

**PART 1767—ACCOUNTING REQUIREMENTS FOR RUS ELECTRIC BORROWERS**

**Subpart A—General [Reserved]**

Sec.

1767.1–1767.9 [Reserved]

**Subpart B—Uniform System of Accounts**

- 1767.10 Definitions.
- 1767.11 Purpose.
- 1767.12 Accounting system requirements.
- 1767.13 Departures from the prescribed RUS Uniform System of Accounts.
- 1767.14 Interpretations of the Rural Development uniform system of accounts.
- 1767.15 General instructions.
- 1767.16 Electric plant instructions.
- 1767.17 Operating expense instructions.
- 1767.18 Assets and other debits.
- 1767.19 Liabilities and other credits.
- 1767.20 Plant accounts.
- 1767.21 Operating income.
- 1767.22 Other income and deductions.
- 1767.23 Interest charges.
- 1767.24 Extraordinary items.
- 1767.25 Retained earnings.
- 1767.26 Operating revenue.
- 1767.27 Operation and maintenance expenses.
- 1767.28 Customer accounts expenses.
- 1767.29 Customer service and informational expenses.
- 1767.30 Sales expenses.
- 1767.31 Administrative and general expenses.
- 1767.32–1767.40 [Reserved]
- 1767.41 Accounting methods and procedures required of all RUS borrowers.
- 1767.42–1767.45 [Reserved]

**Subpart C—Depreciation Rates and Procedures [Reserved]**

1767.46–1767.65 [Reserved]

**Subpart D—Preservation of Records**

- 1767.66 Purpose.
- 1767.67 General.
- 1767.68 Designation of a supervisory official.
- 1767.69 Index of records.
- 1767.70 Record storage media.
- 1767.71 Periods of retention.
- 1767.72–1767.85 [Reserved]

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.

*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;

## § 1767.10

(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. It does not include the cost of removal activities associated with asset retirement obligations that are capitalized as part of the tangible long-lived assets that give rise to the obligation. (See § 1767.15(y).)

*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

## 7 CFR Ch. XVII (1–1–13 Edition)

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.

*Form 7* is the January 2004 revision (or the revision of any other date which may be specified) of such Form 7, Financial and Statistical Report, or any later revision which shall have been at the time prescribed for use by Rural Development.

*Form 12* is the December 2002 revision (or the revision of any other date which may be specified) of such Form 12, Operating Report—Financial, or any later revision which shall have been at the time prescribed for use by Rural Development.

*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.

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

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

*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.

*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.

*Regional Market* is an organized energy market operated by a public utility, whether directly or through a contractual relationship with another entity.

*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.

## § 1767.10

*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 Depart-

## 7 CFR Ch. XVII (1-1-13 Edition)

ment 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

## Rural Utilities Service, USDA

## § 1767.13

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; 73 FR 30279, May 27, 2008]

### § 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 Rural Development 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 §§ 1767.13–1767.31.

(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.

[58 FR 59825, Nov. 10, 1993, as amended at 73 FR 30280, May 27, 2008]

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

(a) No departures are to be made to the prescribed Rural Development USoA without the prior written approval of Rural Development. Requests for departures from the Rural Development USoA shall be addressed, in writing, to the Assistant Administrator, Program Accounting and Regulatory Analysis. (AA-PARA).

(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