

Subject	Release No.	Date	Fed. Reg. Vol. and Page
Commission's interpretation of risk-sharing test in pooling-of-interest accounting.	17712	Sept. 29, 1972	37 FR 20937.
Commission reaffirms proper accounting treatment to be followed by a lessee when the lessor is created as a conduit for debt financing.	17772	Nov. 17, 1972	37 FR 26516.
Amendment of previous interpretation (AS-130) of risk-sharing test in pooling-of-interest accounting.	17841	Jan. 5, 1973	38 FR 1734.
Commission's conclusion as to certain problems relating to the effect of treasury stock transactions or accounting for business combinations.	18067	Aug. 24, 1973	38 FR 24635.
Commission request for comments on Accounting Series Release No. 146 ...	18112	Oct. 5, 1973	38 FR 28819.
Statement by the Commission on disclosure of the impact of possible fuel shortages on the operations of issuers.	18225	Dec. 20, 1973	39 FR 1511.
Commission's statement of policy and interpretations	18067A	Apr. 12, 1974	39 FR 14588.
Commission's practices on reporting of natural gas reserve estimates	18640	June 14, 1974	39 FR 27556.
Commission's examples of unusual risks and uncertainties	18723	Dec. 23, 1974	40 FR 2678.
Commission's guidelines on Accounting Series Release No. 148	19039	June 13, 1975	40 FR 27441.
Commission's statement regarding disclosure of impact of Wage and Price Standards for 1979 on the operations of issuers.	20798	Nov. 29, 1978	43 FR 57596.
Investment bankers and banks in Rule 70	21967	Mar. 18, 1981	46 FR 18535.
Lease transactions under Economic Recovery Tax Act of 1981	22259	Nov. 4, 1981	46 FR 55510.
Statement of policy concerning application of Rule 50 under the Public Utility Holding Company Act of 1935.	22623	Sept. 2, 1982	47 FR 39810.
Public statements by corporate representatives	23199	Jan. 13, 1984	49 FR 2468.
Ownership reports and trading by officers, directors and principal security holders.	25303	Apr. 26, 1991	56 FR 19928.
Application of the Electronic Signatures in Global and National Commerce Act to Record Retention Requirements Pertaining to Issuers.	27419	June 14, 2001	66 FR 33176.

PART 256—UNIFORM SYSTEM OF ACCOUNTS FOR MUTUAL SERVICE COMPANIES AND SUBSIDIARY SERVICE COMPANIES, PUBLIC UTILITY HOLDING COMPANY ACT OF 1935

GENERAL INSTRUCTIONS

- Sec.
- 256.00-1 Preface.
- 256.01-1 Companies for which this system of accounts is prescribed.
- 256.01-2 Application to service companies doing business with nonassociate companies.
- 256.01-3 General structure of accounting system.
- 256.01-4 Construction or service contracts, and centralized procurement accounting.
- 256.01-5 Determination of service cost accounting.
- 256.01-6 Departmental classification required.
- 256.01-7 Records.
- 256.01-8 Definitions.
- 256.01-9 Unbilled items.
- 256.01-10 Billing procedures.
- 256.01-11 Methods of allocation.
- 256.01-12 Compensation for use of capital.
- 256.01-13 Submission of questions.

BALANCE SHEET ACCOUNTS: ASSETS AND OTHER DEBIT ACCOUNTS

1. SERVICE COMPANY PROPERTY

- 256.101 Service company property.

- 256.107 Construction work in progress.
- 256.108 Accumulated provision for depreciation and amortization of service company property.

2. INVESTMENTS

- 256.123 Investment in associate companies.
- 256.124 Other investments.

3. CURRENT AND ACCRUED ASSETS

- 256.131 Cash.
- 256.134 Special deposits.
- 256.135 Working funds.
- 256.136 Temporary cash investments.
- 256.141 Notes receivable.
- 256.143 Accounts receivable.
- 256.144 Accumulated provision for uncollectible accounts.
- 256.146 Accounts receivable from associate companies.
- 256.152 Fuel stock expenses undistributed.
- 256.154 Materials and supplies.
- 256.163 Stores expense undistributed.
- 256.165 Prepayments.
- 256.174 Miscellaneous current and accrued assets.

4. DEFERRED DEBITS

- 256.181 Unamortized debt expense.
- 256.184 Clearing accounts.
- 256.186 Miscellaneous deferred debits.
- 256.188 Research, development or demonstration expenditures.
- 256.190 Accumulated deferred income taxes.

Securities and Exchange Commission

§ 256.00-1

LIABILITIES AND OTHER CREDIT ACCOUNTS

5. PROPRIETARY CAPITAL

256.201 Common stock issued.
256.211 Miscellaneous paid-in capital.
256.215 Appropriated retained earnings.
256.216 Unappropriated retained earnings.

6. LONG-TERM DEBT

256.223 Advances from associate companies.
256.224 Other long-term debt.
256.225 Unamortized premium on long-term debt.
256.226 Unamortized discount on long-term debt-debit.

7. CURRENT AND ACCRUED LIABILITIES

256.231 Notes payable.
256.232 Accounts payable.
256.233 Notes payable to associate companies.
256.234 Accounts payable to associate companies.
256.236 Taxes accrued.
256.237 Interest accrued.
256.238 Dividends declared.
256.241 Tax collections payable.
256.242 Miscellaneous current and accrued liabilities.

8. DEFERRED CREDITS

256.253 Other deferred credits.
256.255 Accumulated deferred investment tax credits.

9. ACCUMULATED DEFERRED INCOME TAXES

256.282 Accumulated deferred income taxes.

SERVICE COMPANY PROPERTY ACCOUNTS

256.301 Organization.
256.303 Miscellaneous intangible plant.
256.304 Land and land rights.
256.305 Structures and improvements.
256.306 Leasehold improvements.
256.307 Equipment.
256.308 Office furniture and equipment.
256.309 Automobiles, other vehicles, and related garage equipment.
256.310 Aircraft and airport equipment.
256.311 Other service company property.

INCOME AND EXPENSE ACCOUNTS

1. INCOME

256.403 Depreciation and amortization expense.
256.408 Taxes other than income taxes.
256.409 Income taxes.
256.410 Provision for deferred income taxes.
256.411 Provision for deferred income taxes—credit.
256.411.5 Investment tax credit.
256.421 Miscellaneous income or loss.
256.426.1 Donations.
256.426.5 Other deductions.

