DEPARTMENT OF ENERGY

Federal Energy Regulatory Commission

18 CFR Parts 366, 367, 368, 369 and 375

[Docket No. RM06–11–000]

Financial Accounting, Reporting and Records Retention Requirements Under the Public Utility Holding Company Act of 2005

Issued April 24, 2006.

AGENCY: Federal Energy Regulatory Commission, DOE.

ACTION: Notice of proposed rulemaking.

SUMMARY: In this Notice of Proposed Rulemaking, the Federal Energy Regulatory Commission (Commission) proposes to amend its regulations to further implement the Public Utility Holding Company Act of 2005 (PUHCA 2005). Specifically, the Commission is proposing to add a Uniform System of Accounts for Centralized Service Companies, to add preservation of records requirements for holding companies and service companies, to revise Form No. 60, Annual Report for Centralized Service Companies, to provide for financial reporting consistent with the proposed Uniform System of Accounts and to provide for electronic filing of Form No. 60. These changes are proposed to be made effective January 1, 2007. In addition, the Commission directs staff to hold a technical conference to provide interested entities an opportunity to discuss the proposed regulations.

DATES: Comments must be filed on or before June 15, 2006.

ADDRESSES: You may submit comments, identified by Docket No. RM06–11–000, by one of the following methods:

- Agency Web Site: *http://ferc.gov.* Follow the instructions for submitting comments via the eFiling link found in the Comment Procedures Section of the preamble.
- Mail: Commenters unable to file comments electronically must mail or hand deliver an original and 14 copies of their comments to: Federal Energy Regulatory Commission, Office of the Secretary, 888 First Street, NE., Washington, DC 20426. Please refer to the Comment Procedures Section of the preamble for additional information on how to file paper comments.

FOR FURTHER INFORMATION CONTACT:

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SUPPLEMENTARY INFORMATION:

I. Introduction

1. The Commission proposes to amend its regulations to further implement the Public Utility Holding Company Act of 2005 (PUHCA 2005). The Commission is proposing to add a new Uniform System of Accounts for Centralized Service Companies and new preservation of records requirements as new Parts 367 and 368, respectively, to the Commission's regulations; to add Form No. 60, Annual Report for Centralized Service Companies, as Part 369 to the Commission's regulations; to revise Form No. 60 to provide for financial reporting by centralized service companies, *i.e.*, service companies that are not special purpose companies, consistent with the proposed Uniform System of Accounts; and to provide for electronic filing of Form No. 60. The Commission also is proposing conforming changes to its regulations in Part 366 and corresponding changes to the Chief Accountant's delegations of authority in Part 375 of the Commission's regulations.[1] The Commission proposes to make the revised regulations effective January 1, 2007. In addition, the Commission directs staff to hold a technical conference to provide interested entities an opportunity to discuss the proposed regulations.

II. Background

2. On August 8, 2005, the Energy Policy Act of 2005 (EPAct 2005)[2] was signed into law. In relevant part, it repealed the Public Utility Holding Company Act of 1935 (PUHCA 1935)[3] and enacted the Public Utility Holding Company Act of 2005 (PUHCA 2005),[4] which, with one exception not relevant here, became effective on February 8, 2006 (six months from the date of enactment). On December 8, 2005, the Commission issued Order No. 667, adding a new Subchapter U and Part 366 to Title 18 of the *Code of Federal Regulations* to implement PUHCA 2005.[5]

3. Order No. 667 required that, unless otherwise exempted by Commission rule or order, holding companies[6] and service companies[7] must maintain and make available to the Commission their books and records.[8] In addition, Order No. 667 allowed holding companies and service companies that did not currently follow the Commission's records retention requirements to transition to the Commission's requirements by January 1, 2007. Order No. 667 further provided that holding companies would not be required to comply with a Uniform System of Accounts, but that centralized service companies would be required to do so as of January 1, 2007.

4. The Commission indicated in Order No. 667 that it would initiate a separate rulemaking proceeding to address how the Commission's Uniform Systems of Accounts and records retention requirements in Parts 101, 125, 201 and 225 of its regulations should be modified to adopt or otherwise integrate the relevant parts of the SEC's Uniform System of Accounts and records retention rules. The Commission indicated that it intended to issue a final rule on any appropriate accounting and records retention requirements modifications before January 1, 2007, so that service companies would be able to transition to the Commission's Uniform System of Accounts and records retention requirements and so that holding companies could transition to

[1] *See* 18 CFR Parts 366 and 375.

[2] Energy Policy Act of 2005, Pub. L. 109–58, 119 Stat. 594 (2005).

[3] 15 U.S.C. 79a *et seq.* (2000).

[4] EPAct 2005 at 1261 *et seq.*

[5] Order No. 667, 70 FR 75592 (Dec. 20, 2005), FERC Stats. & Regs.; Regulations and Preambles 2001–2005 ¶ 31,197 (2005), *order on reh'g*, Order No. 667–A, published elsewhere in this issue of the **Federal Register**, FERC Stats. & Regs. ¶ 31,213 (2006).

[6] As defined in 18 CFR 366.1, holding company means (i) any company that directly or indirectly owns, controls, or holds, with power to vote, 10 percent or more of the outstanding voting securities of a public-utility company or of a holding company of any public-utility company; and (ii) any person, determined by the Commission, after notice and opportunity for hearing, to exercise directly or indirectly (either alone or pursuant to an arrangement or understanding with one or more persons) such a controlling influence over the management or policies of any public-utility company or holding company as to make it necessary or appropriate for the rate protection of utility customers with respect to rates that such person be subject to the obligations, duties, and liabilities imposed by this subtitle upon holding companies.

[7] As defined in 18 CFR 366.1, service company means any associate company within a holding company system organized specifically for the purpose of providing non-power goods or services or the sale of goods or construction work to any public utility in the same holding company system.

[8] Order No. 667 also required traditional, centralized service companies to file the newly created Form No. 60, Annual Report for Centralized Service Companies.

the Commission's records retention requirements, by that date.

5. As discussed below, this Notice of Proposed Rulemaking proposes to adopt a Uniform System of Accounts for centralized service companies, and records retention requirements for holding companies and service companies, under PUHCA 2005.

III. Discussion

6. In Order No. 667, the Commission prescribed uniform accounting requirements for centralized service companies, *i.e.*, service companies that are not special purpose companies, within holding company systems, and records retention requirements for both service companies and holding companies. In that order, the Commission announced its intention to modify the existing Uniform Systems of Accounts for public utilities and licensees and natural gas companies in Parts 101 and 201, respectively, of the Commission's regulations to accommodate centralized service companies' use of those systems. The Commission also announced its intention to similarly modify the existing records retention requirements contained in Parts 125 and 225 of the Commission's regulations.

7. Since the issuance of Order No. 667, we have examined in greater depth some of the implementation issues associated with revising the Commission's existing Uniform Systems of Accounts and records retention requirements for public utilities and licensees and for natural gas companies to cover service companies and holding companies. After taking into consideration the overall framework of the Commission's regulations and the range of changes that would be required to the Uniform Systems of Accounts and records retention requirements, we have concluded that modifying the existing accounting and records retention requirements to accommodate service companies and holding companies would make understanding and applying the accounting and records retention requirements difficult for users of the systems. Instead, the Commission proposes to adopt a separate Uniform System of Accounts for centralized service companies, *i.e.*, service companies that are not special purpose companies, and separate records retention requirements for service companies and holding companies. While these new regulations appear lengthy, we believe the detail will actually make it simpler and easier for service companies and holding companies to comply with our requirements.

8. In developing the proposed regulations, we were guided by three overarching objectives: (1) The new accounting and records retention requirements should mirror the existing requirements contained in Parts 101, 201, 125 and 225 of the Commission's regulations for public utilities and licensees and natural gas companies to the maximum extent practicable, but should exclude provisions that are not relevant; (2) the new accounting requirements should allow for the consolidation of service company financial information with the financial information of associate public utilities and licensees and natural gas companies as needed for stockholder and SEC reporting; and (3) the new Uniform System of Accounts for centralized service companies should include requirements that reflect aspects of business operations that are unique to such service companies.

A. Proposed Uniform System of Accounts

9. The Commission proposes to add as Part 367 of the Commission's regulations a Uniform System of Accounts for Centralized Service Companies. The proposed Uniform System of Accounts for Centralized Service Companies conforms, to the maximum extent practicable, to the Commission's existing Uniform Systems of Accounts for public utilities and licensees and for natural gas companies as set forth in Parts 101 and 201, respectively, of the Commission's regulations. As explained more fully below, however, there are a number of instances in which the existing requirements contained in Parts 101 and 201 of the Commission's regulations need to be revised or modified to reflect the unique business characteristics of centralized service companies. In some instances, the revisions simply change a word, *e.g.*, substituting ''service company'' property for ''utility'' property.[9] In other instances, the changes were more significant. The sections that follow identify and explain the basis for the more significant revisions and modifications to the accounting requirements contained in Parts 101 and 201 of the Commission's regulations that we believe are appropriate or necessary to reflect the unique business characteristics of centralized service companies in the proposed Uniform System of Accounts for Centralized Service Companies.

[9] For purposes of discussion, when revisions to an instruction or account are limited to such word changes we consider it as adopting the affected instruction or account in total.

1. Definitions and Instructions

10. The Commission proposes to adopt most of the definitions contained in Parts 101 and 201 of the Commission's regulations. Additionally, the Commission proposes to adopt the definitions contained in the SEC's Uniform System of Accounts for direct cost, indirect cost, non-associate company, and work order system. The Commission also proposes to incorporate definitions for construction, electric utility company, gas utility company, goods, holding company system, natural gas company, public utility, public-utility company, service and service company from § 366.1 of the Commission's regulations. The definitions adopted from the SEC's Uniform System of Accounts and § 366.1 of the Commission's regulations are necessary to facilitate understanding other instructions not contained in Parts 101 and 201 of the Commission's regulations as they should be applied to centralized service companies, *i.e.*, service companies that are not special purpose companies.

11. Consistent with the instructions in Parts 101 and 201 of the Commission's regulations, we propose to adopt instructions grouped into four categories: General Instructions, Service Company Property Instructions, Operating Expense Instructions and Special Instructions. These instructions include most of the instructions contained in Parts 101 and 201 of the Commission's regulations and in the SEC's Uniform System of Accounts. We propose to adopt instructions in the SEC's Uniform System of Accounts because they provide instructions relevant to certain transactions and events of a centralized service company, that are not specifically addressed in the instructions for Parts 101 and 201 of the Commission's regulations. The instructions we propose to adopt in the Special Instructions category include many of the instructions for groups of accounts, which are embedded in the text to the accounts in Parts 101 and 201 of the Commission's regulations. Instructions not adopted from Parts 101 and 201 of the Commission's regulations and the SEC's Uniform System of Accounts are considered irrelevant to centralized service company operations or duplicative of other instructions. Additionally, many of the instructions from Parts 101 and 201 are modified for centralized service company operations. The more significant additions, deletions and modifications to the instructions contained in Parts 101 and 201 of the Commission's regulations are discussed below.

12. The instructions found in both Parts 101 and 201 of the Commission's regulations contain provisions for implementing the ratemaking principle of original cost. Under this principle, companies are required to record utility property in the plant in service accounts at the cost to the person who first devoted the property to public service. Although public utilities and natural gas companies frequently enter into property transactions in which the original cost concept is at issue, centralized service companies are expected to have few, if any, transactions in which that is the case. Moreover, centralized service companies can now provide centralized services to both utility and non-utility entities. In this context, the original cost accounting rules that exist for public utilities and natural gas companies would be difficult to apply to centralized service companies. Therefore, the proposed instructions in the Uniform System of Accounts for Centralized Service Companies do not contain the requirements that would otherwise be needed to implement the original cost concept. In proposed § 367.50,[10] Service company property to be recorded at cost, and § 367.53,[11] Service company property purchased or sold, we propose to modify Electric and Gas Plant Instructions Nos. 2 and 5, respectively, to require centralized service company property to be recorded at the cost of acquisition rather than its original cost. The instructions to proposed § 367.53 also require centralized service companies to file journal entries with the Commission when acquired property is at a purchase price of $10 million or more and has been previously devoted to public service.[12] This filing requirement provides the Commission and others the opportunity to monitor transactions involving property previously devoted to public service.

13. We propose to adopt in § 367.23 an instruction for transactions with non-associate companies from the SEC's Uniform System of Accounts (17 CFR § 265.01–2). This instruction requires that profits and losses on transactions with non-associate companies be recorded in Account 458.4, Excess or deficiency on servicing non-associate utility companies (§ 367.4584), and Account 459.4, Excess or deficiency on servicing non-associate non-utility companies (§ 367.4594), as appropriate. The instruction also requires centralized service companies to determine the sum of the closing balances, at the end of each calendar year, in Account 458.4 (§ 367.4584) and Account 459.4 (§ 367.4594). If the sum of the closing balances of these accounts combine to a net credit, the amount of the net credit must be deducted from amounts reimbursable by associate companies as compensation for use of capital invested in the centralized service company. By following this instruction, service companies will be required to channel net profits from transactions with non-associate companies to the associate companies within the holding company system. The Commission believes this requirement is appropriate and reasonable because centralized service companies should be not-for-profit in nature and provide services to associate companies at cost.[13] Therefore, profits received outside of the holding company system should be used to reduce the cost of providing service to associate companies within the holding company system.

14. We propose to adopt instructions from Parts 101 and 201 of the Commission's regulations on extraordinary items [14] with certain modifications in proposed § 367.8. Under the instructions contained in Parts 101 and 201, an item can be accounted for as extraordinary, without prior Commission approval if the item is more than five percent of income before extraordinary items. We do not view this stipulation as practical for centralized service companies because service companies typically have little or no income. Therefore, we propose to eliminate this threshold requirement to recognize an extraordinary item, but will require centralized service companies to seek Commission approval to record all extraordinary items.

15. In proposed § 367.16, we propose to adopt, in part, instructions for accounting for long-term debt from Parts 101 and 201 of the Commission's regulations.[15] We are not adopting instructions pertaining to the rate principle of amortizing gains and losses on the reacquisition of long-term debt because centralized service companies are not rate regulated and such gains and losses should be recognized immediately in income.

16. In proposed § 367.58, we propose to adopt instructions for maintaining a work order system for all construction and retirements of service company property from Parts 101 and 201 of the Commission's regulations.[16] Additionally, in proposed § 367.31, the Commission proposes to adopt instructions from the SEC's Uniform System of Accounts for maintaining work order systems for accumulating reimbursable costs and charges to customers.[17] The Commission believes it is necessary to adopt this additional instruction from the SEC's Uniform System of Accounts because this specific instruction is appropriate for this proposed Uniform System of Accounts and is not provided for in the instructions contained in Parts 101 and 201 of the Commission's regulations.

17. We note that there appears to be a regulatory gap vis-á-vis Commission jurisdiction as it relates to service companies with electric utility company affiliates and natural gas company affiliates in PUHCA 2005. As a result of the definitions for holding company, holding company system, natural gas company, public-utility company, electric utility company and gas utility company in PUHCA 2005 section 1262, it appears that the Commission can regulate holding companies with electric utility company affiliates as to their books, accounts, memoranda, and other records. On the other hand, it appears that PUHCA 2005 would not grant the Commission authority to require service companies that have only natural gas company affiliates to comply with the Commission's financial accounting and reporting and records retention requirements; this is in contrast to holding companies with gas utility company affiliates, *i.e.*, holding companies with natural gas local distribution company affiliates.[18]

[10] Proposed 18 CFR 367.50 is adopted from Electric Plant Instructions No. 2, Electric plant to be recorded at cost, and Gas Plant Instructions No. 2, Gas plant to be recorded at cost.

[11] Proposed 18 CFR 367.53 is adopted from Electric Plant Instructions No. 5, Electric plant purchased or sold, and Gas Plant Instructions No. 5, Gas plant purchased or sold.

[12] The $10 million threshold is consistent with the threshold for certain transactions subject to section 203 of the Federal Power Act, as amended by section 1289 of the Energy Policy Act of 2005. *See* Order No. 669, 71 FR 1348 (Jan. 6, 2006), FERC Stats. & Regs. ¶ 31,200 (2005).

[13] Not-for-profit as used here does not preclude a reasonable return on equity capital. In addition, in Order No. 667, the Commission allowed centralized service companies to continue to sell non-power goods and services to affiliated utilities ''at-cost.'' Order No. 667, FERC Stats. & Regs. ¶ 31,197 at P 14.

[14] *See* General Instructions No. 7, Extraordinary items, in Parts 101 and 201 of the Commission's regulations.

[15] *See* General Instructions No. 17, Long-term debt: Premium, discount and expense and gain or loss on reacquisition, in Parts 101 and 201 of the Commission's regulations.

[16] *See* Electric (Gas) Plant Instructions No. 11, Work order and property record system required in Parts 101 and 201 of the Commission's regulations.

[17] *See* 17 CFR 256.00–1(f), 256.03(c).

[18] In PUHCA 2005 section 1262, a holding company is any company that directly or indirectly owns, controls, or holds, with power to vote, 10 percent or more of the outstanding voting securities of a public-utility company or of a holding

Companies with only natural gas company affiliates would not be a holding company under PUHCA 2005. The Commission is seeking comments on how we should deal with this apparent regulatory gap under PUHCA 2005, *e.g.*, what, if any, action the Commission might take under the Natural Gas Act. Commenters are invited to address (1) whether there is, in fact, a regulatory gap, (2) if there is a regulatory gap, whether there is a need to address the gap, and, (3) if so, how the Commission should address this gap under the Natural Gas Act.

2. Balance Sheet Accounts

18. The Commission proposes to adopt in the new Uniform Systems of Accounts for Centralized Service Companies most of the balance sheet accounts contained in Parts 101 and 201 of the Commission's regulations, and primary property Accounts 301 (§ 367.3010), 303 (§ 367.3030) and 389 to 399.1 (§§ 367.3890 to 367.3991). Accounts not adopted are considered not applicable to centralized service companies. In most instances, the non-applicability of those accounts to centralized service companies is apparent from the account instructions and further discussion as to the reason for not adopting them is not necessary. However, a few warrant comment.

19. The Commission does not propose to adopt Accounts 102, Electric and Gas plant purchased or sold, 114, Electric and Gas plant acquisition adjustments, and 116, Other electric and gas plant acquisition adjustments, because, as discussed above, property acquired will be included in Account 101, Service company property (§ 367.1010), at acquisition cost as opposed to original cost. As a result, these accounts are not necessary for centralized service companies.

20. In addition, we are not adopting Accounts 118, Other utility plant, and 121, Non-utility property. These accounts are used by public utilities and natural gas companies to record the cost of property used exclusively in providing other utility services, *e.g.*, water, railway, etc., or non-utility services. In the Commission's view, the corollary use of these accounts by centralized service companies would be to record in these accounts the cost of property used exclusively in providing services to non-utility customers or a non-service business activity. While we believe it is important that such investments be identified and disclosed, we feel that it can be done more appropriately by the use of a schedule as opposed to adopting a separate account. Therefore, we propose to include Schedule III-A, Summary of Service Company Property and Accumulated Provision for Depreciation and Amortization, in revised Form No. 60.

