § 1770.11(a) shall maintain its accounts and records in accordance with the FCC Uniform System of Accounts as set forth in part 32 of the Commission's Rules and Regulations.

(1) RUS borrowers having annual revenues derived from regulated telecommunications operations of $100,000,000 or more shall maintain the accounts prescribed in part 32 for Class A companies.

(2) RUS borrowers having annual revenues derived from regulated telecommunications operations of less than $100,000,000 shall maintain the accounts prescribed in part 32 for Class B companies.