256.427 Interest on long-term debt.
256.430 Interest on debt to associate companies.
256.431 Other interest expense.
256.457 Services rendered to associate companies.
256.457-1 Direct costs charged to associate companies.
256.457-2 Indirect costs charged to associate companies.
256.457-3 Compensation for use of capital—associate companies.
256.458 Services rendered to nonassociate companies.
256.458-1 Direct costs charged to nonassociate companies.
256.458-2 Indirect costs charged to nonassociate companies.
256.458-3 Compensation for use of capital—nonassociate companies.
256.458-4 Excess or deficiency on servicing nonassociate companies.

2. EXPENSE

256.920 Salaries and wages.
256.921 Office supplies and expenses.
256.922 Administrative expenses transferred—credit.
256.923 Outside services employed.
256.924 Property insurance.
256.925 Injuries and damages.
256.926 Employee pensions and benefits.
256.928 Regulatory commission expense.
256.930.1 General advertising expenses.
256.930.2 Miscellaneous general expenses.
256.931 Rents.
256.932 Maintenance of structures and equipment.

AUTHORITY: Secs. 13, 15, 20, 49 Stat. 825, 828, 833; 15 U.S.C. 79m, 79o, 79t.

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GENERAL INSTRUCTIONS

CROSS REFERENCES: For general rules and regulations, Public Utility Holding Company Act of 1935, see Part 250 of this chapter. For rule adopting this Uniform System of Accounts, see §250.93. For regulations under section 13 of the Act, see §§250.80 to 250.95.

NOTE: Cross references to accounts are made by citing the account number, e.g., account 201 instead of the corresponding section number (§256.201).

§ 256.00-1 Preface.

(a) The accompanying Uniform System of Accounts for Mutual Service and Subsidiary Service Companies represents a modernization of the accounting system for such companies to provide a detailed system of accounts

§256.01-1

17 CFR Ch. II (4-1-07 Edition)

which is tailored to present and expanded services, including data processing, modeling, rate analysis, system analysis, budgeting and other support services such as fuel management and analysis, being rendered by such companies. This Uniform System of Accounts is not applicable to gas or electric utility companies, or companies primarily engaged (1) in production of goods, including exploration and development of fuel resources, (2) in the provision of water, telephone, or similar services, the sale of which is normally subject to public rate regulation, (3) in provision of transportation, whether or not so regulated, or (4) in the ownership of property, including leased property and fuel reserves, for the use of associate companies.

(b) It has been the Commission's task to provide a system comprehensive enough to cover the traditional services and the present services being performed by such companies, yet elastic enough to permit adaptation to varying requirements; a system which, faithfully applied, will provide information essential in the administration of section 13 of the Public Utility Holding Company Act of 1935, will be workable and reasonably simple from an operating viewpoint, and free from unnecessary complexities or burdensome requirements which might render it incompatible with the interests of investors or consumers.

(c) This Uniform System of Accounts requires the service company to (1) design subaccounts and keep memorandum and time records to facilitate the preparation of reports and statements required by regulatory commissions and the conduct of audit and account inspection programs, (2) establish a work order system to accumulate reimbursable costs and charges to customers, and (3) account for compensation for use of capital, if paid.

(d) Credits to the accounts or memorandum records may be made upon the basis of estimated costs to associate companies which shall conform as nearly as may be practicable to actual costs: *Provided*, That at stated intervals adjustments of the estimated costs to actual costs shall be made. Invoices to associate companies shall clearly indicate any adjustments to estimated

cost previously billed. Such adjustments may be made at intervals during the fiscal year, but final adjustments shall be made at the end of such year. Overbillings or underbillings arising from these adjustments shall be cleared through the appropriate account and offset by adjustments to other accounts involved.

(e) The "expense" accounts provided have been designed to show the cost of each general class of service furnished by the service company and with a view toward securing an equitable allocation thereof to the associate companies served.

(f) Consideration was given in the preparation of this system to the necessity of providing for a more detailed classification of service costs in order to permit these costs to be identified with the functional processes of the associate companies served. In this connection, each service company shall maintain a work order system for accumulating reimbursable costs and charges to customers and maintain time records for all service company employees in order to support the accounting allocation of all expenses assignable to the types of services performed and chargeable to the companies served.

(g) It is believed that the results to be obtained from the system now prescribed, together with the more detailed information to be called for in the annual reports, will provide a better basis for identifying cost than is presently available.

§256.01-1 Companies for which this system of accounts is prescribed.

(a) This Uniform System of Accounts is designed for use by: (1) Any company operating, or organized to operate, as a mutual service company under the provisions of section 13 of the Public Utility Holding Company Act of 1935, and (2) any subsidiary company whose organization and conduct of business the Commission has found to meet the requirements of section 13(b) of the Public Utility Holding Company Act of 1935, with respect to the performance of services or construction work for, or the sale of goods to, associate companies.

(b) This Uniform System of Accounts is not applicable to gas or electric utility companies; or companies primarily engaged (1) in production of goods, including exploration and development of fuel resources, (2) in the provision of water, telephone, or similar services, the sale of which is normally subject to public rate regulation, (3) in provision of transportation, whether or not so regulated, or (4) in the ownership of property, including leased property and fuel reserves, for the use of associate companies.

§ 256.01-2 Application to service companies doing business with non-associate companies.

While this Uniform System of Accounts is designed for companies whose principal business is the performance of services or construction for associate companies at cost, it contemplates situations in which the service company may perform service or construction for nonassociate companies in transactions in which charges are not limited to cost. In recognition of such charges account 458-4 is included in the "Income" group for "Excess or deficiency on servicing nonassociate companies." A deficiency incurred in a project deemed beneficial to the associate companies may be charged to associate companies subject to disallowance by a State or Federal Commission having jurisdiction over the rates or services of such associates. To the extent not so chargeable, or if disallowed, such a deficiency will be charged to account 458-4. In computing charges to associate companies for any fiscal year, any net credit in this account must be deducted from amounts reimbursable by associate companies as compensation for use of capital invested in the service company.

§ 256.01-3 General structure of accounting system.

(a) The accounts provided herein are in two general categories: Balance sheet accounts and income and expense accounts. Subsidiary accounts are provided for the details of account 101, Service company property.