3. Income Statement Accounts

21. The Commission proposes to incorporate income statement accounts contained in Parts 101 and 201 of the Commission's regulations. We modified the accounts related to expenses for non-utility companies[19] and revenue accounts. The additions, deletions and modifications to the income statement accounts contained in Parts 101 and 201 that are proposed for inclusion in the Uniform System of Accounts for Centralized Service Companies are discussed further below.

22. The Commission is proposing to include in the Uniform System of Accounts for Centralized Service Companies the same instructions covering income tax accounting presently contained in Parts 101 and 201 of the Commission's regulations. We are aware that those instructions need to be revised to reflect the liability method of accounting for income taxes that all other Commission jurisdictional companies now follow.[20] However, the changes needed to integrate the liability method of accounting for income taxes into the Uniform Systems of Accounts and other Commission regulations are expected to be complex and should be taken up in a separate proceeding.[21] Until that proceeding can be undertaken, centralized service companies and all other Commission jurisdictional companies should account for income taxes using the same rules as modified by an Accounting Guidance Letter dated April 23, 1993. This will, in our view, facilitate the preparation of consolidated financial statements.

23. We do not propose to include the following accounts, as contained in Parts 101 and 201 of the Commission's regulations, because we do not anticipate centralized service companies having transactions that give rise to the use of these accounts:

- Account 404.1, Amortization and depletion of producing natural gas land and land rights.
- Account 404.2, Amortization of underground storage land and land rights.
- Account 406, Amortization of electric plant acquisition adjustments.
- Account 407, Amortization of property losses, unrecovered plant and regulatory study costs.
- Account 407.2, Amortization of conversion expense.
- Account 407.3, Regulatory debits.
- Account 407.4, Regulatory credits.
- Account 411.6, Gains from disposition of utility plant.
- Account 411.7, Losses from disposition of utility plant.
- Account 411.8, Gains from disposition of allowances.
- Account 411.9, Losses from disposition of allowances.
- Account 412, Revenues from electric plant leased to others.
- Account 413, Expenses of electric plant leased to others.
- Account 414, Other utility operating income.
- Account 417, Revenues from non-utility operations.
- Account 418, Non-operating rental income.
- Account 420, Investment tax credits.
- Account 428.1, Amortization of loss on reacquired debt.
- Account 429.1, Amortization of gain on reacquired debt—Credit.

24. We propose to add Account 417.1, Expenses of non-utility company related operations (§ 367.4171). This account will include expenses incurred in providing services to non-utility companies where the revenues from which are included in Account 459, Services rendered to non-utility companies (§ 367.4590). Expenses related to providing customer, sales or administrative and general services to non-utility companies will initially be recorded in the 900 series of accounts and transferred to Account 417.1 (§ 367.4171), through credits to Account 922, Administrative expenses transferred—Credit (§ 367.9220). The cost of other services provided to non-utility companies will be charged directly to Account 417.1 (§ 367.4171).

25. We propose to add the following retained earnings accounts:

- Account 433, Balance transferred from income (§ 367.4330).
- Account 436, Appropriations of retained earnings (§ 367.4360).

company of any public utility company. A public-utility company is an electric utility company or a gas utility company. An electric utility company is any company that owns or operates facilities used for the generation, transmission, or distribution of electric energy for sale. A gas utility company is any company that owns or operates facilities used for distribution at retail of natural or manufactured gas, *i.e.*, a natural gas local distribution company.

[19] A non-utility company is defined in proposed 18 CFR § 367.1 as "a company that is not a utility company."

[20] *See* Accounting Guidance Letter AI93–50–000, Accounting for Income Taxes, (April 23, 1993).

[21] *Regulations Implementing Tax Normalization for Certain Items Reflecting Timing Differences in the Recognition of Expenses or Revenues for Ratemaking and Income Tax Purposes*, Order No. 144, FERC Stats. & Regs. ¶ 30,254 (1981).

• Account 437, Dividends declared-preferred stock (§ 367.4370).

• Account 438, Dividends declared—common stock (§ 367.4380).

• Account 439, Adjustments to retained earnings (§ 367.4390).

26. We propose to adopt retained earnings Accounts 215, Appropriated retained earnings (§ 367.2150), and 216, Unappropriated retained earnings (§ 367.2160), as balance sheet accounts to track changes in the retained earnings accounts. We also propose to revise Form No. 60 to reflect the use of these accounts.

27. We do not propose adopting the following operating revenue accounts, contained in Parts 101 and 201 of the Commission's regulations:

• Account 440, Residential sales.

• Account 442, Commercial and industrial sales.

• Account 444, Public street and highway lighting.

• Account 445, Other sales to public authorities (Major only).

• Account 446, Sales to railroads and railways (Major only).

• Account 447, Sales for resale.

• Account 448, Interdepartmental sales.

• Account 449, Other sales (Non-major only).

• Account 449.1, Provision for rate refunds.

• Account 450, Forfeited discounts.

• Account 451, Miscellaneous service revenues.

• Account 453, Sales of water and water power.

• Account 454, Rent from electric property.

• Account 455, Interdepartmental rents.

• Account 456, Other electric revenues.

• Account 480, Residential sales.

• Account 481, Commercial and industrial sales.

• Account 482, Other sales to public authorities.

• Account 483, Sales for resale.

• Account 484, Interdepartmental sales.

• Account 485, Intracompany transfers.

These accounts are for recording revenues from the sale of electricity or gas and transmission or transportation service. Transactions of this nature would not be entered into by centralized service companies. However, we propose to adopt new revenue control Accounts 457, Services rendered to associate utility companies (§ 367.4570), 458, Services rendered to non-associate utility companies (§ 367.4580) and 459, Services rendered to non-utility companies (§ 367.4590).[22] Each of these revenue control accounts will have a corresponding subaccount or direct labor account (Accounts 457.1, 458.1 and 459.1 in §§ 367.4571, 367.4581 and 367.4591), indirect labor account (Accounts 457.2, 458.2 and 459.2 in §§ 367.4572, 367.4582 and 367.4592) and an account for compensation for use of capital (Accounts 457.3, 458.3 and 459.3 in §§ 367.4573, 367.3593 and 367.4593). This differs slightly from the SEC's Uniform System of Accounts, which provided control accounts for aggregating revenues between associate and non-associate companies only. However, the SEC's requirements were developed under PUHCA 1935, which restricted registered holding companies and their associated companies to utility operations or directly related business interests. With the repeal of the PUHCA 1935 and the elimination of the distinction between registered and exempt holding companies,[23] these restrictions no longer apply. As a consequence, we expect that centralized service companies may provide an increasing amount of services to non-utility companies. As an aid to monitoring the potential for cross subsidization, we believe that it is important to have accounts that aggregate financial information in a way that separately identifies and measures this activity. We propose including revenue Accounts 458.4, Excess or deficiency on servicing non-associate utility companies (§ 367.4584, and 459.4, Excess or deficiency on servicing non-associate non-utility companies (§ 367.4594). These accounts are necessary to monitor and ensure that centralized service companies comply with the requirements that profits from services provided to non-associate companies are used to reduce the billings of associate companies and to ensure that losses are not automatically passed on to associate companies.

28. We propose to include in the Uniform System of Accounts for Centralized Service Companies all of the 500 series of electric operation and maintenance expense accounts presently contained in Part 101 of the Commission's regulations and all of the 800 series of gas operation and maintenance accounts contained in Part 201 of the Commission's regulations. Service companies use these accounts when providing utility-related services to utility companies. However, to avoid unnecessary duplication and to ensure that symmetry is maintained between the Uniform Systems of Accounts, we propose to direct service companies to use the 500 and 800 series of accounts contained in Parts 101 and 201 of the Commission's regulations instead of including all of the 500 and 800 series of accounts in the Uniform System of Accounts for Centralized Service Companies.

29. We propose to include in the Uniform System of Accounts for CentralizedService Companies all of the 900 series of expense accounts presently contained in Parts 101 and 201 of the Commission's regulations, except the following accounts:

• Account 906, Customer service and informational expenses (Non-major only).

• Account 917, Sales expenses (Non-major only).

• Account 927, Franchise requirements.

• Account 929, Duplicate charges—Credit.

• Account 933, Transportation expenses (Non-major)

Accounts 906, 917 and 933 are non-major. Accounts 927 and 929 relate to utility sales of electricity. We could not cross reference the 900 series accounts as we did for the 500 or 800 series of accounts because the individual account instructions in Part 101 differ from the counterpart instructions in Part 201. In order to eliminate confusion that might be caused by the differences, we modified the text of these accounts and propose to adopt them, as modified, as part of the Uniform System of Accounts for Centralized Service Companies.

B. Proposed Records Retention Requirements

30. The Commission proposes to establish, as Part 368 of the Commission's regulations, records retention requirements for holding companies and service companies. We stress that, consistent with Order No. 667, while the proposed Uniform System of Accounts applies only to centralized service companies, *i.e.*, service companies that are not special purpose companies, the proposed records retention requirements apply to all holding companies and service companies. The records retention requirements proposed generally are based on the requirements contained in §§ 125.3 and 225.3 of the Commission's regulations, with certain modifications considered appropriate for holding companies and service companies.

[22] A control account includes the total of the related subaccounts.

[23] Order No. 667 states, ''[a]lthough, as also discussed below, we will provide certain exemptions from PUHCA 2005, we will not re-create the PUHCA 1935 distinction between ''exempt'' and ''registered'' holding companies.'' Order No. 667, FERC Stats. & Regs. ¶ 31,197 at P 10.

These modifications implement reduced retention periods for certain holding company and service company records where the retention periods were longer under the SEC's requirements than the retention periods applicable to similar records in §§ 125.3 and 225.3 of the Commission's regulations. In addition, the modifications incorporate certain records retention requirements that were not part of the Commission's regulations in §§ 125.3 and 225.3 of the Commission's regulations.

31. To the extent that the Commission's retention periods differ from other regulatory agency requirements, holding companies and service companies should retain records for the longer of the required retention periods.

C. Proposed Statements of Reports (Schedules)

32. The Commission proposes to add as Part 369 of the Commission's regulations instructions for filing the Form No. 60. The instructions propose to require centralized service companies to prepare and file electronically with the Commission an annual report by April 18 for the previous calendar year. Also, the instructions require service companies that do not file Form No. 60 to file annually a narrative description of their functions.

D. Proposed Revised FERC Form No. 60

33. The proposed changes, if adopted, will require revising the existing schedules in the Form No. 60 filed with the Commission. Revised Form No. 60 is included in Appendix A to this Notice of Proposed Rulemaking. We plan to develop submission software to provide for electronic filing of revised Form No. 60 similar to the software used for electronic filing of the Commission's other annual reporting forms, *i.e.*, Form No. 1 and Form No. 2.

34. The proposed revisions to revised Form No. 60 include:

(1) The title of the form is changed to ''Annual Report of Centralized Service Companies''.

(2) The format of the schedules is revised consistent with Annual Report Form Nos. 1 and 2 (Form Nos. 1 and 2). Instructions have been added to schedules, where necessary, because they are non-existent in the current Form No. 60. A new cover page is added similar to the cover page for Form Nos. 1 and 2.

(3) Two instructional pages are added to replace existing instructions. This is consistent with Form Nos. 1 and 2. General Information Item No. III is added to indicate how Form No. 60 is to be submitted. General Instruction No. II is added to indicate that amounts should be reported in whole dollars. The current Form No. 60 instruction allows reporting in whole dollars, thousands of dollars and millions of dollars. This revision is necessary for consistency. General Instruction No. IV is added consistent with the adoption of submission software. General Instruction No. VII is added to indicate the process of how resubmissions are to be filed.

(4) Page 1 is revised consistent with Form Nos. 1 and 2 and a telephone number and an e-mail address for contact person designated to respond to questions about Form No. 60 has been added. There currently is no contact information except for a correspondence address. A Corporate Officer Certification has been added the same as for Forms 1 and 2 and the Signature Clause page has been deleted.

(5) The filing date for Form No. 60 is changed to April 18 from May 1. April 18 filing date is consistent with the due date for most of the Commission's annual report forms that contain financial information.

(6) Schedule I, Comparative Balance Sheet, is revised to include the balance sheet accounts proposed to be adopted herein.

(7) Schedule II, Service Company Property, is revised to include the property accounts proposed to be adopted in this NOPR.

(8) Schedule III–A, Summary of Service Company Property and Accumulated Provision for Depreciation and Amortization, is added to distinguish service company property devoted exclusively to utility-related operations and property devoted exclusively to non-utility operations.

(9) Schedule XI, Proprietary Capital, is revised to include a statement of retained earnings.

(10) Schedule XV, Comparative Income Statement, is revised to include the income statement accounts proposed to be adopted herein.

(11) Schedule XV–A, Schedule of Utility Company Operating Expenses is added to disclose operating expenses which were only summarized in Schedule XV, Comparative Income Statement.

(12) Schedule, Analysis of Billing Associate Companies—Account 457, is revised to only include associate utility companies. This is consistent with proposed Account 457.

(13) Schedule, Analysis of Billing Non-associate Companies—Account 458, is revised to only include non-associate utility companies. This is consistent with proposed Account 458.

(14) A new schedule, Analysis of Billing Non-Utility Companies—Account 459, is added to Form No. 60. This is consistent with proposed Account 459.

(15) Schedule XVI—Analysis of Charges for Service—Associate and Non-associate Companies, is revised to reflect the breakdown of utility companies and non-utility companies proposed for Accounts 457, 458 and 459.

(16) Schedule XVII, Expense Distribution by Department or Service Function, is revised by adding all income statement accounts.

D. Proposed Conforming Revisions to Parts 366 and 375

35. The Commission proposes to revise §§ 366.21(b), 366.22(a)(1) and (b)(1) and 366.23(a) of the Commission's regulations to conform to the new accounting, and records retention and reporting requirements proposed in this notice of proposed rulemaking.

36. The Commission also proposes to revise § 375.303(c), (d), (e), (f), (g) and (h) of the Commission's regulations to update the delegations to give to the Chief Accountant or the Chief Accountant's designee certain authorities related to service company financial accounting and reporting matters. These authorities are similar to those that the Chief Accountant has for public utilities and licensees, natural gas companies and oil pipeline companies.

E. Technical Conference

37. In addition to providing an opportunity to comment on the regulations proposed in this Notice of Proposed Rulemaking, the Commission directs staff to hold a technical conference regarding the proposed Uniform System of Accounts, the records retention requirements and revised Form No. 60 to provide interested entities an opportunity to discuss the proposed regulations following the close of the comment period for this Notice of Proposed Rulemaking. Entities are invited to include a separate list of subjects they would like discussed at this technical conference in their comments.[24]

[24] This technical conference is distinct from the technical conference announced in Order No. 667. This technical conference will address the specific details associated with the proposed Uniform System of Accounts, records retention requirements and revised Form No. 60. The conference announced in Order No. 667, on the other hand, will address other issues identified in the PUHCA 2005 and FPA section 203 final rules and rehearing orders on those rules.

IV. Information Collection Statement

38. The following collections of information contained in this proposed rule have been submitted to the Office of Management and Budget (OMB) for review under section 3507(d) of the Paperwork Reduction Act of 1995.[25] The Commission solicits comments on the Commission's need for this information, whether the information will have practical utility, the accuracy of the provided burden estimates, ways to enhance the quality, utility and clarity of the information to be collected or retained, and any suggested methods for minimizing respondents' burden, including the use of automated information techniques.

ESTIMATED ANNUAL BURDEN

Data collection	Number of respondents	Number of responses	Number of hours per response	Total annual hours
FERC form No. 60	38	38	10	380
FERC–555A (new)	300	.....	1,080	324,000
Totals	.....	.....	.....	324,380

Total Annual Hours for Collection (Reporting and Recordkeeping) = 324,380.

Information Collection Costs: The Commission seeks comments on the costs to comply with the requirements. It has projected the average annualized costs for all respondents to be the following:

FERC Form 60 = 380 hours at $120 an hour (an average of 3 staff at $40 an hour) = $45,600.

FERC–555A = The Commission projects an annualized average cost of all respondents as 324,000 hours at $68 an hour ($17 an hour, an average of 4 staff) = $22,032,000 (staffing) + $6,696,000 (storage) = $28,728,000. These costs assume that the average office storage space cost is $7,440 for retaining records on-site. (Usually records after the initial years are transferred to off-site where the storage costs drop to $925 (on average). As these requirements are being approved for an initial three year period, the assumption was made that during that period the records would be retained on-site.) These costs used as an example 120 cubic feet (20 four drawer file cabinets) and include the cubic feet of storage plus the cost of floor space plus the costs for records storage cartons. Greater savings can be accomplished if documents are stored electronically, *i.e.*, one file cabinet (four drawer) (10,000 pages on average) = 500 MegaBytes (MByte) = one CD ROM. The Commission seeks comments on the costs to comply with these requirements. Total costs (reporting and recordkeeping) = $9,908,880.

OMB regulations[26] require OMB to approve certain information collection requirements imposed by agency rule. The Commission is submitting notification of this proposed rule to OMB. These information collection requirements are mandatory requirements.

Title: Annual Report for Centralized Service Companies (Form No. 60) and Preservation of Records for Service Companies Subject to PUHCA 2005 (555A).

Action: Proposed Collections.

OMB Control Nos.: 1902–0215 (Form No. 60) and new FERC–555A (To Be Determined).

Respondents: Businesses or other for profit.

Frequency of Responses: Annually (Form No. 60) and recordkeeping (555A).

Necessity of the Information: This proposed rule implements certain provisions of Title XII of the Energy Policy Act of 2005, by adding financial accounting requirements and reporting by centralized service companies and the establishment of recordkeeping requirements for both holding companies and service companies. Section 1275(b) provides for Commission review and authorization of cost allocations for non-power goods or services provided by service companies. In Order No. 667, the Commission prescribed, for an initial transition period, uniform financial accounting and reporting requirements for centralized service companies' requirements within holding companies and record retention requirements for both service companies and holding companies and that the modification of the Commission's Uniform System of Accounts and records retention requirements would be implemented later. However, upon further review, the decision was made to implement a new Uniform System of Accounts and records retention requirements to ensure a smoother transition for service companies and holding companies. The Commission has developed standardized accounting rules. These rules, contained in the new Uniform System of Accounts for Centralized Service Companies, are generally consistent with the accounting standards that must be followed by commercial enterprises. Timely reporting of the information is critical to monitoring the industry to ensure that practices are not discriminatory and that appropriate rates are charged. The official records maintained by the regulated companies are in accordance with schedules already set by the Commission in its regulations and already used by companies as the basis for required filings and reports with the Commission. In addition, the records will be used by the Commission's audit staff during compliance reviews and special analyses as deemed necessary by the Commission. The additional financial transparency required by these requirements will aid the Commission in meeting its oversight and market monitoring obligations and will benefit the public both as ratepayers and investors.

Internal Review: The Commission has reviewed the proposed accounting and records retention requirements and made a preliminary determination that these requirements are necessary to implement Title XII of the Energy Policy Act of 2005. By adapting relevant parts of the SEC's Uniform System of Accounts and records retention rules to the Commission's Uniform System of Accounts and records retention requirements, facilitates the Commission's need to conduct examinations, audits and verification of this information for the protection of utility customers with respect to jurisdictional rates. These requirements conform to the Commission's plan for efficient information collection, communication and management within

[25] 44 U.S.C. 3507(d).