(b) The income and expense accounts include, under separate divisions, accounts for recording the revenue or in-

come earned or received and also appropriate accounts for all expenses of operation, maintenance, taxes, interest, all elements of cost allocable to the service performed, and compensation for the use of capital. Appropriate subdivisions or subaccounts should be provided for each service company department or division.

(c) All disbursements and expenses of the service company for service performed for associate companies are recoverable from such companies. In the interest of minimizing questions as to the propriety of charges for reimbursement, each service company shall maintain a work order system for accumulating all costs. To the maximum extent possible, such costs shall be accumulated by direct charges. All employees, including officers, of the service company shall keep, within reasonable cost benefit standards, time records which permit ready identification of the hours worked, account numbers charged, department work order number and other code designations that facilitate proper classification.

(d) The numbers to the right of the decimal point in most cases correspond with the respective account numbers in the Uniform System of Accounts for Public Utilities and Licensees (18 CFR Part 101) of the Federal Energy Regulatory Commission and shall be considered as parts of the account titles. Each service company, however, may adopt for its own purposes a different system of account numbers provided that the account numbers herein prescribed shall appear in the descriptive headings of the ledger accounts and, if practicable, on original source documents. Service companies adopting a different system of account numbers for their own purposes shall keep readily available a list which indicates its account numbers and the corresponding account numbers provided herein. Records of service companies shall be maintained in a manner permitting ready analysis by prescribed accounts (with direct reference to the source of each item in the books of original entry) and permitting preparation of financial operating statements directly from such records at the end of each accounting period.

§ 256.01-4

§ 256.01-4 Construction or service contracts, and centralized procurement accounting.

(a) Specific accounts have not been provided in which to classify expenditures made in the performance of construction or service contracts, under which the service company undertakes projects to construct physical property for associate or nonassociate companies. The difference in the nature of undertakings which will be embraced in such contracts renders impracticable an attempt to prescribe the accounts applicable in all cases. The service company shall keep records pursuant to its work order system indicating the cost of each contract or project, the amount of service costs allocated thereto, and such additional classification of expenditures relating to projects as will meet the accounting requirements of the company for which the work is performed.

(b) Service costs allocated to construction shall include the proper proportion of salaries, expense of officers and employees, pay of employees on the service company's regular staff specifically assigned to construction work, and other expenses of maintaining the service company's organization and equipment. Cost of materials, construction payrolls, outside services, and other expenses directly attributable to construction work shall be excluded from the accounting system of the service company and charged directly by the vendor or supplier to the construction project.

(c) Service costs allocated to centralized procurement activities shall include only the cost of the support services performed by the service company in connection with the procurement of goods for associate companies. Cost of goods procured shall be excluded from the accounting system of the service company and charged directly by the vendor or supplier to the associate company concerned. The service company shall keep records indicating the cost of goods, if any, which it procures for each associate company and the amount of service costs allocated thereto. These records should be maintained to meet the Federal Energy Regulatory Commission's accounting

17 CFR Ch. II (4-1-07 Edition)

requirements for electric and gas companies.

§ 256.01-5 Determination of service cost accounting.

Service at cost and fair allocation of costs require, first of all, an accurate accounting for the elements which make up the aggregate expense of conducting the business of the service company. In the accounts herein prescribed, the total amounts included in the expense accounts during any period plus such amount as appropriately may be added as compensation for the use of capital, if paid, constitute cost during such period.

§ 256.01-6 Departmental classification required.

The importance of "salaries and wages" as an element of cost requires analysis of this item of expense by departmental or other functional category in accordance with the departmental organization of the service company. To the extent practicable, such departmental organization should be established along lines which will provide a readily available basis for analysis.

§ 256.01-7 Records.

(a) The books of account and other records of the service company shall be so kept as to show fully the facts pertaining to all entries in these accounts. All such entries shall be supported by detailed information sufficient to permit ready identification and audit.

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

(c) No company shall destroy any records except as authorized by the provisions of part 257 of this chapter.

(d) The accounts may be further subdivided: *Provided*, Such subdivisions do not impair the integrity of the prescribed accounts. The titles of all subdivisions or subaccounts shall refer by number to the accounts of which they are subdivisions.

(e) Clearing-accounts shall be kept when necessary or useful in making the proper distribution of items to the appropriate accounts prescribed herein or in accumulating general overhead cost such as rent, utility, employee benefits, and other general and support services that are to be allocated to work orders.

(f) On or before the effective date of this Uniform System of Accounts, the several accounts prescribed herein shall be opened by transferring thereto the balances carried in the accounts previously maintained by the service company. The service company is authorized to make such subdivisions, reclassification, or consolidations of such balances as are necessary to meet the requirements of this Uniform System of Accounts.

(g) Except where this Uniform System of Accounts accords specific treatment for specified accounts, all accounts and financial statements shall be maintained in accordance with Regulation S-X and Accounting Series Releases of this Commission. The Uniform System of Accounts promulgated by the Federal Energy Regulatory Commission, as amended from time to time, and the interpretations thereof adopted from time to time by the Federal Energy Regulatory Commission, and accounting regulations and orders of any other Federal or State Commission having jurisdiction over associate companies shall be complied with unless expressly inconsistent with the requirements of this system.

[44 FR 8250, Feb. 9, 1979, as amended at 49 FR 27310, July 3, 1984]

§ 256.01-8 Definitions.

Definitions contained in the Public Utility Holding Company Act of 1935 shall be applicable to terms not specifically defined herein.

(a) *Accounts* means the accounts prescribed by this Uniform System of Accounts.

(b) *Associate company* means any company in the same holding company system.

(c) *Company* or *the company*, when not otherwise indicated in the context, means the service company.

(d) *Commission* means the Securities and Exchange Commission.

(e) *Direct cost* shall include labor cost and expenses which can be identified through a work order system as being applicable to services performed for a single or group of associate and non-associate companies. Cost incidental to or related to a directly charged item shall be classified as direct costs.

(f) *Federal commission* means any Federal agency, including the Securities and Exchange Commission, which has jurisdiction to regulate public utility companies in some relevant respect.

(g) *Federal Energy Regulatory Commission* means the Federal Energy Regulatory Commission or any successor thereto.

(h) *Holding company system* means any holding company, together with all of its subsidiary companies and all mutual service companies of which such holding company or any subsidiary company thereof is a member company.