[26] 5 CFR 1320.11.

the energy industry. The Commission has assured itself, by means of internal review, that there is specific, objective support for the burden estimates associated with the information requirements.

Interested persons may obtain information on the reporting requirements by contacting the following: Federal Energy Regulatory Commission, 888 First Street, NE., Washington, DC 20426 [Attention: Michael Miller, Office of the Executive Director, Phone (202) 502–8415, fax: (202) 273–0873, e-mail: *michael.miller@ferc.gov*].

For submitting comments concerning the collection(s) of information and the associated burden estimate(s), please send your comments to the contact listed above and to the Office of Management and Budget, Office of Information and Regulatory Affairs, Washington, DC 20503 [Attention: Desk Officer for the Federal Energy Regulatory Commission, phone (202) 395–4650, fax: (202) 295–7285, e-mail: *oira_submission@omb.eop.gov*].

V. Environmental Analysis

39. The Commission is required to prepare an Environmental Assessment or an Environmental Impact Statement for any action that may have a significant adverse effect on the human environment.[27] The Commission has categorically excluded certain actions from this requirement as not having a significant effect on the human environment. Included in the exclusion are rules that carry out legislation, involve information gathering, analyses and dissemination, and involve accounting.[28] These proposed rules, if finalized, carry out EPAct 2005, involve information gathering and analysis, and involve accounting, and, therefore, fall under these exclusions. Consequently, no environmental consideration is necessary.

VI. Regulatory Flexibility Act Certification

40. The Regulatory Flexibility Act of 1980 (RFA) requires rulemakings to contain either a description and analysis of the effect that the rule will have on small entities or a certification that the rule will not have a significant economic impact on a substantial number of small entities.[29] Most holding companies to which the rules proposed herein, if finalized, would not fall within the RFA's definition of small entity.[30] Consequently, the rules proposed herein, if finalized, will not have a ''significant economic impact on a substantial number of small entities.''

VII. Comment Procedures

41. The Commission invites interested persons to submit comments on the matters and issues proposed in this notice to be adopted, including any related matters or alternative proposals that commenters may wish to discuss. Comments are due on or before June 15, 2006. Comments must refer to Docket No. RM06–11–000, and must include the commenter's name, the organization he or she represents, if applicable, and his or her address.

42. Comments may be filed electronically via the eFiling link on the Commission's website at *http://www.ferc.gov*. The Commission accepts most standard word processing formats, and commenters may attach additional files with supporting information in certain other file formats. Commenters filing electronically do not need to make a paper filing.

43. Commenters who are not able to file comments electronically must send an original and 14 copies of their comments to: Federal Energy Regulatory Commission, Office of the Secretary, 888 First Street, NE., Washington, DC 20426.

44. All comments will be placed in the Commission's public files and may be viewed, printed, or downloaded remotely as described in the Document Availability section below. Commenters on this notice of proposed rulemaking are not required to serve copies of their comments on other commenters.

VIII. Document Availability

45. In addition to publishing the full text of this document in the **Federal Register**, the Commission provides all interested persons an opportunity to view and/or print the contents of this document via the Internet through the Commission's home page *http://www.ferc.gov* and in the Commission's Public Reference Room during normal business hours (8:30 a.m. to 5 p.m. Eastern time) at 888 First Street, NE., Room 2A, Washington, DC 20426.

46. From the Commission's home page on the Internet, this information is available in the Commission's document management system, eLibrary. The full text of this document is available on eLibrary in PDF and Microsoft Word format for viewing, printing, and/or downloading. To access this document in eLibrary, type the docket number excluding the last three digits of this document in the docket number field.

47. User assistance is available for eLibrary and the Commission's website during normal business hours. For assistance, please contact FERC Online Support at 1–866–208–3676 (toll free) or 202–502–6652 (e-mail at *FERCOnlineSupport@ferc.gov*), or the Public Reference Room at 202–502–8371, TTY 202–502–8659 (e-mail at *public.referenceroom@ferc.gov*).

List of Subjects

18 CFR Part 366

Electric power, Natural gas, Reporting and recordkeeping requirements.

18 CFR Part 367

Electric power, Natural gas, Uniform System of Accounts, Reporting and recordkeeping requirements.

18 CFR Part 368

Electric power, Natural gas, Reporting and recordkeeping requirements.

18 CFR Part 369

Electric power, Natural gas, Reporting and recordkeeping requirements.

18 CFR Part 375

Authority delegations (Government agencies), Seals and insignia, Sunshine Act.

By direction of the Commission.

Magalie R. Salas,

Secretary.

In consideration of the foregoing, the Commission proposes to amend parts 366 and 375 and to add parts 367, 368 and 369, Chapter I, Title 18 of the *Code of Federal Regulations*, as follows:

PART 366—PUBLIC UTILITY HOLDING COMPANY ACT OF 2005

1. The authority citation for part 366 continues to read as follows:

Authority: Pub. L. 109–58, 1261 *et seq.*, 119 Stat. 594, 972 *et seq.*

2. In § 366.21, paragraph (b) is revised to read as follows:

[27] *Regulations Implementing the National Environmental Policy Act*, Order No. 486, 52 FR 47897 (Dec. 17, 1987), FERC Stats. & Regs. 1986–1990 ¶ 30,783 (1987).

[28] 18 CFR 380.4(a)(3), (a)(5), (a)(16).

[29] 5 U.S.C. 603 (2000).

[30] 5 U.S.C. 601(3)(2000), *citing* to section 3 of the Small Business Act, 15 U.S.C. 632 (2000). Section 3 of the Small Business Act defines a ''small business concern'' as a business that is independently owned and operated and that is not dominant in its field of operation. 15 U.S.C. 632 (2000). The Small Business Size Standards component of the North American Industry Classification System (NAICS) defines, for example, a small electric utility as one that, including its affiliates, is primarily engaged in the generation, transmission, and/or distribution of electric energy for sale and whose total electric output for the preceding fiscal year did not exceed four million MWh. NAICS defines a natural gas pipeline company as one that transports natural gas and whose annual receipts (total income plus cost of goods sold) did not exceed $6.5 million dollars for the preceding year. 13 CFR 121.201.

§ 366.21 Accounts and records for holding companies.

* * * * *

(b) Unless otherwise exempted or granted a waiver by Commission rule or order pursuant to §§ 366.3 and 366.4 of this chapter, beginning January 1, 2007, all holding companies must comply with the Commission's records retention requirements for holding companies and service companies as prescribed in part 368 of this chapter. Until December 31, 2006, holding companies registered under the Public Utility Holding Company Act of 1935 (15 U.S.C. 79a *et seq.*) may follow either the Commission's records retention rules for public utilities and licensees or for natural gas companies, as appropriate (parts 125 and 225 of this chapter), or the Securities and Exchange Commission's record retention rules in 17 CFR part 257.

* * * * *

3. In § 366.22, paragraphs (a)(1) and (b)(1) are revised to read as follows:

§ 366.22 Accounts and records of service companies.

(a) *Records retention requirements*—(1) *General.* Unless otherwise exempted or granted a waiver by Commission rule or order pursuant to §§ 366.3 and 366.4 of this chapter, beginning January 1, 2007, every service company must maintain and make available to the Commission such books, accounts, memoranda, and other records in such manner and preserve them for such periods as the Commission prescribes in part 368 of this chapter, in sufficient detail to permit examination, audit, and verification, as necessary and appropriate for the protection of utility customers with respect to jurisdictional rates.

* * * * *

(b) *Accounting requirements*—(1) *General.* Unless otherwise exempted or granted a waiver by Commission rule or order pursuant to §§ 366.3 and 366.4 of this chapter, beginning January 1, 2007, every centralized service company (See § 367.2 of this chapter) must maintain and make available to the Commission such books, accounts, memoranda, and other records as the Commission prescribes in part 367 of this chapter, in sufficient detail to permit examination, audit, and verification, as necessary and appropriate for the protection of utility customers with respect to jurisdictional rates. Every such service company must maintain and make available such books, accounts, memoranda, and other records in such manner as are prescribed in part 367 of this chapter, and must keep no other records with respect to the same subject matter except:

(i) Records other than accounts;

(ii) Records required by federal or state law;

(iii) Subaccounts or supporting accounts which are not inconsistent with the accounts required either by the Uniform System of Accounts for Centralized Service Companies in part 367 of this chapter; and

(iv) Any other accounts that may be authorized by the Commission.

* * * * *

4. In § 366.23, the section heading and paragraph (a) are revised to read as follows:

§ 366.23 FERC Form No. 60, Annual report of service companies, and FERC–61, Narrative description of service company functions.

(a) *General.* (1) FERC Form No. 60. Unless otherwise exempted or granted a waiver by Commission rule or order pursuant to §§ 366.3 and 366.4 of this chapter, every centralized service company (*See* § 367.2 of this chapter) in a holding company system must file with the Commission by May 1, 2006 and May 1, 2007, and by April 18 each year thereafter, an annual report, FERC Form No. 60, for the prior calendar year. Every report must be submitted on the FERC Form No. 60 then in effect and shall be prepared in accordance with the instructions incorporated in that form.

(2) FERC–61. Unless otherwise exempted or granted a waiver by Commission rule or order pursuant to §§ 366.3 and 366.4 of this chapter, every service company in a holding company system, including a special-purpose company (e.g., a fuel supply company or a construction company), that does not file a FERC Form No. 60 shall instead file with the Commission by April 18, 2007 and by April 18 each year thereafter, a narrative description, FERC–61, of the service company's functions during the prior calendar year. In complying with this section, a holding company may make a single filing on behalf of all such service company subsidiaries.

(3) For good cause shown, the Commission may extend the time within which any such report or narrative description required to be filed pursuant to paragraphs (a)(1) or (2) of this chapter is to be filed or waive the requirements applicable to any such report or narrative description.

* * * * *

5. Part 367 is added to read as follows:

PART 367—UNIFORM SYSTEM OF ACCOUNTS FOR CENTRALIZED SERVICE COMPANIES SUBJECT TO THE PROVISIONS OF PUCHA 2005

Subpart A—Definitions

Sec.

367.1 Definitions.

Subpart B—General Instructions

367.2 Companies for which this system of accounts is prescribed.
367.3 Records.
367.4 Numbering system.
367.5 Accounting period.
367.6 Submittal of questions.
367.7 Item list.
367.8 Extraordinary items.
367.9 Prior period items.
367.10 Unaudited items.
367.11 Distribution of pay and expenses of employees.
367.12 Payroll distribution.
367.13 Accounting to be on accrual basis.
367.14 Transactions with associate companies.
367.15 Contingent assets and liabilities.
367.16 Long-term debt: Premium, discount and expense, and gain or loss on reacquisition.
367.17 Comprehensive inter-period income tax allocation.
367.18 Criteria for classifying leases.
367.19 Accounting for leases.
367.20 Depreciation accounting.
367.22 Accounting for asset retirement obligations
367.23 Transactions with non-associate companies.
367.24 Construction and service contracts for other companies.
367.25 Determination of service cost.
367.26 Departmental classification.
367.27 Billing procedures.
367.28 Methods of allocation.
367.29 Compensation for use of capital.
367.30 Work order system for associate companies.

Subpart C—Service Company Property Instructions

367.50 Service company property to be recorded at cost.
367.51 Components of construction.
367.52 Overhead construction costs.
367.53 Service Company property purchased or sold.
367.54 Expenditures on leased property.
367.55 Land and land rights.
367.56 Structures and improvements.
367.57 Equipment.
367.58 Work order and property record system required for service company property.
367.59 Additions and retirements of property.

Subpart D—Operating Expense Instructions

367.80 Supervision and engineering.
367.81 Maintenance.
367.82 Rents.
367.83 Training costs.

Subpart E—Special Instructions

367.100 Accounts 131–174, Current and accrued assets.

367.101 Accounts 231–243, Current and accrued liabilities.
367.102 Accounts 408.1 and 408.2, Taxes other than income taxes.
367.103 Accounts 409.1, 409.2, and 409.3, Income taxes.
367.104 Accounts 410.1, 410.2, 411.1, and 411.2, Provision for deferred income taxes.
367.105 Accounts 411.4, and 411.5, Investment tax credit adjustments.
367.106 Accounts 426.1, 426.2, 426.3, 426.4, and 426.5, Miscellaneous expense accounts.

Subpart F—Balance Sheet Chart of Accounts

Service Company Property

367.1010 Account 101, Service company property.
367.1011 Account 101.1, Property under capital leases.
367.1070 Account 107, Construction work in progress.
367.1080 Account 108, Accumulated provision for depreciation of service company property.
367.1110 Account 111, Accumulated provision for amortization of service company property.
367.1230 Account 123, Investment in associate companies.
367.1240 Account 124, Other investments.
367.1280 Account 128, Other special funds.

Current and Accrued Assets

367.1310 Account 131, Cash.
367.1340 Account 134, Other special deposits.
367.1350 Account 135, Working funds.
367.1360 Account 136, Temporary cash investments.
367.1410 Account 141, Notes receivable.
367.1420 Account 142, Customer accounts receivable.
367.1430 Account 143, Other accounts receivable.
367.1440 Account 144, Accumulated provision for uncollectible accounts—Credit.
367.1450 Account 145, Notes receivable from associate companies.
367.1460 Account 146, Accounts receivable from associate companies.
367.1520 Account 152, Fuel stock expenses undistributed.
367.1540 Account 154, Materials and operating supplies.
367.1630 Account 163, Stores expense undistributed.
367.1650 Account 165, Prepayments.
367.1710 Account 171, Interest and dividends receivable.
367.1720 Account 172, Rents receivable.
367.1730 Account 173, Accrued revenues.
367.1740 Account 174, Miscellaneous current and accrued assets.

Deferred Debits

367.1810 Account 181, Unamortized debt expense.
367.1830 Account 183, Preliminary survey and investigation charges.
367.1840 Account 184, Clearing accounts.
367.1850 Account 185, Temporary facilities.
367.1860 Account 186, Miscellaneous deferred debits.
367.1880 Account 188, Research, development and demonstration expenditures.
367.1900 Account 190, Accumulated deferred income taxes.

Proprietary Capital

367.2010 Account 201, Common stock issued.
367.2040 Account 204, Preferred stock issued.
367.2110 Account 211, Miscellaneous paid-in-capital.
367.2150 Account 215, Appropriated retained earnings.
367.2160 Account 216, Unappropriated retained earnings.
367.2161 Account 216.1, Unappropriated undistributed subsidiary earnings.
367.2190 Account 219, Accumulated other comprehensive income.

Long-Term Debt

367.2230 Account 223, Advances from associate companies.
367.2240 Account 224, Other long-term debt.
367.2250 Account 225, Unamortized premium on long-term debt.
367.2260 Account 226, Unamortized discount on long-term debt—Debit.

Other Noncurrent Liabilities

367.2270 Account 227, Obligations under capital lease—Non-current.
367.2300 Account 230, Assets retirement obligations.

Current and Accrued Liabilities

367.2310 Account 231, Notes payable.
367.2320 Account 232, Accounts payable.
367.2330 Account 233, Notes payable to associate companies.
367.2340 Account 234, Accounts payable to associate companies.
367.2360 Account 236, Taxes accrued.
367.2370 Account 237, Interest accrued.
367.2380 Account 238, Dividends declared.
367.2410 Account 241, Tax collections payable.
367.2420 Account 242, Miscellaneous current and accrued liabilities.
367.2430 Account 243, Obligations under capital leases—Current.

Deferred Credits

367.2530 Account 253, Other deferred credits.
367.2550 Account 255, Accumulated deferred investment tax credits.
367.2820 Account 282, Accumulated deferred income taxes—Other property.
367.2830 Account 283, Accumulated deferred income taxes—Other

Subpart G—Service Company Property Chart of Accounts

367.3010 Account 301, Organization.
367.3030 Account 303, Miscellaneous intangible property.
367.3890 Account 389, Land and land rights.
367.3900 Account 390, Structures and improvements.
367.3910 Account 391, Office furniture and equipment.
367.3920 Account 392, Transportation equipment.
367.3930 Account 393, Stores equipment.
367.3940 Account 394, Tools, shop and garage equipment.
367.3950 Account 395, Laboratory equipment.
367.3960 Account 396, Power operated equipment.
367.3970 Account 397, Communication equipment.
367.3980 Account 398, Miscellaneous equipment.
367.3990 Account 399, Other tangible property.
367.3991 Account 399.1, Asset retirement costs for service company property.

Subpart H—Income Statement Chart of Accounts

Service Company Operating Income

367.4000 Account 400, Operating revenues.
367.4010 Account 401, Operation expense.
367.4020 Account 402, Maintenance expense.
367.4030 Account 403, Depreciation expense.
367.4031 Account 403.1, Depreciation expense for asset retirement costs.
367.4040 Account 404, Amortization of limited-term property.
367.4050 Account 405, Amortization of other property.
367.4081 Account 408.1, Taxes other than income taxes, operating income.
367.4082 Account 408.2, Taxes other than income taxes, other income and deductions.
367.4091 Account 409.1, Income taxes, operating income.
367.4092 Account 409.2, Income taxes, other income and deductions.
367.4093 Account 409.3, Income taxes, extraordinary items.
367.4101 Account 410.1, Provision for deferred income taxes, operating income.
367.4102 Account 410.2, Provision for deferred income taxes, other income and deductions.
367.4111 Account 411.1, Provision for deferred income taxes—Credit, operating income.
367.4112 Account 411.2, Provision for deferred income taxes—Credit, other income and deductions.
367.4114 Account 411.4, Investment tax credit adjustments, service company property.
367.4115 Account 411.5, Investment tax credit adjustments, other.
367.4116 Account 411.10, Accretion expense.
367.4150 Account 415, Revenues from merchandising, jobbing and contract work.
367.4160 Account 416, Costs and expenses of merchandising, jobbing and contract work.
367.4171 Account 417.1, Expenses of non-utility related operations.
367.4181 Account 418.1, Equity in earnings of subsidiary companies.
367.4190 Account 419, Interest and dividend income.
367.4191 Account 419.1, Allowance for other funds used during construction.

367.4210 Account 421, Miscellaneous income or loss.
367.4211 Account 421.1, Gain on disposition of property.
367.4212 Account 421.2, Loss on disposition of property.
367.4250 Account 425, Miscellaneous amortization.
367.4261 Account 426.1, Donations.
367.4262 Account 426.2, Life insurance.
367.4263 Account 426.3, Penalties.
367.4264 Account 426.4, Expenditures for certain civic, political and related activities.
367.4265 Account 426.5, Other deductions.
367.4270 Account 427, Interest on long-term debt.
367.4280 Account 428, Amortization of debt discount and expense.
367.4290 Account 429, Amortization of premium on debt—Credit.
367.4300 Account 430, Interest on debt to associate companies.
367.4310 Account 431, Other interest expense.
367.4320 Account 432, Allowance for borrowed funds used during construction—Credit.

Subpart I—Retained Earnings Accounts

367.4330 Account 433, Balance transferred from income.
367.4340 Account 434, Extraordinary income.
367.4350 Account 435, Extraordinary deductions.
367.4360 Account 436, Appropriations of retained earnings.
367.4370 Account 437, Dividends declared—preferred stock.
367.4380 Account 438, Dividends declared—common stock.
367.4390 Account 439, Adjustments to retained earnings.