(i) *Indirect cost* shall include those costs of a general overhead nature such as general services, housekeeping costs, and other support cost which cannot be separately identified to a single or group of associate and non-associate companies and therefore must be allocated. Indirect costs shall be accumulated on a departmental basis.

(j) *Mutual service company, service company* or *subsidiary service company* means a company approved by the Commission as a mutual service company or a subsidiary company of a registered holding company found by the Commission to be organized and conducted as to meet the requirements of section 13(b) of the Act and the provisions of Rule 88 promulgated thereunder.

(k) *Nonassociate companies* means a person, partnership, organization, government body or company which is not a member of the holding company system.

(l) *Operating company* means an electric utility company or gas utility company as defined in the Public Utility Holding Company Act of 1935.

(m) *Person* means an individual or company.

(n) *State commission* means any commission, board, agency, or officer, by whatever name designated, or a State,

§ 256.01-9

municipality, or other political subdivision of a State which under the laws of such State has jurisdiction to regulate public-utility companies.

(o) *Uniform system of accounts* means the Uniform System of Accounts for Mutual Service Companies and Subsidiary Service Companies prescribed herein, as amended from time to time.

(p) *Work order system* means a system for the accumulation of service company cost on a job, project, or functional basis. It includes schedules and worksheets used to account for charges billed to single and groups of associate and nonassociate companies.

§ 256.01-9 Unbilled items.

When the amount of any known item affecting these accounts cannot be accurately determined in time for inclusion in the accounts of the fiscal year in which the transaction occurs, the amount of the item shall be estimated and included in the proper accounts. When the amount is ascertained, the necessary adjustments shall be made through the accounts in which the estimate was recorded. If it is determined during the interval that a material adjustment will be required, the estimate shall be adjusted through the current accounts. The service company is not required to anticipate minor items which would not appreciably affect these accounts.

§ 256.01-10 Billing procedures.

All invoices for services rendered to associate companies shall be submitted monthly with sufficient information and in sufficient detail to permit the associate company to identify and classify the charge in terms of the system of accounts prescribed by the regulatory authorities to which it is subject. Each month a statement shall be rendered to the associate company containing a summary of the accounts by work order by which the charges, classified as direct cost, indirect cost, and compensation for use of capital, can be entered in the accounts of the associate company.

§ 256.01-11 Methods of allocation.

Indirect costs and compensation for use of capital shall be allocated to work orders in accordance with the

17 CFR Ch. II (4-1-07 Edition)

service company's applicable and currently effective methods of allocation filed with the Commission. Both direct and allocated indirect costs of work orders for two or more associate companies shall be allocated among such companies in the same manner. Each work order should identify the methods of allocation to associate companies and the accounts to be charged. The associate companies should be notified in writing of any change in the methods of allocation.

§ 256.01-12 Compensation for use of capital.

Paragraph (a) of Rule 91 provides in pertinent part that a servicing transaction shall be deemed to be performed at no more than cost if the price of such service does not exceed a fair and equitable allocation of expenses plus reasonable compensation for necessary capital procured through the issuance of capital stock. Interest on borrowed capital and compensation for the use of capital shall only represent a reasonable return on the amount of capital reasonably necessary for the performance of services or construction work for, or the sale of goods to, associate companies. Such compensation may be estimated and shall be computed monthly in the manner prescribed by the Commission. The amount of compensation shall be stated separately in each billing to the associate companies. An annual statement to support the amount of compensation for use of capital billed for the previous twelve months and how it was calculated shall be supplied to each associate company at the end of the calendar year.

§ 256.01-13 Submission of questions.

To promote and maintain uniformity in accounting, the service companies shall submit all questions of doubtful interpretation of the prescribed accounting to the Division of Corporate Regulation or its successor for consideration and decision.

Securities and Exchange Commission

§ 256.144

BALANCE SHEET ACCOUNTS: ASSETS AND OTHER DEBIT ACCOUNTS

1. SERVICE COMPANY PROPERTY

§ 256.101 Service company property.

This account shall include the cost of service company property included in accounts 301 and 303 through 311 prescribed herein.

§ 256.107 Construction work in progress.

This account shall include the total of the balances of work orders for service company property in process of construction. Work orders shall be cleared from this account as soon as practicable after completion of the job.

§ 256.108 Accumulated provision for depreciation and amortization of service company property.

(a) This account shall be credited with the amount charged to account 403, Depreciation and amortization expense.

(b) At the time of retirement of depreciable service company property, 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, unless the company maintains costs and related reserves for specific units or types of property.

(c) Individual subaccounts for each classification of property listed under account 101, Service company property, shall be maintained.

2. INVESTMENTS

§ 256.123 Investment in associate companies.

This account shall only include notes receivable, advances, and other balances in open accounts with associate companies, which are not subject to current settlement.

§ 256.124 Other investments.

This account shall include the cost or current value of investments, whichever is less, in securities, club memberships, associations, life insurance policies for employees, or other investments in nonassociate companies, other than account 136, Temporary

cash investments. This account shall not be used for advances to associate companies. The account shall be maintained in such manner as to show by subaccounts, or otherwise, the nature and amount of each investment.

3. CURRENT AND ACCRUED ASSETS

§ 256.131 Cash.

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

§ 256.134 Special deposits.

This account shall include deposits with fiscal agents or others for special purposes. Entries to this account shall specify the purpose for which the deposit is made.

§ 256.135 Working funds.

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

§ 256.136 Temporary cash investments.

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

§ 256.141 Notes receivable.

This account shall include the cost of all notes receivable and similar evidences of amounts due within one year from persons other than associate companies. The account shall be so maintained as to show separately amounts due from officers, directors, employees and others.

§ 256.143 Accounts receivable.

This account shall include amounts due on open accounts, other than amounts due from associate companies.

§ 256.144 Accumulated provision for uncollectable accounts.

This account shall be credited with amounts provided for losses on notes and accounts receivable which may become uncollectable, and also with collections on accounts previously charged hereto.

§ 256.146

§ 256.146 Accounts receivable from associate companies.

This account shall include notes and balances in open accounts due from associate companies which are expected to be paid in full within one year.

NOTE: Occasional payments to accommodate an associate company for emergency purposes or where obvious increased cost or time problems would be incurred shall be included in this account, but shall be segregated in a subaccount. Expenditures which do not pertain to performance of services by the service company shall be paid directly by the associate company.

§ 256.152 Fuel stock expenses undistributed.

The service company shall utilize this account, where appropriate, to include the cost of service company labor and of office supplies used and operating expenses incurred with respect to the review, analysis and management of fuel supply contracts or agreements, the accumulation of fuel information and its interpretation, the logistics and handling of fuel, and other related support functions, as a service to the associate company engaged in the procurement and transportation of fuel. This account shall be maintained to show the expenses attributable to each associate company through the use of work orders. All expenses of a service company's fuel department or functions shall be cleared through this account.

§ 256.154 Materials and supplies.

(a) The service company may utilize this account, where appropriate, to include the costs of materials and supplies held for use by the service company in performing its services. The cost of material and supplies attributable to work orders for service company property in process of construction shall be charged to account 107, Construction work in progress.

(b) Materials and supplies issued shall be credited hereto and charged to the appropriate expense or other accounts 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 generally accepted accounting standards consistently applied.

17 CFR Ch. II (4-1-07 Edition)

§ 256.163 Stores expense undistributed.

(a) The service company shall utilize this account, where appropriate, to include the service cost of labor and expenses incurred with respect to centralized procurement activities rendered to associate or nonassociate companies.

ITEMS

(b)(1) Supervision of purchasing and stores department to extent assignable to materials handled through stores.

(2) 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.

(3) Unloading from shipping facility and putting in storage.

(4) Inspecting and testing materials and supplies when not assignable to specific items.

(5) Keeping stock records, including recording and posting of material receipts and issues and maintaining inventory record of stock.

(6) Communication service.

(7) Cash and other discounts not practically assignable to specific materials, freight, express, etc., when not assignable to specific items, transportation expense, and excise and other similar taxes not assignable to specific materials.

(c) This account shall be maintained to show the expenses attributable to each associate company through the use of work orders. All expenses of a service company's centralized procurement activities shall be cleared through this account.

(d) Any amounts applicable to fuel costs should be included in account 152, Fuel stock expenses undistributed.

§ 256.165 Prepayments.

This account shall include amounts representing prepayments of insurance, rents, taxes, interest and miscellaneous items, and appropriate subaccounts shall be maintained in respect of each class of prepayment.

Securities and Exchange Commission

§ 256.201

§ 256.174 Miscellaneous current and accrued assets.

This account shall include the cost of all other current and accrued assets not provided for elsewhere. The records supporting this account shall be maintained so as to show the nature of each asset included herein.

4. DEFERRED DEBITS

§ 256.181 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 431, Other interest expense.

§ 256.184 Clearing accounts.

This account shall include undistributed balances in clearing accounts at the date of the balance sheet. Balances shall be substantially cleared not later than the end of the calendar year.

§ 256.186 Miscellaneous deferred debits.

This account shall include all debits not provided for elsewhere, such as the costs of service performed which have not been billed to associate or nonassociate companies and unusual or extraordinary expenses, not included in other accounts, and items the proper final disposition of which is uncertain. The records supporting the entries to this account shall be so kept that the service company can furnish full information as to the purpose, monthly balance, status, write-off and duration of each deferred debit.

§ 256.188 Research, development, or demonstration expenditures.

(a) The service company shall utilize this account, where appropriate, for the cost of all expenditures for research, development or demonstration undertaken by or sponsored through the service company. To the extent such costs are incurred for customers, or for construction work in progress, this account will serve as a clearing ac-

count to identify the total research and development activity.

(b) All cost shall be transferred from this account by the end of each fiscal year.

(c) This account shall 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.

§ 256.190 Accumulated deferred income taxes.

(a) This account shall be debited and account 411, Provision for deferred income taxes—credit, or account 421, Miscellaneous income or loss, 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 service company's determination of annual net income until subsequent years.

(b) This account shall be credited and account 410, Provision for deferred income taxes, or account 421, Miscellaneous income or loss, 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) of this section, because of difference in timing for tax purposes of particular items of income or income deductions from that recognized by the service company for general accounting purposes.

(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 service company is utilized.

LIABILITIES AND OTHER CREDIT ACCOUNTS

5. PROPRIETARY CAPITAL

§ 256.201 Common stock issued.

This account shall include the par or stated value of all common capital stock issued and outstanding.

§ 256.211

§ 256.211 Miscellaneous paid-in capital.

This account shall include the balance of all other credits for paid-in capital which are not properly includable in the foregoing accounts.

§ 256.215 Appropriated retained earnings.

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

§ 256.216 Unappropriated retained earnings.

This account shall include the balance, either debit or credit, arising from earnings. All dividends shall be charged to this account. It shall not include amounts properly includable in account 211—Miscellaneous paid-in capital. Entries to this account shall be sufficiently detailed for ready analysis of the account.

6. LONG-TERM DEBT

§ 256.223 Advances from associate companies.

This account shall include the principal amount of notes and balances on open accounts due to associate companies. It does not include notes and open accounts representing indebtedness subject to current settlement which are includable in account 233, Notes payable to associate companies or account 234, Accounts payable to associate companies.

NOTE: Subaccounts shall be maintained for each class of obligation, and records shall be maintained to show for each class the terms of the obligation, including the date of obligation, date of maturity, interest dates and rates, and security, if any.

§ 256.224 Other long-term debt.

This account shall include all long-term debt to nonassociates and not subject to current settlement.

NOTE: Subaccounts shall be maintained for each class of obligation, and records shall be maintained to show for each class the terms of the obligation, including the date of obligation, date of maturity, interest dates and rates, and security, if any.

17 CFR Ch. II (4-1-07 Edition)

§ 256.225 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 427, Interest on long-term debt, or account 431, Other interest expense.

§ 256.226 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, with the amounts thereof charged to account 427, Interest on long-term debt, or account 431, Other interest expense.

7. CURRENT AND ACCRUED LIABILITIES

§ 256.231 Notes payable.

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

§ 256.232 Accounts payable.

This account shall include all amounts payable by the service company within one year other than amounts payable to associate companies.

Securities and Exchange Commission

§ 256.282

§ 256.233 Notes payable to associate companies.

§ 256.234 Accounts payable to associate companies.

These accounts shall include notes and balances in open accounts due to associate companies within one year.

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

§ 256.237 Interest accrued.

This account shall include the amount of interest accrued on all liabilities of the service company. Supporting records shall be maintained so as to show the amount of interest accrued on each obligation.