Subpart J—Operating Revenue Chart of Accounts

367.4570 Account 457, Services rendered to associate utility companies.
367.4571 Account 457.1, Direct costs charged to associate utility companies.
367.4572 Account 457.2, Indirect costs charged to associate utility companies.
367.4573 Account 457.3, Compensation for use of capital—associate utility companies.
367.4580 Account 458, Services rendered to non-associate utility companies.
367.4581 Account 458.1, Direct costs charged to non-associate utility companies.
367.4582 Account 458.2, Indirect costs charged to non-associate utility companies.
367.4583 Account 458.3, Compensation for use of capital—Non-associate utility companies.
367.4584 Account 458.4, Excess or deficiency on servicing non-associate utility companies.
367.4590 Account 459, Services rendered to non-utility companies.
367.4591 Account 459.1, Direct costs charged to non-utility companies.
367.4592 Account 459.2, Indirect costs charged to non-utility companies.
367.4593 Account 459.3, Compensation for use of capital—non-utility companies.
367.4594 Account 459.4, Excess or deficiency on servicing non-associate utility companies.

Subpart K—Operation and Maintenance Expense Chart of Accounts

367.5000 Accounts 500–598, Electric operation and maintenance accounts.
367.8000 Accounts 800–894, Gas operation and maintenance accounts.
367.9010 Account 901, Supervision.
367.9020 Account 902, Meter reading expenses.
367.9030 Account 903, Customer records and collection expenses.
367.9040 Account 904, Uncollectible accounts.
367.9050 Account 905, Miscellaneous customer accounts expenses.
367.9070 Account 907, Supervision.
367.9080 Account 908, Customer assistance expenses.
367.9090 Account 909, Informational and instructional advertising expenses.
367.9100 Account 910, Miscellaneous customer service and informational expenses.
367.9110 Account 911, Supervision.
367.9120 Account 912, Demonstrating and selling expenses.
367.9130 Account 913, Advertising expenses.
367.9160 Account 916, Miscellaneous sales expenses.
367.9200 Account 920, Administrative and general salaries.
367.9210 Account 921, Office supplies and expenses.
367.9220 Account 922, Administrative expenses transferred—Credit.
367.9230 Account 923, Outside services employed.
367.9240 Account 924, Property insurance.
367.9250 Account 925, Injuries and damages.
367.9260 Account 926, Employee pensions and benefits.
367.9280 Account 928, Regulatory commission expense.
367.9301 Account 930.1, General advertising expenses.
367.9302 Account 930.2, Miscellaneous general expenses.
367.9310 Account 931, Rents.
367.9350 Account 935, Maintenance of structures and equipment.

Authority: 42 U.S.C. 16451–16463.

Subpart A—Definitions

§ 367.1 Definitions.

(a) When used in this system of accounts:

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

(2) *Actually issued*, as applied to securities issued or assumed by the service companies, means 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.

(3) *Actually outstanding*, as applied to securities issued or assumed by the service company, means those which have been actually issued and are neither retired nor held by or for the service company; provided, however, that securities held by trustees must be considered as actually outstanding.

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

(5) *Associate company* means any company in the same holding company system with such company.

(6) *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.

(7) *Commission* means the Federal Energy Regulatory Commission.

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

(9) *Construction*, when used in the context of a service provided to other companies, means any construction, extension, improvement, maintenance, or repair of the facilities or any part thereof of a company, which is performed for a charge.

(10) *Cost* means 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, the value of such consideration must be determined on a cash basis.

(11) *Cost of removal* means the cost of demolishing, dismantling, tearing down or otherwise removing service property, 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* General Instructions in § 367.22).

(12) *Debt expense* means all expenses in connection with the issuance and initial sale of evidences of debt, such as fees for drafting mortgages and trust deeds; fees and taxes for issuing or recording evidences of debt; cost of engraving and printing bonds and certificates of indebtedness; fees paid trustees; specific costs of obtaining governmental authority; fees for legal services; fees and commissions paid underwriters, brokers, and salesmen for

marketing such evidences of debt; fees and expenses of listing on exchanges; and other like costs.

(13) *Depreciation*, as applied to depreciable service company property, means the loss in service value not restored by current maintenance. Among the causes to be used as consideration for causes of loss in service value are wear and tear, decay, action of the elements, inadequacy, obsolescence, changes in the art, changes in demand and requirements of public authorities.

(14) *Direct cost* includes the labor costs 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 must be classified as direct costs.

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

(16) *Electric utility company* means any company that owns or operates facilities used for the generation, transmission, or distribution of electric energy for sale. For the purposes of this subchapter, ''electric utility company'' shall not include entities that engage only in marketing of electric energy.

(17) *Gas utility company* means any company that owns or operates facilities used for distribution at retail (other than the distribution only in enclosed portable containers or distribution to tenants or employees of the company operating such facilities for their own use and not for resale) of natural or manufactured gas for heat, light, or power. For the purposes of this subchapter, ''gas utility company'' shall not include entities that engage only in marketing of natural and manufactured gas.

(18) *Goods* means any goods, equipment (including machinery), materials, supplies, appliances, or similar property (including coal, oil, or steam, but not including electric energy, natural or manufactured gas, or utility assets) which is sold, leased, or furnished, for a charge.

(19) *Holding company*—(i) *In general*. The term ''holding company'' means—

(A) Any company that directly or indirectly owns, controls, or holds, with power to vote, 10 percent or more of the outstanding voting securities of a public-utility company or of a holding company of any public-utility company; and

(B) Any person, determined by the Commission, after notice and opportunity for hearing, to exercise directly or indirectly (either alone or pursuant to an arrangement or understanding with one or more persons) such a controlling influence over the management or policies of any public-utility company or holding company as to make it necessary or appropriate for the rate protection of utility customers with respect to rates that such person be subject to the obligations, duties, and liabilities imposed by this subchapter upon holding companies.

(ii) *Exclusions*. The term ''holding company'' must not include—

(A) A bank, savings association, or trust company, or their operating subsidiaries that own, control, or hold, with the power to vote, public utility or public utility holding company securities so long as the securities are—

(*1*) Held as collateral for a loan;

(*2*) Held in the ordinary course of business as a fiduciary; or

(*3*) Acquired solely for purposes of liquidation and in connection with a loan previously contracted for and owned beneficially for a period of not more than two years; or

(B) A broker or dealer that owns, controls, or holds with the power to vote public utility or public utility holding company securities so long as the securities are—

(*1*) Not beneficially owned by the broker or dealer and are subject to any voting instructions which may be given by customers or their assigns; or

(*2*) Acquired in the ordinary course of business as a broker, dealer, or underwriter with the bona fide intention of effecting distribution within 12 months of the specific securities so acquired.

(20) *Holding company system* means a holding company, together with its subsidiary companies.

(21) *Indirect cost* includes the 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 must be accumulated on a departmental basis.

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

(23) *Lease, capital* means a lease of property used by the service company, which meets one or more of the criteria stated in General Instructions in § 367.18.

(24) *Lease, operating* means a lease of property used by a service company, which does not meet any of the criteria stated in General Instructions in § 367.18.

(25) *Minor items of property* means the associated parts or items of which retirement units are composed.

(26) *Natural gas company* means a person engaged in the transportation of natural gas in interstate commerce or the sale of such gas in interstate commerce for resale.

(27) *Net salvage value* means the salvage value of property retired less the cost of removal.

(28) *Nominally issued*, as applied to securities issued or assumed by the service company, means those which have been signed, certified, or otherwise executed, and placed with the proper officer for sale and delivery, or pledged, or otherwise placed in some special fund of the service company, but which have not been sold, or issued direct to trustees of sinking funds in accordance with contractual requirements.

(29) *Nominally outstanding*, as applied to securities issued or assumed by the service company, means those which, after being actually issued, have been reacquired by or for the service company under circumstances which require them to be considered as held alive and not retired, provided, however, that securities held by trustees must be considered as actually outstanding.

(30) *Non-associate companies* means a person, partnership, organization, government body or company which is not a member of the holding company system.

(31) *Non-utility company* means a company that is not a utility company.

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

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

(34) *Public utility* means any person who owns or operates facilities used for transmission of electric energy in interstate commerce or sales of electric energy at wholesale in interstate commerce.

(35) *Public-utility company* means an electric utility company or gas utility company.

(36) *Replacing or replacement*, when not otherwise indicated in the context, means the construction or installation of service property in place of property retired, together with the removal of the property retired.

(37) *Research, development, and demonstration* (RD&D) means expenditures incurred by a service company, for the service company or on behalf of others, either directly or through another person or organization (such as 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. When conducted on behalf of an associate or non-associate utility company such research, development, and demonstration costs should be reasonably related to the existing or future business of such company. The term includes, but is not limited to: all the 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 or substitute or synthetic gas supplies (alternate fuel sources, for example, an experimental coal gasification plant or an experimental plant synthetically producing gas from liquid hydrocarbons); 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 or pipeline gas 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; consumer surveys, advertising, promotions, or items of a like nature.

(38) *Retained earnings* means the accumulated net income of the service company less distribution to stockholders and transfers to other capital accounts.

(39) *Retirement units* means those items of property which, when retired, with or without replacement, are accounted for by crediting the book cost of the retirement units to the property account in which it is included.

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

(41) *Service* means any managerial, financial, legal, engineering, purchasing, marketing, auditing, statistical, advertising, publicity, tax, research, or any other service (including supervision or negotiation of construction or of sales), information or data, which is sold or furnished for a charge.

(42) *Service company* means any associate company within a holding company system organized specifically for the purpose of providing non-power goods or services or the sale of goods or construction work to any public utility in the same holding company system.

(43) *Service cost* means the total of direct and indirect costs incurred to provide a service to an associate or non-associate company which are properly charged to expense by the service company.

(44) *Service life* means the time between the date property is placed in service, or property is leased to others, and the date of its retirement. If depreciation is accounted for on a production basis rather than on a time basis, then service life should be measured in terms of the appropriate unit of production.

(45) *Service value* means the difference between the cost and net salvage value of service property.

(46) *State commission* means any commission, board, agency, or officer, by whatever name designated, of a State, municipality, or other political subdivision of a State that, under the laws of such State, has jurisdiction to regulate public-utility companies.

(47) *Uniform System of Accounts* means the Uniform System of Accounts for Centralized Service Companies prescribed in this part, as amended from time to time.

(48) *Utility company* means a public-utility company or natural gas company whose rates are regulated by the Commission, state commission or other similar regulatory body.

(49) *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 non-associate companies.

Subpart B—General Instructions

§ 367.2 Companies for which this system of accounts is prescribed.

(a) This Uniform System of Accounts applies to any centralized service company operating, or organized specifically to operate, within a holding company system for the purpose of providing non-power services to any public utility in the same holding company system. A centralized service company is not a special-purpose company (e.g., a fuel supply company or a construction company), but rather is a service company that provides services such as administrative, managerial, financial, accounting, recordkeeping, legal or engineering services, which are sold, furnished, or otherwise provided (typically for a charge) to other companies in the same holding company system. To the extent that the term service company is used in this Uniform System of Accounts, it applies only to centralized service companies.

(b) This Uniform System of Accounts is not applicable to:

(1) Service companies that are specifically organized as a special-purpose company such as a fuel supply company or a construction company.

(2) Electric or gas utility companies.

(3) Companies primarily engaged:

(i) In the production of goods, including exploration and development of fuel resources,

(ii) In the provision of water, telephone, or similar services, the sale of which is normally subject to public rate regulation,

(iii) In the provision of transportation, whether or not regulated, or

(iv) In the ownership of property, including leased property and fuel reserves, for the use of associate companies.

(4) A service company that provides services exclusively to a local gas distribution company.

§ 367.3 Records.

(a) Each service company must keep its books of account, and all other books, records, and memoranda that support the entries in the books of account, so as to be able to furnish full information on any item included in any account. Each entry must be supported by sufficient detailed information that will permit ready identification, analysis, and verification of all facts relevant and related to the records.

(b) The books and records referred to in this part include not only accounting

records in a limited technical sense, but all other records, such as minutes books, stock books, reports, correspondence, and memoranda, that may be useful in developing the history of or facts regarding any transaction.

(c) No service company may destroy any books or records unless the destruction is permitted by the rules and regulations of the Commission.

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

(e) The arrangement or sequence of the accounts prescribed in this part must not be controlling as to the arrangement or sequence in report forms that may be prescribed by the Commission.

§ 367.4 Numbering system.

(a) The account numbering plan used in this part consists of a system of three-digit whole numbers as follows:

(1) 100–199, Assets and other debits.

(2) 200–299, Liabilities and other credits.

(3) 300–399, Property accounts.

(4) 400–432 and 434–435, Income accounts.

(5) 433, 436 and 439, Retained earnings accounts.

(6) 457–459, Revenue accounts.

(7) 500–599, Electric operating expenses.

(8) 800–894, Gas operating expenses.

(9) 900–949, Customer accounts, customer service and informational, sales, and general and administrative expenses.

(b) The numbers prefixed to account titles are to be considered as parts of the titles. Each service company, however, may adopt for its own purposes a different system of account numbers (*See also* General Instructions in § 367.3(d)) provided that the numbers prescribed in this part must appear in the descriptive headings of the ledger accounts and in the various sources of original entry; however, if a service company uses a different system of account numbers and it is not practicable to show the prescribed account numbers in the various sources of original entry, the reference to the prescribed account numbers may be omitted from the various sources of original entry. Each service company using different account numbers for its own purposes must keep readily available a list of the account numbers that it uses and a reconciliation of those account numbers with the account numbers provided in this part. It is intended that the service company's records must be kept so as to permit ready analysis by prescribed accounts (by direct reference to sources of original entry to the extent practicable) and to permit preparation of financial and operating statements directly from the records at the end of each accounting period according to the prescribed accounts.

§ 367.5 Accounting period.

Each service company must keep its books on a monthly basis so that for each month all transactions applicable to the account, as nearly as may be ascertained, must be entered in the books of the service company. Amounts applicable or assignable to a single or group of associate and non-associate companies must be segregated monthly. Each service company must close its books at the end of each calendar year unless otherwise authorized by the Commission.

§ 367.6 Submittal of questions.

To maintain uniformity of accounting, service companies must submit questions of doubtful interpretation to the Commission for consideration and decision.

§ 367.7 Item list.

Lists of items appearing in the texts of the accounts or elsewhere in this part are for the purpose of indicating clearly the application of the prescribed accounting. The lists are intended to be representative, but not exhaustive. The appearance of an item in a list warrants the inclusion of the item in the account mentioned only when the text of the account also indicates inclusion inasmuch as the same item frequently appears in more than one list. The proper entry in each instance must be determined by the texts of the accounts.

§ 367.8 Extraordinary items.

Those items related to the effects of events and transactions that have occurred during the current period and that are of an unusual nature and infrequent occurrence must be considered extraordinary items. Accordingly, there will be events and transactions of significant effect that are abnormal and significantly different from the ordinary and typical activities of the service company, and that would not reasonably be expected to recur in the foreseeable future. In determining significance, items must be considered individually and not in the aggregate. However, the effects of a series of related transactions arising from a single specific and identifiable event or plan of action should be considered in the aggregate. For an item to be recognized as extraordinary, Commission approval must be obtained. (*See* Accounts 434 and 435 in §§ 367.4340 and 367.4350.)

§ 367.9 Prior period items.

(a) Items of profit and loss related to the following must be accounted for as prior period adjustments and excluded from the determination of net income for the current year:

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

(2) Adjustments that result from realization of income tax benefits of pre-acquisition operating loss carry forwards of purchased subsidiaries.

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

§ 367.10 Unaudited items.

Whenever a financial statement is required by the Commission, if it is known that a transaction has occurred that affects the accounts but the amount involved in the transaction and its effect upon the accounts cannot be determined with absolute accuracy, the amount must be estimated and the estimated amount included in the proper accounts. The service company is not required to anticipate minor items that would not appreciably affect the accounts.

§ 367.11 Distribution of pay and expenses of employees.

The charges to property, operating expense and other accounts for services and expenses of employees engaged in activities chargeable to various accounts, such as construction, maintenance, and operations, must be based upon the actual time engaged in the respective classes of work, or an appropriate allocation method.

§ 367.12 Payroll distribution.

Underlying accounting data must be maintained so that the distribution of the cost of labor charged direct to the various accounts will be readily available. The underlying data must permit a reasonably accurate distribution to be made of the cost of labor charged initially to clearing accounts so that the total labor cost may be classified among construction, cost of removal, operating functions.

§ 367.13 Accounting to be on accrual basis.

(a) The service company is required to keep its accounts on the accrual basis. This requires the inclusion in its accounts of all known transactions of appreciable amount that affect the accounts. If bills covering the transactions have not been received or

rendered, the amounts must be estimated and appropriate adjustments made when the bills are received. When the amount is ascertained, the necessary adjustments must 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 must be adjusted through the current accounts. The service company is not required to anticipate minor items which would not appreciably affect these accounts.

(b) When payments are made in advance for items such as insurance, rents, taxes or interest, the amount applicable to future periods must be charged to account 165, Prepayments (§ 367.1650), and spread over the periods to which they are applicable by credits to account 165 (§ 367.1650), and charges to the accounts appropriate for the expenditure.

§ 367.14 Transactions with associate companies.

Each service company must keep its accounts and records so as to be able to furnish accurately and expeditiously statements of all transactions with associate companies. The statements may be required to show the general nature of the transactions, the amounts involved in the transactions and the amounts included in each account prescribed in this part with respect to such transactions. Transactions with associate companies must be recorded in the appropriate accounts for transactions of the same nature. Nothing contained in this part, however, must be construed as restraining the service company from subdividing accounts for the purpose of recording separately transactions with associate companies.

§ 367.15 Contingent assets and liabilities.

Contingent assets represent a possible source of value to the service company contingent upon the fulfillment of conditions regarded as uncertain. Contingent liabilities include items that, under certain conditions, may become obligations of the service company but that are neither direct nor assumed liabilities at the date of the balance sheet. The service company must be prepared to give a complete statement of significant contingent assets and liabilities (including cumulative dividends on preference stock) in its annual report and at such other times as may be requested by the Commission.

§ 367.16 Long-term debt: Premium, discount and expense, and gain or loss on reacquisition.

(a) A separate premium, discount and expense account must be maintained for each class and series of long-term debt (including receivers' certificates) issued or assumed by the service company. The premium must be recorded in account 225, Unamortized premium on long-term debt (§ 367.2250), the discount must be recorded in account 226, Unamortized discount on long-term debt—Debit (§ 367.2260), and the expense of issuance must be recorded in account 181, Unamortized debt expense (§ 367.1810). The premium, discount and expense must be amortized over the life of the respective issues under a plan that will distribute the amounts equitably over the life of the securities. The amortization must be on a monthly basis, and the amounts relating to discounts and expenses must be charged to account 428, Amortization of debt discount and expense (§ 367.4280). The amounts relating to premiums must be credited to account 429, Amortization of premium on debt—Credit (§ 367.4290).