§ 256.238 Dividends declared.

This account shall include the amount of dividends which have been declared but not paid.

§ 256.241 Tax collections payable.

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

§ 256.242 Miscellaneous current and accrued liabilities.

This account shall include the amount of all other current and accrued liabilities not provided for else-

where. The records supporting this account shall be maintained so as to show the nature of each liability included herein.

8. DEFERRED CREDITS

§ 256.253 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. Subaccounts by category of credits should be established.

§ 256.255 Accumulated deferred investment tax credits.

(a) This account shall be credited and account 411.5, Investment tax credit, debited with investment tax credits deferred by companies which do not apply such credits as a reduction of the overall income tax expense in the year in which a tax credit is realized. A proportionate amount shall be debited to account 411.5, Investment tax credit, as determined in relation to the average useful life of service company property to which the tax credit relates or such lesser period of time as may be adopted.

(b) Records shall be maintained identifying the service company property 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.

9. ACCUMULATED DEFERRED INCOME TAXES

§ 256.282 Accumulated deferred income taxes.

(a) The text of these accounts is 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. Service companies which have service company 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.

§ 256.301

(b) This account shall be credited and account 410, Provision for deferred incomes taxes, shall be debited with tax effects related to property described in paragraph (a) of this section 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, Provision for deferred income taxes—credit, shall be credited with tax effects related to property described in paragraph (a) of this section where taxable income is higher than pretax accounting income due to differences between the periods in which revenue and expense transactions affect taxable income and the periods in which they enter into the determination of pretax accounting income.

(d) Records with respect to entries to this account, as described above, and the account balance shall be so maintained as to show the factors of calculation and the separate amounts applicable to the additions of each vintage year for each class, group, or unit. The underlying calculations to segregate and associate deferred tax amounts with the respective vintage years may be based on reasonable methods of approximation, if necessary, consistently applied.

SERVICE COMPANY PROPERTY ACCOUNTS

§ 256.301 Organization.

This account shall include all fees paid to federal or state governments for the privilege of incorporation and expenditures incident to organizing a corporation or other form of organization and putting it into readiness to do business including cost of obtaining certificates authorizing the service company to engage in its business, fees and expenses for incorporation, fees and expenses for mergers or consolidations, office expenses incident to organizing the service company, and other expenditures incident to the organization of the service company such as stock, minute books and corporate seal.

17 CFR Ch. II (4–1–07 Edition)

NOTE: This account shall not include any discounts upon securities issued or assumed nor shall it include any costs or expenses in connection with the authorization, issuance and sale of securities of the service company.

§ 256.303 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 the service company's operations and not specifically chargeable to any other account.

(b) This account shall be maintained in such a manner that the service company can furnish full information with respect to the amounts included herein.

NOTE: 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.

§ 256.304 Land and land rights.

(a) This account shall include the cost of any right, title, or interest to land held by the service company, including without limitation the cost of land owned in fee by the service company and the cost of easements, rights of way, and any other similar interests in land.

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

(c) Separate entries shall be made for the acquisition, transfer, or sale of each parcel of land, and each land right. A record shall be maintained showing the nature of ownership, full legal description, area, map reference, purpose for which used, city, county and tax district in which situated, from whom purchased or to whom sold, payment given or received, other costs, contract date and number, date of recording of deed, and book and page number of record.

Securities and Exchange Commission

§ 256.403

(d) If at the time of acquisition of an interest in land such interest extends to buildings or other improvements which are then devoted to the service company's operations, the land and improvements shall be separately appraised and the cost allocated to land and buildings or improvements on the basis of the appraisals. If the improvements are removed or wrecked without being used in operations, the cost of removing or wrecking shall be charged and the salvage credited to the account in which the cost of the land is recorded.

§ 256.305 Structures and improvements.

(a) This account shall include the cost of all buildings and facilities and fixtures permanently attached thereto which are owned by the service company.

(b) The cost of foundations which are specially provided for machinery, apparatus, or other equipment of the company shall be charged to the same account as the cost of such machinery, apparatus, or equipment.

(c) Other fixtures temporarily attached to buildings shall not be included in the cost of the building but in the equipment account.

§ 256.306 Leasehold improvements.

This account shall include all costs incurred by the service company in improvements of, remodeling of, or installation of additional facilities in rented offices or buildings to suit tenant's needs.

§ 256.307 Equipment.

This account shall include the cost of equipment owned by the service company and used in rendering services such as micro-wave, communications and dispatching, automatic data processing, information storage and retrieval, research and laboratory testing, construction, meter repairing, and printing and stationery. Subaccounts shall be maintained by classes of equipment for each service rendered.

§ 256.308 Office furniture and equipment.

This account shall include the cost of office furniture and equipment owned

by the service company and used in rendering services, e.g., bookcases, shelves, desks, tables, chairs, desk equipment, safes, drafting-room equipment, filing cabinets, storage and other cabinets, floor covering, library equipment, accounting machines, electronic calculators, typewriters and other mechanical office equipment.

§ 256.309 Automobiles, other vehicles, and related garage equipment.

This account shall include the delivered cost of all service company owned automobiles, vans, trucks, and other vehicles used by the service company in its operations. The cost of all tools, implements, and other equipment used in the inspection, maintenance, repair and overhaul of vehicles shall also be included in this account.

§ 256.310 Aircraft and airport equipment.

This account shall include the delivered cost of all service company owned aircraft and accessories thereto used by the service company in its operations. The cost of all tools, implements and other equipment used in the inspection, maintenance, repair and overhaul of aircraft shall also be included in this account.

§ 256.311 Other service company property.

(a) This account shall include the cost of service company property owned by the service company not provided for elsewhere.

(b) This account shall be maintained in such a manner that the service company can furnish full information with respect to the amounts included herein.

INCOME AND EXPENSE ACCOUNTS

1. INCOME

§ 256.403 Depreciation and amortization expense.

This account shall include the amount of depreciation and amortization for all service plant, and leasehold improvements, the cost of which is includable in accounts 305 through 311. Provide subaccounts by each class of service company property owned and leased.

§ 256.408

17 CFR Ch. II (4-1-07 Edition)

§ 256.408 Taxes other than income taxes.

(a) This account shall include the amount of 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) When it is not possible to determine the exact amount of taxes, the amount shall be estimated and adjustments made in current accruals as the actual tax levies become known.