(b) When long-term debt is reacquired the difference between the amount paid upon reacquisition of any long-term debt and the face value, adjusted for unamortized discount, expenses or premium, as the case may be, applicable to the debt redeemed must be recognized currently in income and recorded in account 421, Miscellaneous income or loss (§ 367.4210), or account 426.5, Other deductions (§ 367.4265).

§ 367.17 Comprehensive inter-period income tax allocation.

(a) Where there are timing differences between the periods in which transactions affect taxable income and the periods in which they enter into the determination of pretax accounting income, the income tax effects of such transactions are to be recognized in the periods in which the differences between book accounting income and taxable income arise and in the periods in which the differences reverse using the deferred tax method. In general, comprehensive inter-period tax allocation should be followed whenever transactions enter into the determination of pretax accounting income for the period even though some transactions may affect the determination of taxes payable in a different period, as further qualified in this section.

(b) Once comprehensive inter-period tax allocation has been initiated, either in whole or in part, it must be practiced on a consistent basis and must not be changed or discontinued without prior Commission approval.

(c) Tax effects deferred currently will be recorded as deferred debits or deferred credits in accounts 190, Accumulated deferred income taxes (§ 367.1900), 282, Accumulated deferred income taxes—Other property (§ 367.2820), and 283, Accumulated deferred income taxes—Other (§ 367.2830), as appropriate. The resulting amounts recorded in these accounts must be disposed of as prescribed in this system of accounts or as otherwise authorized by the Commission.

§ 367.18 Criteria for classifying leases.

(a) If, at its inception, a lease meets one or more of the following criteria, the lease must be classified as a capital lease. Otherwise, it must be classified as an operating lease.

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

(2) The lease contains a bargain purchase option.

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

(4) The present value at the beginning of the lease term of the minimum lease payments, excluding that portion of the payments representing executory costs such as insurance, maintenance, and taxes to be paid by the lessor, including any related profit, equals or exceeds 90 percent of the excess of the fair value of the leased property to the lessor at the inception of the lease over any related investment tax credit retained by the lessor and expected to be realized by the lessor. However, if the beginning of the lease term falls within the last 25 percent of the total estimated economic life of the leased property, including earlier years of use, this criterion must not be used for purposes of classifying the lease. The lessee must compute the present value of the minimum lease payments using its incremental borrowing rate, unless:

(i) It is practicable for the company to learn the implicit rate computed by the lessor, and

(ii) The implicit rate computed by the lessor is less than the lessee's incremental borrowing rate.

(iii) If both of those conditions are met, the lessee must use the implicit rate.

(b) If, at any time, the lessee and lessor agree to change the provisions of the lease, other than by renewing the lease would have resulted in a different classification of the lease under the criteria in paragraph (a) of this section had the changed terms been in effect at the inception of the lease, the revised

agreement must be considered as a new agreement over its term, and the criteria in paragraph (a) of this section must be applied for purposes of classifying the new lease. Likewise, any action that extends the lease beyond the expiration of the existing lease term, such as the exercise of a lease renewal option other than those already included in the lease term, must be considered as a new agreement and must be classified according to the criteria in paragraph (a) of this section. Changes in estimates (for example, changes in estimates of the economic life or of the residual value of the leased property) or changes in circumstances (for example, default by the lessee) must not give rise to a new classification of a lease for accounting purposes.

§ 367.19 Accounting for leases.

(a) All leases must be classified as either capital or operating leases.

(b) The service company must record a capital lease as an asset in account 101.1, Property under capital leases (§ 367.1011) and an obligation in account 227, Obligations under capital leases—Non-current (§ 367.2270), or account 243, Obligations under capital leases—Current (§ 367.2430), at an amount equal to the present value at the beginning of the lease term of minimum lease payments during the lease term, excluding that portion of the payments representing executory costs such as insurance, maintenance, and taxes to be paid by the lessor, together with any related profit. However, if the determined amount exceeds the fair value of the leased property at the inception of the lease, the amount recorded as the asset and obligation must be the fair value.

(c) The service company, as a lessee, must recognize an asset retirement obligation (*See* General Instructions in § 367.22) arising from the property under a capital lease unless the obligation is recorded as an asset and liability under a capital lease. The service company must record the asset retirement cost by debiting account 101.1, Property under capital leases (§ 367.1011), and crediting the liability for the asset retirement obligation in account 230, Asset retirement obligations (§ 367.2300). Asset retirement costs recorded in account 101.1 (§ 367.1011) must be amortized by charging rent expense (*See* Operating Expense Instructions in § 367.82) or account 421, Miscellaneous income or loss (§ 367.4210), as appropriate, and crediting a separate subaccount of the account in which the asset retirement costs are recorded. Charges for the periodic accretion of the liability in account 230, Asset retirement obligations (§ 367.2300), must be recorded by a charge to account 411.10, Accretion expense, for service company property (§ 367.4111), and account 421, Miscellaneous income or loss, for non-service company property (§ 367.4210) and a credit to account 230, Asset retirement obligations (§ 367.2300).

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

(e) For a capital lease, for each period during the lease term, the amounts recorded for the asset and obligation must be reduced by an amount equal to the portion of each lease payment that would have been allocated to the reduction of the obligation, if the payment had been treated as a payment on an installment obligation (liability) and allocated between interest expense and a reduction of the obligation so as to produce a constant periodic rate of interest on the remaining balance.

§ 367.20 Depreciation accounting.

(a) *Method.* Service companies must use a method of depreciation that allocates in a systematic and rational manner the service value of depreciable property over the service life of the property.

(b) *Service lives.* Estimated useful service lives of depreciable property must be supported by engineering, economic, or other depreciation studies.

(c) *Rate.* Service companies must use percentage rates of depreciation that are based on a method of depreciation that allocates the service value of depreciable property over the service life of the property. Where composite depreciation rates are used, they must be based on the weighted average estimated useful service lives of the depreciable property comprising the composite group.

§ 367.22 Accounting for asset retirement obligations.

(a) An asset retirement obligation represents a liability for the legal obligation associated with the retirement of a tangible, long-lived asset that a service company is required to settle as a result of an existing or enacted law, statute, ordinance, or written or oral contract, or by legal construction of a contract under the doctrine of promissory estoppel. An asset retirement cost represents the amount capitalized when the liability is recognized for the long-lived asset that gives rise to the legal obligation. The amount recognized for the liability and an associated asset retirement cost must be stated at the fair value of the asset retirement obligation in the period in which the obligation is incurred.

(b) The service company must initially record a liability for an asset retirement obligation in account 230, Asset retirement obligations (§ 367.2300), and charge the associated asset retirement costs to service company property (including account 101.1 in § 367.1011) related to the property that gives rise to the legal obligation. The asset retirement cost must be depreciated over the useful life of the related asset that gives rise to the obligations. For periods subsequent to the initial recording of the asset retirement obligation, a service company must recognize the period to period changes of the asset retirement obligation that result from the passage of time due to the accretion of the liability and any subsequent measurement changes to the initial liability for the legal obligation recorded in account 230, Asset retirement obligations (§ 367.2300), as follows:

(1) The service company must record the accretion of the liability by debiting account 411.10, Accretion expense (§ 367.4116); and

(2) The service company must recognize any subsequent measurement changes of the liability initially recorded in account 230, Asset retirement obligations (§ 367.2300), for each specific asset retirement obligation as an adjustment of that liability in account 230 with the corresponding adjustment to service company property. The service company must on a timely basis monitor any measurement changes of the asset retirement obligations.

(c) Gains or losses resulting from the settlement of asset retirement obligations associated with service company property resulting from the difference between the amount of the liability for the asset retirement obligation included in account 230, Asset retirement obligations(§ 367.2300), and the actual amount paid to settle the obligation shall be accounted for as follows:

(1) Gains shall be credited to account 421, Miscellaneous income or loss (§ 367.4210), and;

(2) Losses shall be charged to account 426.5, Other deductions (§ 367.4265).

(d) Separate subsidiary records must be maintained for each asset retirement obligation showing the initial liability and associated asset retirement cost, any incremental amounts of the liability incurred in subsequent reporting periods for additional layers of the original liability and related asset retirement cost, the accretion of the

liability, the subsequent measurement changes to the asset retirement obligation, the depreciation and amortization of the asset retirement costs and related accumulated depreciation, and the settlement date and actual amount paid to settle the obligation. For purposes of analysis, a service company must maintain supporting documentation so as to be able to furnish accurately and expeditiously with respect to each asset retirement obligation the full details of the identity and nature of the legal obligation, the year incurred, the identity of the plant giving rise to the obligation, the full particulars relating to each component and supporting computations related to the measurement of the asset retirement obligation.

§ 367.23 Transactions with non-associate companies.

When a service or construction is performed for non-associate companies at an amount other than cost, the amount of revenues in excess or deficiency of the cost on servicing the non-associate companies must be charged to account 458.4, Excess or deficiency on servicing non-associate utility companies (§ 367.4584), or account 459.4, Excess or deficiency on servicing non-associate non-utility companies(§ 367.4594), as appropriate. A deficiency incurred in a project deemed beneficial to the associate companies may be charged to associate companies subject to disallowance by a State Commission or Federal Commission having jurisdiction over the rates or services of the associate companies. To the extent not charged, or if disallowed, the deficiency will be charged to account 458.4 (§ 367.4584) or account 459.4 (§ 367.4594), as appropriate. In computing charges to associate companies for any calendar year, the sum of the closing balances in these accounts, if a credit, must be deducted from amounts reimbursable by associate companies as compensation for use of capital invested in the service company.

§ 367.24 Construction and service contracts for other companies.

(a) Specific accounts have not been provided 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 non-associate companies. The service company must keep records pursuant to its work order system indicating the cost of each contract or project, the amount of service costs allocated to the contracts, and the additional classification of expenditures relating to projects that will meet the accounting requirements of the company for which the work is performed.

(b) Service costs allocated to construction must 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 must 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 must 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 must 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 must keep records indicating the cost of goods, if any, that it procures for each associate company and the amount of service costs allocated thereto. These records must be maintained to meet the Commission's accounting requirements for electric and gas companies.

§ 367.25 Determination of service cost.

A service must be deemed at cost and fair allocation of costs requires an accurate accounting for the elements that makes up the aggregate expense of conducting the business of the service company. In the accounts prescribed in this part, the total amounts included in the expense accounts during any period plus the amount that appropriately may be added as compensation for the use of capital, if paid, constitute cost during that period.

§ 367.26 Departmental classification.

Salaries and wages and all other costs must be classified by departmental or other functional category in accordance with the departmental organization of the service company to provide a readily available basis for analysis.

§ 367.27 Billing procedures.

All invoices for services rendered must be submitted monthly with sufficient information and in sufficient detail to permit such company, where applicable, 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 must be rendered to each associate and non-associate utility company to whom services were provided containing a summary of the accounts by work order and showing the charges, classified as direct cost, indirect cost, and compensation for use of capital.

§ 367.28 Methods of allocation.

Indirect costs and compensation for use of capital must be allocated to work orders in accordance with the service company's applicable and currently effective methods of allocation. Both direct and allocated indirect costs of work orders must be assigned among those companies in the same manner. Each work order must identify the methods of allocation and the accounts to be charged. Companies must be notified in writing of any change in the methods of allocation.

§ 367.29 Compensation for use of capital.

A servicing transaction is deemed to be performed at no more than cost if the price of the 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 must 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. The compensation may be estimated and must be computed monthly. The amount of compensation must 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 12 months and how it was calculated must be supplied to each associate company at the end of the calendar year.

§ 367.30 Work order system for associate companies.

Service companies must maintain a detailed classification of service costs, that permits costs to be identified with the functional processes of the associate companies served. To permit the classification, each service company must maintain a work order system for accumulating reimbursable costs and charges to the associate companies served, 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 associate companies served. Service company employee records must permit a ready identification of the hours worked, account numbers charged, department work order number and other code designations that facilitate proper classification.

Subpart C—Service Company Property Instructions

§ 367.50 Service company property to be recorded at cost.

(a) All amounts included in the accounts for service company property must be stated at the cost incurred by the service company, except for property acquired by lease which qualifies as capital lease property under General Instructions in § 367.18, Criteria for classifying leases, and is recorded in Account 101.1, Property under capital leases (§ 367.1011).

(b) When the consideration given for property is other than cash, the value of the consideration must be determined on a cash basis (*See, however,* Definitions § 367.1(a)(10)). In the entry recording the transaction, the actual consideration must be described with sufficient particularity to identify it. The service company must be prepared to furnish the Commission the particulars of its determination of the cash value of the consideration, if other than cash.

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

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

§ 367.51 Components of construction.

(a) For service companies, the cost of construction properly included in the service company property accounts must include, where applicable, the direct and overhead costs as listed and defined as follows:

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

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

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

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

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

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

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

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

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

(9) Privileges and permits includes payments for and expenses incurred in securing temporary privileges, permits or rights in connection with construction work, such as for the use of private or public property, streets, or highways, but it does not include rents.

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

(11) Engineering and supervision includes the portion of the pay and expenses of engineers, surveyors, draftsmen, inspectors, superintendents

and their assistants applicable to construction work.

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

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

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

(15) Law expenditures includes the general law expenditures incurred in connection with construction and the directly related court and legal costs, other than law expenses included in protection in paragraph (a)(7) of this section, and in injuries and damages in paragraph (a)(8) of this section.

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

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

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

(A) $Ai=s(S/W)+d(D/D+P+C)(1-S/W)$

(B) $Ae=[1-S/W][p(P/D+P+C)+c(C/D+P+C)]$

(C) Ai=Gross allowance for borrowed funds used during construction rate.

(D) Ae=Allowance for other funds used during construction rate.

(E) S=Average short-term debt.

(F) s=Short-term debt interest rate.

(G) D=Long-term debt.

(H) d=Long-term debt interest rate.

(I) P=Preferred stock.

(J) p=Preferred stock cost rate.

(K) C=Common equity.

(L) c=Common equity cost rate.

(M) W= Average balance in construction work in progress, less asset retirement costs (*See* General Instructions in § 367.22) related to property under construction.

(ii) The rates must be determined annually. The balances for long-term debt, preferred stock and common equity must be the actual book balances as of the end of the prior year. The cost rates for long-term debt and preferred stock must be the weighted average cost determined in the manner indicated in § 35.13 of this chapter. The cost rate for common equity must be the rate granted common equity in the last rate proceeding before the ratemaking body of any associate public utility company for which services were provided during the year. If this cost rate is not available, the average rate actually earned during the preceding three years must be used. The short-term debt balances and related cost and the average balance for construction work in progress must be estimated for the current year with appropriate adjustments as actual data becomes available.

(iii) When a part only of a property or project is placed in operation or is completed and ready for service but the construction work as a whole is incomplete, that part of the cost of the property placed in operation or ready for service, must be treated as service company property and allowance for funds used during the construction as a charge to construction must cease. Allowance for funds used during construction on that part of the cost of the property that is incomplete may be continued as a charge to construction until such time as it is placed in operation or is ready for service, except as limited in paragraph (a)(17) of this section.

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

(19) *Training costs.* When it is necessary that employees be trained to operate or maintain property that is being constructed and the property is not conventional in nature, or is new to the company's operations, these costs may be capitalized as a component of construction cost. Once property is placed in service, the capitalization of training costs must cease and subsequent training costs must be expensed. (*See* Operating Expense Instructions in § 367.83.)

(20) Studies include the costs of studies such as safety or environmental studies mandated by regulatory bodies relative to property under construction. Studies relative to facilities in service must be charged to account 183, Preliminary Survey and Investigation Charges (§ 367.1830).

(21) *Asset retirement costs.* The costs recognized as a result of asset retirement obligations incurred during the construction and testing of service company property must constitute a component of construction costs.

§ 367.52 Overhead construction costs.

(a) All overhead construction costs, such as engineering, supervision, general office salaries and expenses, construction engineering and supervision by others than the service company, law expenses, insurance, injuries and damages, relief and pensions, taxes and interest, must be charged to particular jobs or units on the basis of the amounts of the reasonably applicable overheads.

(b) As far as practicable, the determination of payroll charges includible in construction overheads must be based on the related time card distributions. Where this procedure is impractical, special studies must be made periodically of the time of supervisory employees devoted to construction activities to the end that only the overhead costs that have a definite relation to construction must be capitalized.

(c) The records supporting the entries for overhead construction costs must be kept so as to show the total amount of each overhead for each year, the nature and amount of each overhead expenditure charged to each construction work order and to each property account, and the bases of distribution of such costs.

§ 367.53 Service company property purchased or sold.

(a) When service company property is acquired by purchase, merger, consolidation, liquidation, or otherwise, after the effective date of this system of accounts, the costs of acquisition, including related incidental expenses, must be charged to the appropriate service company property accounts and account 107, Construction work in progress (§ 367.1070), as appropriate.

(b) If property acquired is in a physical condition so that it is necessary to rehabilitate it substantially in order to bring the property up to the standards of the service company, the cost of the work, except replacements, must be

accounted for as a part of the purchase price of the property.

(c) Unless otherwise authorized by the Commission, all service company property acquired from an affiliate company must be at its book value. Additionally, if property is acquired that is in excess of $10 million and has been previously devoted to public service at a price above book value, the service company must file with the Commission the proposed journal entries associated with the acquisition within six months from the date of acquisition of the property.

(d) When service company property is sold, conveyed, or transferred to another by sale, merger, consolidation, or otherwise, the book cost of the property sold or transferred to another must be credited to the appropriate service company property accounts. The amounts (estimated, if not known) carried with respect the accounts for accumulated provision for depreciation and amortization must be charged to those accounts. The difference, if any, between the net amount of debits and credits and the consideration received for the property (less commissions and other expenses of making the sale) must be included in account 421.1, Gain on disposition of property (§ 367.4211), or account 421.2, Loss on disposition of property (§ 367.4212).

(e) In connection with the acquisition of service company property previously devoted to service company operations or acquired from an associate company, the service company must procure, if possible, all existing records relating to the property acquired or related certified copies, and must preserve the records in conformity with regulations or practices governing the preservation of records of its own construction.

§ 367.54 Expenditures on leased property.

(a) The cost of substantial initial improvements (including repairs, rearrangements, additions, and betterments) made to prepare service company property leased to be used for a period of more than one year, and the cost of subsequent substantial additions, replacements, or betterments to the property, must be charged to the service company property account appropriate for the class of property leased. If the service life of the improvements is terminable by action of the lease, the cost, less net salvage, of the improvements must be spread over the life of the lease by charges to account 404, Amortization of limited-term service property. However, if the service life is not terminated by action of the lease but by depreciation proper, the cost of the improvements, less net salvage, must be accounted for as depreciable property. The provisions of this paragraph are applicable to property leased under either capital leases or operating leases.

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

§ 367.55 Land and land rights.

(a) The accounts for land and land rights must include the cost of land owned in fee by the service company and rights. Interests, and privileges held by the service company in land owned by others, such as leaseholds, easements, water and water power rights, diversion rights, submersion rights, rights-of-way, and other like interests in land. Do not include in the accounts for land and land rights and rights-of-way costs incurred in connection with first clearing and grading of land and rights-of-way and the damage costs associated with the construction and installation of property. The costs must be included in the appropriate property accounts directly benefited.

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

(c) The net profit from the sale of timber, cord wood, sand, gravel, other resources or other property acquired with the rights-of-way or other lands must be credited to the appropriate property account to which it is related. Where land is held for a considerable period of time and timber and other natural resources on the land at the time of purchase increases in value, the net profit (after giving effect to the cost of the natural resources) from the sales of timber or its products or other natural resources must be credited to the appropriate operating income account when the land has been recorded in account 101, Service company property (§ 367.1010), otherwise to account 421, Miscellaneous income or loss (§ 367.4210).

(d) Separate entries must be made for the acquisition, transfer, or retirement of each parcel of land, and each land right (except rights of way for distribution lines), or water right, having a life of more than one year. A record must be maintained showing the nature of ownership, full legal description, area, map reference, purpose for which used, city, county, and tax district on which situated, from whom purchased or to whom sold, payment given or received, other costs, contract date and number, date of recording of deed, and book and page of record. Entries transferring or retiring land or land rights must refer to the original entry recording its acquisition.

(e) Any difference between the amount received from the sale of land or land rights, less agents' commissions and other costs incident to the sale, and the book cost of such land or rights, must be included in account 421.1, Gains on disposition of property (§ 367.4211), or account 421.2, Losses on disposition of property (§ 367.4212), when the property has been recorded in account 101, Service company property (§ 367.1010). Appropriate adjustments of the accounts must be made with respect to any structures or improvements located on the land sold.

(f) The cost of buildings and other improvements (other than public improvements) must not be included in the land accounts. If, at the time of acquisition of an interest in land the interest extends to buildings or other improvements (other than public improvements) that are then devoted to operations, the land and improvements must 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 must be charged and the salvage credited to the account in which the cost of the land is recorded.

(g) Provisions must be made for amortizing amounts carried in the accounts for limited-term interests in land so as to apportion equitably the cost of each interest over the life thereof. (*See* account 111, Accumulated provision for amortization of service company property in § 367.1110, and account 404, Amortization of limited-term property in § 367.4040.)

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

(1) Bulkheads, buried, not requiring maintenance or replacement.

(2) Cost, first, of acquisition including mortgages and other liens assumed (but not the related subsequent interest).

(3) Condemnation proceedings, including court and counsel costs.

(4) Consents and abutting damages, payment for.

(5) Conveyancers' and notaries' fees.

(6) Fees, commissions, and salaries to brokers, agents and others in connection with the acquisition of the land or land rights.

(7) Leases, cost of voiding upon purchase to secure possession of land.

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

(9) Retaining walls unless identified with structures.

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

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

(12) Taxes assumed, accrued to date of transfer of title.

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

(14) Appraisals prior to closing title.

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

(16) Filing satisfaction of mortgage.

(17) Documentary stamps.

(18) Photographs of property at acquisition.

(19) Fees and expenses incurred in the acquisition of water rights and grants.

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

(21) Sidewalks and curbs constructed by the service company on public property.

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

§ 367.56 Structures and improvements.

(a) The accounts for structures and improvements must include the cost of all buildings and facilities to house, support, or safeguard property or persons, including all fixtures permanently attached to and made a part of buildings and that cannot be removed from the buildings and facilities without cutting into the walls, ceilings, or floors, or without in some way impairing the buildings, and improvements of a permanent character on, or to, land. Also include those costs incurred in connection with the first clearing and grading of land and rights-of-way and the damage costs associated with construction and installation of property.

(b) The cost of specially-provided foundations not intended to outlast the machinery or apparatus for which provided, and associated costs, such as angle irons, castings, and other items installed at the base of an item of equipment, must be charged to the same account as the cost of the machinery, apparatus, or equipment.

(c) Where the structure of a dam also forms the foundation of the service company building, the foundation must be considered a part of the dam.

(d) The cost of disposing of materials excavated in connection with construction of structures must be considered as a part of the cost of that work, except as follows:

(1) When the material is used for filling, the cost of loading, hauling, and dumping must be equitably apportioned between the work in connection with which the removal occurs and the work in connection with which the material is used.

(2) When the material is sold, the net amount realized from the sales must be credited to the work in connection with which the removal occurs. If the amount realized from the sale of excavated materials exceeds the removal costs and the costs in connection with the sale, the excess must be credited to the land account in which the site is carried.

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

(f) This account must include the following items:

(1) Architects' plans and specifications including supervision.

(2) Ash pits (when located within the building).

(3) Athletic field structures and improvements.

(4) Boilers, furnaces, piping, wiring, fixtures, and machinery for heating, lighting, signaling, ventilating, and air-conditioning systems, plumbing, vacuum cleaning systems, incinerator and smoke pipe, flues and similar items.

(5) Bulkheads, including dredging, riprap fill, piling, decking, concrete, fenders, and similar items when exposed and subject to maintenance and replacement.

(6) Chimneys.

(7) Coal bins and bunkers.

(8) Commissions and fees to brokers, agents, architects, and others.

(9) Conduit (not to be removed) with its contents.

(10) Damages to abutting property during construction.

(11) Docks.

(12) Door checks and door stops.

(13) Drainage and sewerage systems.

(14) Elevators, cranes, hoists, and the machinery for operating them.

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

(16) Fences and fence curbs (not including protective fences isolating items of equipment, which must be charged to the appropriate equipment account).

(17) Fire protection systems when forming a part of a structure.

(18) Flagpole.

(19) Floor covering (permanently attached).

(20) Foundations and piers for machinery, constructed as a permanent part of a building or other item listed in this paragraph.

(21) Grading and clearing when directly occasioned by the building of a structure.

(22) Intrasite communication system, poles, pole fixtures, wires, and cables.

(23) Landscaping, lawns, shrubbery and similar items.

(24) Leases, voiding upon purchase to secure possession of structures.

(25) Leased property, expenditures on.

(26) Lighting fixtures and outside lighting system.

(27) Mail chutes when part of a building.

(28) Marquee, permanently attached to building.

(29) Painting, first cost.

(30) Permanent paving, concrete, brick, flagstone, asphalt, within the property lines.

(31) Partitions, including movable.

(32) Permits and privileges.

(33) Platforms, railings, and gratings when constructed as a part of a structure.

(34) Power boards for services to a building.

(35) Refrigerating systems for general use.

(36) Retaining walls except when identified with land.

(37) Roadways, railroads, bridges, and trestles intrasite except railroads provided for in equipment accounts.

(38) Roofs.

(39) Scales, connected to and forming a part of a structure.

(40) Screens.

(41) Sewer systems, for general use.

(42) Sidewalks, culverts, curbs and streets constructed by the service company on its property.

(43) Sprinkling systems.

(44) Sump pumps and pits.

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

(46) Steel inspection during construction.

(47) Storage facilities constituting a part of a building.

(48) Storm doors and windows.

(49) Subways, areaways, and tunnels, directly connected to and forming part of a structure.

(50) Tanks, constructed as part of a building or as a distinct structural unit.

(51) Temporary heating during construction (net cost).

(52) Temporary water connection during construction (net cost).

(53) Temporary shanties and other facilities used during construction (net cost).

(54) Topographical maps.

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

(56) Vaults constructed as part of a building.

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

(58) Water basins or reservoirs.

(59) Water front improvements.

(60) Water meters and supply system for a building or for general company purposes.

(61) Water supply piping, hydrants and wells.

(62) Wharves.

(63) Window shades and ventilators.

(64) Yard drainage system.

(65) Yard lighting system.

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

(g) Structures and Improvements accounts must be credited with the cost of structures created to house, support, or safeguard equipment, the use of which has terminated with the removal of the equipment with which they are associated even though they have not been physically removed.

§ 367.57 Equipment.

(a) The cost of equipment chargeable to the service company property accounts, unless otherwise indicated in the text of an equipment account, includes the related net purchase price, sales taxes, investigation and inspection expenses necessary to such purchase, expenses of transportation when borne by the service company, labor employed, materials and supplies consumed, and expenses incurred by the service company in unloading and placing the equipment in readiness to operate. Also include those costs incurred in connection with the first clearing and grading of land and rights-of-way and the damage costs associated with construction and installation of property.

(b) Exclude from equipment accounts hand and other portable tools, that are likely to be lost or stolen or that have relatively small value (for example, $500 or less) or short life, unless the correctness of the related accounting as service company property is verified by current inventories. Special tools acquired and included in the purchase price of equipment must be included in the appropriate property account. Portable drills and similar tool equipment when used in connection with the operation and maintenance of a particular plant or department, such as production, transmission, distribution, or similar items, or in stores, must be charged to the property account appropriate for their use.

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

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

§ 367.58 Work order and property record system required for service company property.

(a) Each service company must record all construction and retirements of service company property by means of work orders or job orders. Separate work orders may be opened for additions to, and retirements of, service company property or the retirements may be included with the construction work order. All items relating to the retirements must be kept separate from those relating to construction and any maintenance costs involved in the work likewise must be segregated.

(b) Each service company must keep its work order system so as to show the nature of each addition to or retirement of service company property, the related total cost, the source or sources of costs, and the property account or accounts to which charged or credited. Work orders covering jobs of short duration may be cleared monthly.

(c) Each service company must maintain records in which, for each property account, the amounts of the annual additions and retirements are classified so as to show the number and cost of the various record units or retirement units.

§ 367.59 Additions and retirements of property.

(a) For the purpose of avoiding undue refinement in accounting for additions to and retirements and replacements of service company property, all property will be considered as consisting of retirement units and minor items of property. Each company must maintain a written property units listing for use in accounting for additions and retirements of property and apply the listing consistently.

(b) The addition and retirement of retirement units must be accounted for as follows:

(1) When a retirement unit is added, the related cost must be added to the appropriate service company property account.

(2) When a retirement unit is retired, with or without replacement, the related book cost must be credited to the property account in which it is included, determined in the manner provided in paragraph (d) of this section. If the retirement unit is of a depreciable class, the book cost of the unit retired and credited to service company property must be charged to the accumulated provision for depreciation applicable to the property. The cost of removal and the salvage must be charged or credited, as appropriate, to the depreciation account.

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

(1) When a minor item of property that did not previously exist is added to service company property, the related

cost must be accounted for in the same manner as for the addition of a retirement unit, as provided in paragraph (b)(1) of this section, if a substantial addition results, otherwise the charge must be to the appropriate maintenance expense account.

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

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

(d) The book cost of service company property retired must be the amount at which the property is included in the property accounts, including all components of construction costs. The book cost must be determined from the service company's records and, if this cannot be done, it must be estimated. Service companies must furnish the particulars of the estimates to the Commission, if requested. When it is impracticable to determine the book cost of each unit, due to the relatively large number or related small cost, an appropriate average book cost of the units, with due allowance for any differences in size and character, must be used as the book cost of the units retired.

(e) The book cost of land retired must be credited to the appropriate land account. If the land is sold, the difference between the book cost (less any accumulated provision for related depreciation or amortization that has been authorized and provided) and the sale price of the land (less commissions and other expenses of making the sale) must be recorded in accounts 421.1, Gain on disposition of property (§ 367.4211) or 421.2, Loss on disposition of property (§ 367.4212), as appropriate.

(f) The book cost less net salvage of depreciable service company property retired must be charged in its entirety to account 108, Accumulated provision for depreciation of service company property (§ 367.1080).

(g) The accounting for the retirement of amounts included in account 303, Miscellaneous intangible property (§ 367.3030), and the items of limited-term interest in land included in the accounts for land and land rights, must be as provided for in the text of account 111, Accumulated provision for amortization of service company property (§ 367.1110), account 404, Amortization of limited-term property (§ 367.4040), and account 405, Amortization of other property (§ 367.4050).

Subpart D—Operating Expense Instructions

§ 367.80 Supervision and engineering.

(a) The supervision and engineering includible in the operating expense accounts must consist of the pay and expenses of superintendents, engineers, clerks, other employees and consultants engaged in supervising and directing the operation and maintenance of each service company function. Wherever allocations are necessary in order to arrive at the amount to be included in any account, the method and basis of allocation must be reflected by underlying records.

(b) This account must include the following labor items:

(1) Special tests to determine efficiency of equipment operation.

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

(3) Preparing instructions for operations and maintenance activities.

(4) Reviewing and analyzing operating results.

(5) Establishing organizational setup of departments and executing related changes.

(6) Formulating and reviewing routines of departments and executing related changes.

(7) General training and instruction of employees by supervisors whose pay is chargeable to the training and instruction. Specific instruction and training in a particular type of work is chargeable to the appropriate functional expense account (*See* Service Company Property in § 367.51(a)(19)).

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

(c) This account must include the following expense items:

(1) Consultants' fees and expenses.

(2) Meals, traveling and incidental expenses.

§ 367.81 Maintenance.

(a) The cost of maintenance chargeable to the various operating expense and clearing accounts includes labor, materials, overheads and other expenses incurred in maintenance work. A list of work operations applicable generally to service company property is included in paragraph (d) of this section. Other work operations applicable to specific classes of property are listed in functional maintenance expense accounts.

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

(c) Maintenance of property leased from others must be treated as provided in operating expense instruction in § 367.82.

(d) This account must include the following items:

(1) Direct field supervision of maintenance.

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

(3) Work performed specifically for the purpose of preventing failure, restoring serviceability or maintaining life of property.

(4) Rearranging and changing the location of property.

(5) Repairing for reuse materials recovered from property.

(6) Testing for locating and clearing trouble.

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

(8) Replacing or adding minor items of plant which do not constitute a retirement unit. (*See* Service Company Property Instruction in § 367.59.)

§ 367.82 Rents.

(a) The rent expense accounts provided under the several functional groups of expense accounts must include all rents, including taxes paid by the lessee on leased property, for property used in the operations of the service company, except:

(1) Minor amounts paid for occasional or infrequent use of any property or

equipment and all amounts paid for use of equipment that, if owned, would be includible in property accounts 391 to 398 (§§ 367.3910 to 367.3980), inclusive, that must be treated as an expense item and included in the appropriate functional account, and

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

(b) When a portion of property or equipment rented from others for use in connection with service company operations is subleased, the revenue derived from the subleasing must be credited to the rent revenue account in operating revenues. However, if the rent was charged to a clearing account, amounts received from subleasing the property must be credited to the clearing account.

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

(d) The cost incurred by the lessee of additions and replacements to property leased from others must be accounted for as provided in Service Company Property Instruction in § 367.54.

§ 367.83 Training costs.

When it is necessary that employees be trained to specifically operate or maintain facilities that are being constructed, the related costs must be accounted for as a current operating and maintenance expense. These expenses must be charged to the appropriate functional accounts currently as they are incurred. However, when the training costs involved relate to facilities that are not conventional in nature, or are new to the service company's operations, these costs may be capitalized until the time that the facilities are ready for functional use.

Subpart E—Special Instructions

§ 367.100 Accounts 131—174, Current and accrued assets.

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

§ 367.101 Accounts 231—243, Current and accrued liabilities.

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

§ 367.102 Accounts 408.1 and 408.2, Taxes other than income taxes.

(a) These accounts must include the amounts of ad valorem, gross revenue or gross receipts taxes, state unemployment insurance, franchise taxes, Federal excise taxes, social security taxes, and all other taxes assessed by Federal, state, county, municipal, or other local governmental authorities, except income taxes.

(b) These accounts shall be charged in each accounting period with the amounts of taxes which are applicable to each account, with concurrent credits to account 236, Taxes accrued (§ 367.2360), or account 165, Prepayments (§ 367.1650), as appropriate. When it is not possible to determine the exact amounts of taxes, the amounts shall be estimated and adjustments made in current accruals as the actual tax levies become known.

(c) The accruals for these taxes must be apportioned among service company departments and to Other Income and Deductions so that, as nearly as practicable, each tax is included in the expenses of the service company department or Other Income and Deductions, the item from which gave rise to the tax.

(d) Special assessments for street and similar improvements must be included in the appropriate service company property account.

(e) Taxes specifically applicable to construction must be included in the cost of construction.

(f) Gasoline and other sales taxes must be charged as far as practicable to the same account as the materials on which the tax is levied.

(g) Social security and other forms of so-called payroll taxes must be distributed to utility and non-utility functions on a basis related to payroll. Amounts applicable to construction must be charged to the appropriate plant account.

(h) Interest on tax refunds or deficiencies must not be included in these accounts but in account 419, Interest and dividend income (§ 367.4190), or 431, Other interest expense (§ 367.4310), as appropriate.

§ 367.103 Accounts 409.1, 409.2, and 409.3, Income taxes.

(a) These accounts must include the amounts of local, state and Federal income taxes on income properly accruable during the period covered by the income statement to meet the actual liability for such taxes. Concurrent credits for the tax accruals must be made to account 236, Taxes accrued (§ 367.2360), and as the exact amounts of taxes become known, the current tax accruals must be adjusted by charges or credits to these accounts, so that these accounts include the actual taxes payable by the service company.

(b) The accruals for income taxes shall be apportioned among service company departments and to Other Income and Deductions so that, as nearly as practicable, each tax will be included in the expenses of the service company department or Other Income and Deductions, the income from which gave rise to the tax.

(c) Taxes assumed by the service company on interest must be charged to account 431, Other interest expense (§ 367.4310).

(d) Interest on tax refunds or deficiencies must not be included in these accounts but in account 419, Interest and dividend income (§ 367.4190), or account 431, Other interest expense (§ 367.4310), as appropriate.

§ 367.104 Accounts 410.1, 410.2, 411.1, and 411.2, Provision for deferred income taxes.

(a) Accounts 410.1 (§ 367.4101) and 410.2 (§ 367.4102) must be debited, and Accumulated Deferred Income Taxes must be credited, with amounts equal to any current deferrals of taxes on income or any allocations of deferred taxes originating in prior periods, as provided by the texts of accounts 190 (§ 367.1900), 282 (§ 367.2820), and 283 (§ 367.2830). There must not be netted against entries required to be made to these accounts any credit amounts appropriately includible in accounts 411.1 (§ 367.4111) or 411.2 (§ 367.4112).

(b) Accounts 411.1 (§ 367.4111) and 411.2 (§ 367.4112) must be credited, and Accumulated Deferred Income Taxes must be debited, with amounts equal to any allocations of deferred taxes originating in prior periods or any current deferrals of taxes on income, as provided by the texts of accounts 190 (§ 367.1900), 282 (§ 367.2820), and 283 (§ 367.2830). There must not be netted against entries required to be made to these accounts any debit amounts appropriately includible in account 410.1 (§ 367.4101) or 410.2 (§ 367.4102).

§ 367.105 Accounts 411.4, and 411.5, Investment tax credit adjustments.

(a) Account 411.4 (§ 367.4114) must 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 (§ 367.2550), by companies which do not apply the entire amount of the benefits of the investment credit as a reduction of the overall income tax expense in the year in which such credit is realized (See account 255 in § 367.2550).

(b) Account 411.4 (§ 367.4114) must be credited with the amounts debited to account 255 (§ 367.2550) for proportionate amounts of tax credit deferrals allocated over the average useful life of service company property to which the tax credits relate or such lesser period of time as may be adopted and consistently followed by the company.

(c) Account 411.5 (§ 367.4115) must also be debited and credited as directed in paragraphs (a) and (b), for investment tax credits related to other income and deductions.

§ 367.106 Accounts 426.1, 426.2, 426.3, 426.4, and 426.5, Miscellaneous expense accounts.

These accounts must include miscellaneous expense items which are nonoperating in nature but which are properly deductible before determining total income before interest charges.