(c) This account shall be kept in such manner as to show the amount of each class of taxes.

NOTE A: Taxes applicable to property construction or investments may be charged to the account in which the property construction or investment is included. Special assessments for street and similar improvements shall be included in the appropriate service company property account. Gasoline and other miscellaneous taxes shall be charged, where practicable, to the same account as the materials on which the tax is levied.

NOTE B: Interest on tax refunds or deficiencies shall not be included in this account but in account 421, Miscellaneous income or loss, or account 431, Other interest expense, as appropriate.

§ 256.409 Income taxes.

(a) This account shall include the amount of local, State and Federal taxes on income properly accruable during the period covered by the income statement to meet the actual liability for such taxes. As the exact amount of taxes become known, the current tax accruals shall be adjusted accordingly so that this account, as nearly as can be ascertained, shall include the actual taxes payable which are chargeable to service company operations.

(b) Interest on tax refunds or deficiencies shall not be included in this account but in account 421, Miscellaneous income or loss, or account 431, Other interest expense, as appropriate.

§ 256.410 Provision for deferred income taxes.

This account shall be debited and Accumulated Deferred Income Taxes shall be credited with an amount equal to

any deferral of taxes on income as provided by the text of account 282, Accumulated deferred income taxes. No entries required to be made to this account shall be netted against any credit amounts appropriately includable in account 411, Provision for deferred income taxes—credit.

§ 256.411 Provision for deferred income taxes—credit.

This account shall be credited and Accumulated Deferred Income Taxes debited with an amount equal to the portion of taxes on income payable for the year which is attributable to a deferral of taxes on income in a prior year, in accordance with the plan of deferred tax accounting provided by the text of account 282, Accumulated deferred income taxes. No entries required to be made to this account shall be netted against any debit amount appropriately includable in account 410, Provision for deferred income taxes.

§ 256.411.5 Investment tax credit.

(a) This account shall be debited with the amounts of investment tax credits related to service company property that are credited to account 255, Accumulated deferred investment tax credits, by service companies which do not apply the entire amount of the benefits of the investment credit as a reduction of the overall income tax expense in the year in which such credit is realized (see account 255).

(b) This account shall be credited with the amounts debited to account 255 for proportionate amounts of tax credit deferrals allocated over the average useful life of property to which the tax credits relate or such lesser period of time as may be adopted by the service company.

§ 256.421 Miscellaneous income or loss.

This account shall include all income or loss items not provided for elsewhere.

(Secs. 13, 15, 20, 49 Stat. 825, 828, 833; 15 U.S.C. 79m, 79o, 79t)

[45 FR 41135, June 18, 1980]

Securities and Exchange Commission

§ 256.458-1

§ 256.426.1 Donations.

This account shall include all payments or donations for charitable, social or community welfare purposes.

§ 256.426.5 Other deductions.

(a) This account shall include other miscellaneous expenses which are non-operating in nature but which are properly deductible before determining total income before interest charges.

(b) Records shall be so maintained by subaccount to permit ready analysis showing the nature of the expenses and identity of the person furnishing the service.

NOTE: Preliminary survey and investigation expenses related to abandoned projects, when not written-off to the appropriate operating expense account, shall be included in this account.

§ 256.427 Interest on long-term debt.

This account shall include the amount of interest accrued on outstanding long-term debt owed by the service company to nonassociate persons.

§ 256.430 Interest on debt to associate companies.

This account shall include interest accrued on amounts included in account 223, Advances from associate companies, and account 233, Notes payable to associate companies. 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. Separate subaccounts should be maintained for each related debt account.

§ 256.431 Other interest expense.

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

§ 256.457 Services rendered to associate companies.

This control account shall include amounts billed to associate companies for services rendered at cost. See accounts 457-1 through 457-3. Overbillings or underbillings arising from adjustments of estimated costs to actual costs shall be cleared through this ac-

count and concurrent adjustments made to other accounts involved.

§ 256.457-1 Direct costs charged to associate companies.

This account shall include those direct costs which can be identified through a work order system as being applicable to services performed for associate companies. This account shall not include any compensation for use of equity capital or intercompany interest on indebtedness.

§ 256.457-2 Indirect costs charged to associate companies.

This account shall include recovery of those indirect costs which cannot be separately identified to a single or group of associate companies and therefore must be allocated. Journal or memorandum entries should be prepared monthly, by departments, for all such cost accumulated and billed to customers. This account shall not include any compensation for use of equity capital or intercompany interest on indebtedness.

§ 256.457-3 Compensation for use of capital-associate companies.

This account shall include only the portion of compensation for use of equity capital and intercompany interest on indebtedness before income taxes which is properly allocable to services rendered to each associate company.

§ 256.458 Services rendered to non-associate companies.

This account shall include amounts billed for services rendered to nonassociate persons. See accounts 458-1 through 458-4.

§ 256.458-1 Direct costs charged to nonassociate companies.

This account shall include those direct costs which can be identified through a work order system as being applicable to services performed for nonassociate persons. This account shall not include any compensation for use of equity capital or interest on indebtedness.

§ 256.458-2

17 CFR Ch. II (4-1-07 Edition)

§ 256.458-2 Indirect costs charged to nonassociate companies.

This account shall include recovery of those indirect costs of services performed for nonassociate persons which cannot be separately identified to nonassociate persons and therefore must be allocated. The amounts would be as set forth in the same monthly departmental journal or memorandum entries referred to for these costs in account 457-2, Indirect costs charged to associated companies. This account shall not include any compensation for use of equity capital or intercompany interest on indebtedness.

§ 256.458-3 Compensation for use of capital—nonassociate companies.

This account shall include only the portion of compensation for use of equity capital and intercompany interest on indebtedness before income taxes which is properly allocable to services rendered to nonassociate persons. A statement to support the basis for the compensation and how it was calculated should be attached to a separate journal entry, ledger system, or memorandum file.

§ 256.458-4 Excess or deficiency on servicing nonassociate companies.

This account shall include the amount by which the aggregate price received for services rendered to nonassociate persons differs from the sum of the total direct and indirect costs and compensation for use of capital which are properly allocable to such services. (Accounts 458-1 through 458-3).

2. EXPENSE

§ 256.920 Salaries and wages.

(a) This account shall include salaries, wages, bonuses and other consideration for services, with the exception of director's fees paid directly to officers and employees of the service company.