Subpart F—Balance Sheet Chart of Accounts

Service Company Property

§ 367.1010 Account 101, Service company property.

(a) This account must include the cost of service company property, included in accounts 301 (§ 367.3010), 303 (§ 367.3030) and 389 to 399.1 (§§ 376.3890 to 367.3991), owned and used by the service company in its operations, and having an expectation of life in service of more than one year from date of installation.

(b) The cost of additions to, and betterments of, property leased from others, that are includible in this account, must be recorded in subaccounts separate and distinct from those relating to owned property. (*See* Service Company Property Instruction in § 367.54.)

§ 367.1011 Account 101.1, Property under capital leases.

(a) This account must include the amount recorded under capital leases for property leased from others and used by the service company in its operations.

(b) The property included in this account must be classified separately according to detailed accounts 301 (§ 367.3010), 303 (§ 367.3030) and 389 to 399.1 (§§ 367.3890 to 367.3991) prescribed for service company property.

(c) Records must be maintained with respect to each capital lease reflecting:

(1) Name of lessor,

(2) Basic details of lease,

(3) Terminal date,

(4) Original cost or fair market value of property leased,

(5) Future minimum lease payments,

(6) Executory costs,

(7) Present value of minimum lease payments,

(8) The amount representing interest and the interest rate used, and

(9) Expenses paid.

§ 367.1070 Account 107, Construction work in progress.

(a) This account must include the total of the balances of work orders for service company property in process of construction.

(b) Work orders must be cleared from this account as soon as practicable after completion of the job. Further, if a project is designed to consist of two or more units that may be placed in service at different dates, any expenditures that are common to and that will be used in the operation of the project as a whole must be included in service company property upon the completion and the readiness for service of the first unit. Any expenditures that are identified exclusively with units of property not yet in service must be included in this account.

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

§ 367.1080 Account 108, Accumulated provision for depreciation of service company property.

(a) This account must be credited with the following:

(1) Amounts charged to account 403, Depreciation expense (§ 367.4030), or to clearing accounts for current depreciation expense for service company property.

(2) Amounts charged to account 416, Costs and expenses of merchandising, jobbing, and contract work (§ 367.4160), or to clearing accounts for current depreciation expense.

(3) Amounts of depreciation applicable to properties acquired. (*See* Service Company Property Instruction in § 367.53.)

(4) Amounts of depreciation applicable to service company property donated to the service company.

(b) The service company must maintain separate subaccounts for depreciation applicable to service company property.

(c) At the time of retirement of depreciable service company property, this account must be charged with the book cost of the property retired and the cost of removal, and must be credited with the salvage value and any other amounts recovered, such as insurance. When retirement, costs of removal and salvage are entered originally in retirement work orders, the net total of such work orders may be included in a separate related subaccount. Upon completion of the work order, the proper distribution to subaccounts of this account must be made as provided in paragraph (d) of this section.

(d) The subsidiary records for this account must reflect the current credits and debits to this account in sufficient detail to show the following separately:

(1) The amount of accrual for depreciation,

(2) The book cost of property retired,

(3) Cost of removal,

(4) Salvage, and

(5) Other items, including recoveries from insurance.

(e) The service company is restricted in its use of the accumulated provision for depreciation to the purposes identified in paragraphs (a) through (d) of this section. It must not transfer any portion of this account to retained earnings or make any other use of the depreciation without authorization by the Commission.

§ 367.1110 Account 111, Accumulated provision for amortization of service company property.

(a) This account must be credited with the following:

(1) Amounts charged to account 404, Amortization of limited-term property (§ 367.4040), for the current amortization of limited-term service company property investments.

(2) Amounts charged to account 405, Amortization of other property (§ 367.4050).

(3) Amounts charged to account 425, Miscellaneous amortization (§ 367.4250), for the amortization of intangible or other property, that does not have a definite or terminable life and is not subject to charges for depreciation expense, with Commission approval.

(b) The service company must maintain subaccounts of this account for the amortization applicable to service company property and property leased to others.

(c) When any property to which this account applies is sold, relinquished, or otherwise retired from service, this account must be charged with the amount previously credited in respect to the property. The book cost of the retired property less the amount chargeable to this account and less the net proceeds realized at retirement must be included in account 421.1, Gain on disposition of property (§ 367.4211), or account 421.2, Loss on disposition of property (§ 367.4212), as appropriate.

(d) For general ledger and balance sheet purposes, this account must be regarded and treated as a single composite provision for amortization. The subsidiary records must reflect the current credits and debits to this account in sufficient detail to show the following separately:

(1) The amount of accrual for amortization,

(2) The book cost of property retired,

(3) Cost of removal,

(4) Salvage, and

(5) Other items, including recoveries from insurance.

(e) The service company is restricted in its use of the accumulated provision for amortization to the purposes provided in paragraphs (a) through (d) of this section. It must not transfer any portion of this account to retained earnings or make any other use of the amortization without authorization by the Commission.

§ 367.1230 Account 123, Investment in associate companies.

(a) This account must include the book cost of investments in securities issued or assumed by associate companies and investment advances to the companies, including related accrued interest when the interest is not subject to current settlement, provided that the investment does not relate to a subsidiary company. (If the investment relates to a subsidiary company, it must be included in account 123.1, Investment in subsidiary companies (§ 367.1231).) Include in this account the offsetting entry to the recording of amortization of discount or premium on interest-bearing investments. (*See* account 419, Interest and dividend income (§ 367.4190).)

(b) This account must be maintained in a manner so as to show the investment in securities of, and advances to, each associate company together with full particulars regarding any of the investments that are pledged.

(c) Securities and advances of associate companies owned and pledged must be included in this account, but the securities, if held in special deposits or in special funds, must be included in the appropriate deposit or fund account. A complete record of securities pledged must be maintained.

(d) Securities of associate companies held as temporary cash investments are includible in account 136, Temporary cash investments (§ 367.1360).

(e) Balances in open accounts with associate companies that are subject to current settlement are includible in account 146, Accounts receivable from associate companies (§ 367.1460).

(f) The service company must write down the cost of any security in recognition of a decline in the related value. Securities must be written off or written down to a nominal value if there is no reasonable prospect of substantial value. Fluctuations in market value must not be recorded but a permanent impairment in the value of securities must be recognized in the accounts. When securities are written off or written down, the amount of the adjustment must be charged to account 426.5, Other deductions (§ 367.4265), or to an appropriate account for accumulated provisions for loss in value established as a separate subdivision of this account.

§ 367.1240 Account 124, Other investments.

(a) This account must include the book cost of investments in securities issued or assumed by non-associate companies, investment advances to these companies, and any investments not accounted for elsewhere. This account must also include unrealized holding gains and losses on trading and available-for-sale types of security investments. Include also the offsetting entry to the recording of amortization of discount or premium on interest-bearing investments. (*See* account 419, Interest and dividend income (§ 367.4190).)

(b) The records must be maintained in a manner so as to show the amount of each investment and the investment advances to each person.

§ 367.1280 Account 128, Other special funds.

(a) This account must include the amount of cash and book cost of investments that have been segregated in special funds for insurance, employee pensions, savings, relief, hospital, and other purposes not provided for elsewhere. This account must also include unrealized holding gains and losses on trading and available-for-sale types of security investments. A separate account with appropriate title, must be kept for each fund.

(b) Amounts deposited with a trustee under the terms of an irrevocable trust agreement for pensions or other employee benefits must not be included in this account.

Current and Accrued Assets

§ 367.1310 Account 131, Cash.

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

§ 367.1340 Account 134, Other special deposits.

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

(b) Assets available for general corporate purposes must not be

included in this account. Further, deposits for more than one year, that are not offset by current liabilities, must be charged to account 128, Other special funds (§ 367.1280).

§ 367.1350 Account 135, Working funds.

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

§ 367.1360 Account 136, Temporary cash investments.

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

(b) This account must be maintained so as to show separately temporary cash investments in securities of associate companies and of others. Records must be kept of any pledged investments.

§ 367.1410 Account 141, Notes receivable.

(a) This account must include the book cost, not includible elsewhere, of all collectible obligations in the form of notes receivable and similar evidences (except interest coupons) of money due on demand or within one year from the date of issue, except, however, notes receivable from associate companies. (*See* account 136, Temporary cash investments (§ 367.1360), and account 145, Notes receivable from associate companies (§ 367.1450).)

(b) The face amount of notes receivable discounted, sold, or transferred without releasing the service company from liability as a related endorser, must be credited to a separate subaccount of this account and appropriate disclosure must be made in financial statements of any contingent liability arising from the transactions.

§ 367.1420 Account 142, Customer accounts receivable.

(a) This account must include amounts due from customers for service, and for merchandising, jobbing and contract work. This account must not include amounts due from associate companies.

(b) This account must be maintained so as to permit ready segregation of the amounts due for merchandising, jobbing and contract work.

§ 367.1430 Account 143, Other accounts receivable.

(a) This account must include amounts due the service company upon open accounts, other than amounts due from associate companies and from customers for services and merchandising, jobbing and contract work.

(b) This account must be maintained so as to show separately amounts due on subscriptions to capital stock and from officers and employees, but the account must not include amounts advanced to officers or others as working funds. (See account 135, Working funds (§ 367.1350).)

§ 367.1440 Account 144, Accumulated provision for uncollectible accounts—Credit.

(a) This account must be credited with amounts provided for losses on accounts receivable that may become uncollectible, and also with collections on related previously charged accounts. Concurrent charges must be made to account 904, Uncollectible accounts (§ 367.9040), for amounts applicable to service company operations, and to corresponding accounts for other operations. Records must be maintained so as to show the write-offs of account receivable for each service company department.

(b) This account must be subdivided to show the provision applicable to the following classes of accounts receivable:

(1) Service company customers.

(2) Merchandising, jobbing and contract work.

(3) Officers and employees.

(4) Others.

(c) Accretions to this account must not be made in excess of a reasonable provision against losses of the related character.

(d) If provisions for uncollectible notes receivable or for uncollectible receivables from associate companies are necessary, separate related subaccounts must be established under the account in which the receivable is carried.

§ 367.1450 Account 145, Notes receivable from associate companies.

(a) This account must include notes and drafts upon which associate companies are liable, and that mature and are expected to be paid in full not later than one year from the date of issue, together with any related interest, and debit balances subject to current settlement in open accounts with associate companies. Items that do not bear a specified due date but that have been carried for more than twelve months and items that are not paid within twelve months from due date must be transferred to account 123, Investment in associate companies (§ 367.1230).

(b) On the balance sheet, accounts receivable from an associate company may be set off against accounts payable to the same company.

(c) The face amount of notes receivable discounted, sold or transferred without releasing the service company from liability as endorser thereon, must be credited to a separate subaccount of this account and appropriate disclosure must be made in financial statements of any contingent liability arising from such transactions.

§ 367.1460 Account 146, Accounts receivable from associate companies.

(a) This account must include notes and drafts upon which associate companies are liable, and that mature and are expected to be paid in full not later than one year from the date of issue, together with any related interest thereon, and debit balances subject to current settlement in open accounts with associate companies. Items that do not bear a specified due date but that have been carried for more than twelve months and items that are not paid within twelve months from due date must be transferred to account 123, Investment in associate companies (§ 367.1230).

(b) On the balance sheet, accounts receivable from an associate company may be set off against accounts payable to the same company.

(c) The face amount of notes receivable discounted, sold or transferred without releasing the service company from liability as the related endorser, must be credited to a separate subaccount of this account and appropriate disclosure must be made in financial statements of any contingent liability arising from the transactions.

§ 367.1520 Account 152, Fuel stock expenses undistributed.

The service company must 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 company engaged in the procurement and transportation of fuel. This account must be maintained to show the expenses attributable to each company through the use of work orders. All expenses of a service company's fuel department or functions must be cleared through this account.

§ 367.1540 Account 154, Materials and operating supplies.

(a) This account must include the cost of materials purchased primarily for use

in the service company business for construction, operation and maintenance purposes. It must include the book cost of materials recovered in connection with construction, maintenance or the retirement of service company property, the materials being credited to construction, maintenance or accumulated depreciation provision, respectively. This account must include the following items:

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

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

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

(b) Materials and supplies issued must be credited in this account and charged to the appropriate construction, operating expense, or other account on the basis of a unit price determined by the use of cumulative average, first-in-first-out, or any other method of inventory accounting that conforms with accepted accounting standards consistently applied.

(c) This account must include the following items:

(1) Invoice price of materials less cash or other discounts.

(2) Freight, switching or other transportation charges when practicable to include as part of the cost of particular materials to which they relate.

(3) Customs duties and excise taxes.

(4) Costs of inspection and special tests prior to acceptance.

(5) Insurance and other directly assignable charges.

(d) Where expenses applicable to materials purchased cannot be directly assigned to particular purchases, they may be charged to a stores expense clearing account (account 163, Stores expense undistributed (§ 367.1630)), and distributed from there to the appropriate account.

(e) When materials and supplies are purchased for immediate use, they need not be carried through this account, but may be charged directly to the appropriate service company property or expense account.

§ 367.1630 Account 163, Stores expense undistributed.

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

(b) This account must be cleared by adding to the cost of materials and supplies issued a suitable loading charge that will distribute the expense equitably over stores issues. The balance in the account at the close of the calendar year must not exceed the amount of stores expenses reasonably attributable to the inventory of materials and supplies exclusive of fuel, as any amount applicable to fuel costs should be included in account 152, Fuel stock expenses undistributed (§ 367.1520).

(c) This account must include the following labor items:

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

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

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

(4) Getting materials from stock and in readiness to go out.

(5) Inventorying stock received or stock on hand by stores employees but not including inventories by general department employees as part of internal or general audits.

(6) Purchasing department activities in checking material needs, investigating sources of supply, analyzing prices, preparing and placing orders, and related activities to extent applicable to materials handled through stores. (Optional. Purchasing department expenses may be included in administrative and general expenses.)

(7) Maintaining stores equipment.

(8) Cleaning and tidying storerooms and stores offices.

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

(10) Collecting and handling scrap materials in stores.

(d) This account must include the following supplies and expenses items:

(1) Adjustments of inventories of materials and supplies, but not including large differences that can readily be assigned to important classes of materials and equitably distributed among the accounts to which the classes of materials have been charged since the previous inventory.

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

(3) Freight, express, and similar items, when not assignable to specific items.

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

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

(6) Injuries and damages.

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

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

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

(10) Rent of storage space and facilities.

(11) Communication service.

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

(13) Transportation expense on inward movement of stores and on transfer between storerooms, but not including charges on materials recovered from retirements that must be accounted for as part of cost of removal.

(e) A physical inventory of each class of materials and supplies must be made at least every two years.

§ 367.1650 Account 165, Prepayments.

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

§ 367.1710 Account 171, Interest and dividends receivable.

(a) This account must include the amount of interest on bonds, mortgages, notes, commercial paper, loans, open accounts, deposits, and other similar items, the payment of which is reasonably assured, and the amount of dividends declared or guaranteed on stocks owned.

(b) Interest that is not subject to current settlement must not be included in this account, but in the account in which is carried the principal on which the interest is accrued.

(c) Interest and dividends receivable from associate companies must be

included in account 146, Accounts receivable from associate companies (§ 367.1460).

§ 367.1720 Accounts 172, Rents receivable.

(a) This account must include rents receivable or accrued on property rented or leased by the service company to others.

(b) Rents receivable from associate companies must be included in account 146, Accounts receivable from associate companies (§ 367.1460).

§ 367.1730 Account 173, Accrued revenues.

At the option of the service company, the estimated amount accrued for service rendered, but not billed at the end of any accounting period, may be included in this account. In case accruals are made for unbilled revenues, they must be made likewise for unbilled expenses, such as for the purchase of energy.

§ 367.1740 Account 174, Miscellaneous current and accrued assets.

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

Deferred Debits

§ 367.1810 Account 181, Unamortized debt expense.

This account must include expenses related to the issuance or assumption of debt securities. Amounts recorded in this account must be amortized over the life of each respective issue under a plan that will distribute the amount equitably over the life of the security. The amortization must be on a monthly basis, and the related amounts must be charged to account 428, Amortization of debt discount and expense (§ 367.4280). Any unamortized amounts outstanding at the time that the related debt is prematurely reacquired must be accounted for as indicated in General Instructions in § 367.16.

§ 367.1830 Account 183, Preliminary survey and investigation charges.

(a) This account must be charged with all expenditures for preliminary surveys, plans, investigations, and other similar items, made for the purpose of determining the feasibility of service company projects under contemplation. If construction results, this account must be credited and the appropriate service company property account charged. If the work is abandoned, the charge must be made to account 426.5, Other deductions (§ 367.4265), or to the appropriate operating expense account.

(b) The records supporting the entries to this account must be kept so that the service company can furnish complete information as to the nature and the purpose of the survey, plans, or investigations and the nature and amounts of the several charges.

(c) The amount of preliminary survey and investigation charges transferred to service company property must not exceed the expenditures that may reasonably be determined to contribute directly and immediately and without duplication to service company property.

§ 367.1840 Account 184, Clearing accounts.

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

§ 367.1850 Account 185, Temporary facilities.

This account must include amounts shown by work orders for property installed for temporary use for a period of less than one year. Such work orders must be charged with the cost of temporary facilities and credited with payments received from customers and net salvage realized on removal of the temporary facilities. Any net credit or debit resulting must be cleared to the construction or service work order to which the facilities relate.

§ 367.1860 Account 186, Miscellaneous deferred debits.

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

(b) The records supporting the entries to this account must be kept so that the service company can furnish full information as to each deferred debit included in this account.

§ 367.1880 Account 188, Research, development, or demonstration expenditures.

(a) This account must be charged with the cost of all expenditures coming within the meaning of research, development and demonstration (RD&D) of this Uniform System of Accounts (*See* Definitions § 367.1(a)(37)), except those expenditures properly chargeable to account 107, Construction work in progress (§ 367.1070).

(b) Costs that are minor or of a general or recurring nature must be transferred from this account to the appropriate operating expense function or, if the costs are common to the overall operations or cannot be feasibly allocated to the various operating accounts, then the costs must be recorded in account 930.2, Miscellaneous general expenses (§ 367.9302).

(c) In certain instances, a service company may incur large and significant research, development, and demonstration expenditures that are nonrecurring and that would distort the annual research, development, and demonstration charges for the period. In such a case, the portion of such amounts that causes the distortion may be amortized to the appropriate operating expense account over a period not to exceed five years, unless otherwise authorized by the Commission.

(d) The entries in this account must be maintained so 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.

§ 367.1900 Account 190, Accumulated deferred income taxes.

(a) This account must be debited and account 411.1, Provision for deferred income taxes—Credit, operating income (§ 367.4111), or account 411.2, Provision for deferred income taxes—Credit, other income and deductions (§ 367.4112), as appropriate, must 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 must be credited and account 410.1, Provision for deferred income taxes, operating income (§ 367.4101), or account 410.2, Provision for deferred income taxes, other income and deductions (§ 367.4102), as appropriate, must 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 utility for general accounting purposes. The credit to this account and debit to account 410.1 (§ 367.4101), or 410.2 (§ 367.4102) must, in general, represent the effect on taxes payable in the current year of the

smaller amount of book income recognized for tax purposes as compared to the amount recognized in the service company's current accounts with respect to the item or class of items for which deferred tax accounting by the service company was authorized by the Commission.