(b) This account shall be supported by time records and appropriately referenced to detailed records subdividing salaries and wages by departments or other functional organization units. See General Instructions.

§ 256.921 Office supplies and expenses.

(a) This account shall include office supplies and expenses incurred in connection with the general administration of service company operations assignable to specific administrative or general departments and 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 includable in account 920.

(b) This account may be subdivided in accordance with a classification appropriate to the departmental or other functional organization of the service company.

ITEMS

1. Automobile service, including charges through clearing account.
2. Bank messenger and service charges.
3. Books, periodicals, bulletins and subscriptions to newspapers, newsletters, tax service, etc.
4. Building service expenses for customer accounts, sales, and administrative and general purposes.
5. Communication service expenses to include telephone, telegraph, wire transfer, micro-wave, etc.
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 includable in account 930.2, Miscellaneous general expenses.)
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, entertainment and incidental expenses.

(c) Records shall be so maintained to permit ready analysis by item showing the nature of the expense and identity of the person furnishing the service.

§ 256.922 Administrative expenses transferred—credit.

This account shall be credited with administrative expenses recorded in accounts 920 and 921 which are transferred to construction costs of the asset and other debit accounts.

Securities and Exchange Commission

§ 256.930.1

§ 256.923 Outside services employed.

(a) This account shall include the fees and expenses of professional consultants and others for general services with the exception of fees and expenses for outside services of account 928, Regulatory commission expense, and account 930.1, General advertising expenses. Separate subaccounts shall be provided for auditing, legal, engineering, management consulting fees and, if material in amount, any other fees of professional or outside services.

(b) Records shall be so maintained to permit ready analysis showing nature of service, identity of the person furnishing the service, affiliation to the service company, and, if allocated to more than one company, the specific method of allocation.

§ 256.924 Property insurance.

(a) This account shall include the cost of insurance premiums to protect the service company against losses and damages to owned or leased property used in its operations. 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.

(b) 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.

§ 256.925 Injuries and damages.

(a) This account shall include the cost of premiums for insurance to protect the service company against claims for injury, liability and damage claims of employees or others and losses of such character not covered by outside insurance.

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

§ 256.926 Employee pensions and benefits.

This account shall include pensions paid to or on behalf of retired employees, or payments for the purchase of annuities for this purpose, when the service company has committed itself to a pension plan under which the pension funds are devoted to pension purposes. This account shall also include payments made under employee benefit programs such as medical and surgical benefits, disability benefits, life insurance, savings and thrift plans, and other similar benefits. Include, also, expenses incurred in medical, educational or recreational activities for the benefit of employees.

§ 256.928 Regulatory commission expense.

This account shall include all expenses, properly includable in service company operating expenses, incurred by the service company in connection with formal cases before regulatory commissions, or other regulatory bodies, on its own behalf or on behalf of associated companies, including payments made to a regulatory commission for fees assessed to the service company for pay and expenses of such commission, its officers, agents and employees, and for filings or reports made under regulations of regulatory commissions. The service company shall be prepared to show the cost of each formal case.

§ 256.930.1 General advertising expenses.

This account shall include the cost of materials used and expenses incurred in advertising and related activities, the costs of which by their content and purpose are not provided for elsewhere.

ITEMS

1. Advertising in newspapers, periodicals, billboards, radio, etc.
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, bulletins, etc.
6. Supplies and expenses in preparing advertising materials.
7. Office supplies and expenses.

§ 256.930.2

§ 256.930.2 Miscellaneous general expenses.

(a) This account shall include the cost of expenses incurred in connection with the general management of the service company not provided for elsewhere.

ITEMS

1. Industry association dues for company memberships.
2. Contributions for conventions and meetings of the industry.
3. Communication service not chargeable to other accounts.
4. Trustee, registrar, and transfer agent fees and expenses.
5. Stockholders meeting expenses.
6. Dividend and other financial notices.
7. Printing and mailing dividend checks.
8. Directors' fees and expenses.
9. Publishing and distributing annual reports to stockholders.
10. 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.
11. Other general expenses not provided for elsewhere.

(b) Records shall be so maintained to permit ready analysis by item showing the nature of the expense and identity of the person furnishing the service.

§ 256.931 Rents.

This account shall include rents, including taxes, paid for the property of others used, occupied or operated in connection with service company functions. Provide subaccounts for major grouping such as office space, warehouses, other structure, office furniture, fixtures, computers, data processing equipment, micro-wave and telecommunication equipment, airplanes, automobiles, etc. The cost, when incurred by the lessee, of operating and maintaining leased property, shall be charged to the accounts appropriate for the expense as if the property were owned.

§ 256.932 Maintenance of structures and equipment.

This account shall include materials used and expenses incurred in the maintenance of property owned, the cost of which is includable in accounts 305 through 311, and of property leased from others. Provide subaccounts by

major classes of structures and equipment, owned and leased.

PART 257—PRESERVATION AND DESTRUCTION OF RECORDS OF REGISTERED PUBLIC UTILITY HOLDING COMPANIES AND OF MUTUAL AND SUBSIDIARY SERVICE COMPANIES

- Sec.
 257.1 General instructions.
 257.2 Schedule.

AUTHORITY: 15 U.S.C. 79(o) and 79(t), unless otherwise noted.

§ 257.1 General instructions.

(a) *Scope of regulations.* The General Instructions and Schedule apply to any holding company, except an electric or gas utility company, registered as a holding company under the Public Utility Holding Company Act of 1935, and to companies found by the Commission, pursuant to § 250.88 to meet the requirements of section 13 of the Act as mutual or subsidiary service companies.

(1) Company means a service company subject to § 250.93, or a holding company subject to § 250.26, which is not an electric utility company or a gas utility company, and any predecessor or inactive or dissolved associate company, the records of which are in the possession or control of such company.

(2) Records include any records prepared, maintained or held by any agent or employee of a company, including any such records of a stock transfer agent, registrar, paying agent, indenture trustee or other person employed by a company to perform services with respect to the securities of the company, insofar as such person is accountable to the company or to its security holders for such records. The specification in the schedule of a record related to a type of transaction includes all documents and correspondence, not redundant or duplicative of other records retained, needed to explain or verify such transaction. Supporting documents such as checks or vouchers, which are separately scheduled may, nevertheless, be destroyed in accordance with the schedule for their