(c) The service company is restricted in its use of this account to the purpose provided in paragraphs (a) and (b) of this section. The service company must not make use of the balance in this account or any related portion except as provided in the text of this account, without prior approval of the Commission. Any remaining deferred tax account balance with respect to an amount for any prior year's tax deferral, the amortization of which or other recognition in the service company's income accounts has been completed, or other disposition made, must be debited to account 410.1, Provision for deferred income taxes, operating income (§ 367.4101), or account 410.2, Provision for deferred income taxes, other income and deductions (§ 367.4102), as appropriate, or otherwise disposed of as the Commission may authorize or direct. (*See* General Instructions in § 367.17.)

Proprietary Capital

§ 367.2010 Account 201, Common stock issued.

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

§ 367.2040 Account 204, Preferred stock issued.

This account must include the par or stated value of all preferred stock issued and outstanding.

§ 367.2110 Account 211, Miscellaneous paid-in capital.

This account must include the balance of all other credits for paid-in capital that is not properly included in proprietary capital accounts. This account may include all commissions and expenses incurred in connection with the issuance of capital stock.

§ 367.2150 Account 215, Appropriated retained earnings.

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

§ 367.2160 Account 216, Unappropriated retained earnings.

This account must include the balances, either debit or credit, of unappropriated retained earnings arising from earnings of the service company. This account must not include any amounts representing the undistributed earnings of subsidiary companies.

§ 367.2161 Account 216.1, Unappropriated undistributed subsidiary earnings.

This account must include the balances, either debit or credit, of undistributed retained earnings of subsidiary companies since their acquisition. When dividends are received from subsidiary companies relating to amounts included in this account, this account must be debited and account 216, Unappropriated retained earnings (§ 367.2160), credited.

§ 367.2190 Account 219, Accumulated other comprehensive income.

(a) This account must include revenues, expenses, gains, and losses that are properly includable in other comprehensive income during the period. Examples of other comprehensive income include, but are not limited to, minimum pension liability adjustments, and unrealized gains and losses on certain investments in debt and equity securities. Records supporting the entries to this account must be maintained so that the service company can furnish the amount of other comprehensive income for each item included in this account.

(b) This account also must be debited or credited, as appropriate, with amounts of accumulated other comprehensive income that have been included in the determination of net income during the period and in accumulated other comprehensive income in prior periods. Separate records for each category of items must be maintained to identify the amount of the reclassification adjustments from accumulated other comprehensive income to earnings made during the period.

Long-Term Debt

§ 367.2230 Account 223, Advances from associate companies.

(a) This account must include the face value of notes payable to associate companies and the amount of open book accounts representing advances from associate companies. It does not include notes and open accounts representing indebtedness subject to current settlement that are includible in account 233, Notes payable to associate companies (§ 367.2330), or account 234, Accounts payable to associate companies (§ 367.2340).

(b) The records supporting the entries to this account must be kept so that the service company can furnish complete information concerning each note and open account.

§ 367.2240 Account 224, Other long-term debt.

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

(b) Separate accounts must be maintained for each class of obligation, and records must be maintained to show for each class all details as to date of obligation, date of maturity, interest dates and rates, security for the obligation, and other similar items.

§ 367.2250 Account 225, Unamortized premium on long-term debt.

(a) This account must 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 must be amortized over the life of each respective issue under a plan that will distribute the amount equitably over the life of the security. The amortization must be on a monthly basis, with the related amounts credited to account 429, Amortization of premium on debt—Credit (§ 367.4290). (*See* General Instructions in § 367.16.)

§ 367.2260 Account 226, Unamortized discount on long-term debt—Debit.

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

(b) Amounts recorded in this account must be amortized over the life of the respective issues under a plan that will distribute the amount equitably over the life of the securities. The amortization must be on a monthly basis, with the related amounts charged to account 428, Amortization of debt discount and expense (§ 367.4280). (*See* General Instructions in § 367.16.)

Other Noncurrent Liabilities

§ 367.2270 Account 227, Obligations under capital lease—Non-current.

This account must include the portion not due within one year, of the obligations recorded for the amounts

applicable to leased property recorded as assets in account 101.1, Property under capital leases (§ 367.1011).

§ 367.2300 Account 230, Asset retirement obligations.

(a) This account must include the amount of liabilities for the recognition of asset retirement obligations related to service company property. This account must be credited for the amount of the liabilities for asset retirement obligations with amounts charged to the appropriate property account to record the related asset retirement costs.

(b) The service company must charge the accretion expense to account 411.10, Accretion expense (§ 367.4116), and credit account 230, Asset retirement obligations (§ 367.2300).

(c) This account must be debited with amounts paid to settle the asset retirement obligations recorded in this account.

(d) The service company must clear from this account any gains or losses resulting from the settlement of asset retirement obligations in accordance with the instructions prescribed in the General Instructions in § 367.22.

Current and Accrued Liabilities

§ 367.2310 Account 231, Notes payable.

This account must 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.

§ 367.2320 Account 232, Accounts payable.

This account must include all amounts payable by the service company within one year, that are not provided for in other accounts.

§ 367.2330 Account 233, Notes payable to associate companies.

(a) This account must include amounts owing to associate companies on notes, drafts, acceptances, or other similar evidences of indebtedness, and open accounts payable on demand or not more than one year from date of issue or creation.

(b) Exclude from this account notes and accounts that are includible in account 223, Advances from associate companies (§ 367.2230).

§ 367.2340 Account 234, Accounts payable to associate companies.

(a) This account must include amounts owing to associate companies on notes, drafts, acceptances, or other similar evidences of indebtedness, and open accounts payable on demand or not more than one year from date of issue or creation.

(b) Exclude from this account notes and accounts that are included in account 223, Advances from associate companies (§ 367.2230).

§ 367.2360 Account 236, Taxes accrued.

(a) This account must be credited with the amount of taxes accrued during the accounting period, corresponding debits being made to the appropriate accounts for tax charges. The 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 must be adjusted so as to include as nearly as can be determined in each year the related applicable taxes. Any amount representing a prepayment of taxes applicable to the period subsequent to the date of the balance sheet, must be shown under account 165, Prepayments (§ 367.1650).

(b) If accruals for taxes are found to be insufficient or excessive, corrections must be made through current tax accruals.

(c) Accruals for taxes must be based upon the net amounts payable after credit for any discounts, and must not include any amounts for interest on tax deficiencies or refunds. Interest received on refunds must be credited to account 419, Interest and dividend income (§ 367.4190), and interest paid on deficiencies must be charged to account 431, Other interest expense (§ 367.4310).

(d) The records supporting the entries to this account must 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.

§ 367.2370 Account 237, Interest accrued.

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

§ 367.2380 Account 238, Dividends declared.

This account must include the amount of dividends that have been declared but not paid. Dividends must be credited to this account when they become a liability.

§ 367.2410 Account 241, Tax collections payable.

(a) This account must include the amount of taxes collected by the service company through payroll deductions or otherwise pending transmittal of the taxes to the proper taxing authority.

(b) Do not include liability for taxes assessed directly against the service company that is accounted for as part of the service company's own tax expense.

§ 367.2420 Account 242, Miscellaneous current and accrued liabilities.

This account must include the amount of all other current and accrued liabilities not provided for in accounts 231 through 243 (§§ 367.2310 through 367.2430), appropriately designated and supported so as to show the nature of each liability.

§ 367.2430 Account 243, Obligations under capital leases—current.

This account must include the portion, due within one year, of the obligations recorded for the amounts applicable to leased property recorded as assets in account 101.1, Property under capital leases (§ 367.1011).

Deferred Credits

§ 367.2530 Account, 253, Other deferred credits.

This account must 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.

§ 367.2550 Account 255, Accumulated deferred investment tax credits.

This account must be credited with all investment tax credits deferred by companies that have elected to follow deferral accounting, partial or full, rather than recognizing in the income statement the total benefits of the tax credit as realized. After this election, a company may not transfer amounts from this account, except as authorized in this account and in accounts 411.4, Investment tax credit adjustments, service company property (§ 367.4114) or 411.5, Investment tax credit adjustments, other income and deductions (§ 367.4115), or with approval of the Commission.

§ 367.2820 Account 282, Accumulated deferred income taxes—Other property.

(a) This account must include the tax deferrals resulting from adoption of the principle of comprehensive inter-period income tax allocation described in the General Instructions in § 367.17 that are related to all property other than accelerated amortization property.

(b) This account must be credited and accounts 410.1, Provision for deferred income taxes, operating income (§ 367.4101), or 410.2, Provision for deferred income taxes, Other income and deductions (§ 367.4102), as appropriate, must 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 must be debited, and accounts 411.1, Provision for deferred income taxes—credit, operating income (§ 367.4111), or 411.2, Provision for deferred income taxes—credit, other income and deductions (§ 367.4112), as appropriate, must 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) The service company is restricted in its use of this account to the purposes described in paragraphs (a) through (c) of this account. It must not transfer the balance in this account or any related portion to retained earnings or make any other use of the balance except as provided in paragraph (a) through (c) of this account without prior approval of the Commission. Upon the disposition by sale, exchange, transfer, abandonment or premature retirement of property on which there is a related balance, this account must be charged with an amount equal to the related income tax expense, if any, arising from the disposition and accounts 411.1, Income taxes deferred in prior years—Credit (§ 367.4111), or 411.2, Income taxes deferred in prior years—Credit, other income and deductions (§ 367.4112), must be credited. When property is disposed of by transfer to a wholly-owned subsidiary, the related balance in this account also must be transferred. When the disposition relates to retirement of an item or items under a group method of depreciation where there is no tax effect in the year of retirement, no entries are required in this account if it can be determined that the related balance must be retained to offset future group item tax deficiencies.

§ 367.2830 Account 283, Accumulated deferred income taxes—Other.

(a) This account must include all credit tax deferrals resulting from the adoption of the principles of comprehensive inter-period income tax allocation described in the General Instructions in § 367.17 other than those deferrals that are includible in accounts and account 282, Accumulated deferred income taxes—Other property (§ 367.2820).

(b) This account must be credited, and accounts 410.1 Provision for deferred income taxes, operating income (§ 367.4101), or 410.2 Provision for deferred income taxes, other income and deductions (§ 367.4102), as appropriate, must be debited with tax effects related to items described in paragraph (a) of this account 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 must be debited, and accounts 411.1, Provision for deferred income taxes—Credit, operating income (§ 367.4111), or 411.2, Provision for deferred income taxes—Credit, other income and deductions (§ 367.4112), as appropriate, must be credited with tax effects related to items described in paragraph (a) of this account 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 in paragraphs (a) through (c) of this account, and the account balance, must be maintained so as to show the factors of calculation with respect to each annual amount of the item or class of items.

(e) The service company is restricted in its use of this account to the purposes described in paragraphs (a) through (c) of this account. It must not transfer the balance in the account or any portion of the account to retained earnings or to any other account or make any use of the account except as provided in the text of this account, without prior approval of the Commission. Upon the disposition by sale, exchange, transfer, abandonment or premature retirement of items on which there is a related balance herein, this account must be charged with an amount equal to the related income tax effect, if any, arising from the disposition and accounts 411.1, Provision for deferred income taxes—Credit, operating income (§ 367.4111), or 411.2, Provision for deferred income taxes—Credit, other income and deductions (§ 367.4112), as appropriate, must be credited.

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

Subpart G—Service Company Property Chart of Accounts

§ 367.3010 Account 301, Organization.

(a) This account must include all fees paid to federal or state governments for the privilege of incorporation and expenditures incident to organizing the corporation, partnership, or other enterprise and putting it into readiness to do business

(b) This account must include the following items:

(1) Cost of obtaining certificates authorizing the service company to engage in its business.

(2) Fees and expenses for incorporation.

(3) Fees and expenses for mergers or consolidations.

(4) Office expenses incident to organizing the service company.

(5) Stock and minute books and corporate seal.

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

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

§ 367.3030 Account 303, Miscellaneous intangible property.

(a) This account must include the cost of patent rights, licenses, privileges, and other intangible property necessary or valuable in the conduct of service company operations and not specifically chargeable to any other account.

(b) When any item included in this account is retired or expires, the related book cost must be credited to this account and charged to account 426.5, Other deductions (§ 367.4265), or account 111, Accumulated provision for amortization of property (§ 367.1110).

(c) This account must be maintained in a manner so that the service company can furnish full information with respect to the amounts included in this account.

§ 367.3890 Account 389, Land and land rights.

This account must include the cost of land and land rights used for service company purposes, the cost of which is not properly includible in other land and land rights accounts. (*See* Service Company Property Instructions in § 367.55.)

§ 367.3900 Account 390, Structures and improvements.

This account must include the cost in place of structures and improvements used for service company purposes, the cost of which is not properly includible in other structures and improvements accounts (*See* Service Company Property Instructions in § 367.56).

§ 367.3910 Account 391, Office furniture and equipment.

(a) This account must include the cost of office furniture and equipment owned by the service company and devoted to service company operations, and not permanently attached to buildings, except the cost of the furniture and equipment that the service company elects to assign to other property accounts on a functional basis.

(b) This account must include the following items:

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

§ 367.3920 Account 392, Transportation equipment.

(a) This account must include the cost of transportation vehicles used for service company purposes.

(b) This account must include the following items:

(1) Airplanes.
(2) Automobiles.
(3) Bicycles.
(4) Electrical vehicles.
(5) Motor trucks.
(6) Motorcycles.
(7) Repair cars or trucks.
(8) Tractors and trailers.
(9) Other transportation vehicles.

§ 367.3930 Account 393, Stores equipment.

(a) This account must include the cost of equipment used for the receiving, shipping, handling, and storage of materials and supplies.

(b) This account must include the following items:

(1) Chain falls.
(2) Counters.
(3) Cranes (portable).
(4) Elevating and stacking equipment (portable).
(5) Hoists.
(6) Lockers.
(7) Scales.
(8) Shelving.
(9) Storage bins.
(10) Trucks, hand and power driven.
(11) Wheelbarrows.

§ 367.3940 Account 394, Tools, shop and garage equipment.

(a) This account must include the cost of tools, implements, and equipment used in construction, repair work, general shops and garages and not specifically provided for or includible in other accounts.

(b) This account must include the following items:

(1) Air compressors.
(2) Anvils.
(3) Automobile repair shop equipment.
(4) Battery charging equipment.
(5) Belts, shafts and countershafts.
(6) Boilers.
(7) Cable pulling equipment.
(8) Concrete mixers.
(9) Drill presses.
(10) Derricks.
(11) Electric equipment.
(12) Engines.
(13) Forges.
(14) Furnaces.
(15) Foundations and settings specially constructed for equipment in this account and not expected to outlast the equipment for which provided.
(16) Gas producers.
(17) Gasoline pumps, oil pumps and storage tanks.
(18) Greasing tools and equipment.
(19) Hoists.
(20) Ladders.
(21) Lathes.
(22) Machine tools.
(23) Motor-driven tools.
(24) Motors.
(25) Pipe threading and cutting tools.
(26) Pneumatic tools.
(27) Pumps.
(28) Riveters.
(29) Smithing equipment.
(30) Tool racks.
(31) Vises.
(32) Welding apparatus.
(33) Work benches.

§ 367.3950 Account 395, Laboratory equipment.

(a) This account must include the cost installed of laboratory equipment used for general laboratory purposes.

(b) This account must include the following items:

(1) Ammeters.
(2) Balances and scales.
(3) Barometers.
(4) Calorimeters-bomb, flow, recording types, and other similar items.
(5) Current batteries.
(6) Electric furnaces.
(7) Frequency changers.
(8) Galvanometers.
(9) Gas burning equipment.
(10) Gauges.
(11) Glassware, beakers, burettes, and other similar items.
(12) Humidity testing apparatus.
(13) Inductometers.
(14) Laboratory hoods.
(15) Laboratory standard millivolt meters.
(16) Laboratory standard volt meters.
(17) Laboratory tables and cabinets.
(18) Meter-testing equipment.
(19) Millivolt meters.
(20) Motor generator sets.
(21) Muffles.
(22) Oil analysis apparatus.
(23) Panels.
(24) Phantom loads.
(25) Piping.
(26) Portable graphic ammeters, voltmeters, and wattmeters.
(27) Portable loading devices.
(28) Potential batteries.
(29) Potentiometers.
(30) Rotating standards.
(31) Specific gravity apparatus.
(32) Standard bottles for meter prover testing.
(33) Standard cell, reactance, resistor, and shunt.
(34) Stills.
(35) Sulphur and ammonia apparatus.
(36) Switchboards.
(37) Synchronous timers.
(38) Tar analysis apparatus.
(39) Testing panels.
(40) Testing resistors.
(41) Thermometers-indicating and recording.
(42) Transformers.
(43) Voltmeters.
(44) Other testing, laboratory, or research equipment not provided for elsewhere.
(45) Other items of equipment for testing gas, fuel, flue gas, water, residuals, and other similar items.

§ 367.3960 Account 396, Power operated equipment.

(a) This account must include the cost of power operated equipment used in construction or repair work exclusive of equipment includible in other accounts. Include, also, the tools and accessories acquired for use with the equipment and the vehicle on which the equipment is mounted.

(b) This account must include the following items:

(1) Air compressors, including driving unit and vehicle.
(2) Back filling machines.
(3) Boring machines.
(4) Bulldozers.
(5) Cranes and hoists.
(6) Diggers.
(7) Engines.
(8) Pile drivers.
(9) Pipe cleaning machines.
(10) Pipe coating or wrapping machines.
(11) Tractors—Crawler type.
(12) Trenchers.
(13) Other power operated equipment.

(b) It is intended that this account include only the large units that are generally self-propelled or mounted on movable equipment.

§ 367.3970 Account 397, Communication equipment.

(a) This account must include the cost installed of telephone, telegraph, and wireless equipment for general use in connection with service company operations.

(b) This account must include the following items:

(1) Amplifiers.
(2) Antennae.
(3) Booths.
(4) Cables.
(5) Carrier terminal equipment.
(6) Conductors.
(7) Distributing boards.
(8) Extension cords.
(9) Gongs.
(10) Hand sets, manual and dial.
(11) Insulators.
(12) Intercommunicating sets.
(13) Loading coils.
(14) Microwave equipment.
(15) Operators' desks.
(16) Paraboloids.
(17) Poles and fixtures used wholly for telephone or telegraph wire.
(18) Power supply equipment.
(19) Radio transmitting and receiving sets.
(20) Reflectors.
(21) Repeaters.
(22) Remote control equipment and lines.
(23) Sending keys.
(24) Storage batteries.
(25) Switchboards.
(26) Telautograph circuit connections.
(27) Telegraph receiving sets.
(28) Telephone and telegraph circuits.
(29) Testing instruments.
(30) Towers.
(31) Underground conduit used wholly for telephone or telegraph wires and cable wires.

§ 367.3980 Account 398, Miscellaneous equipment.

(a) This account must include the cost of equipment, apparatus, and other similar items, used in the service company's operations, that is not included in any other account of this system of accounts.

(b) This account must include the following items:

(1) Hospital and infirmary equipment.
(2) Kitchen equipment.
(3) Employees' recreation equipment.
(4) Radios.
(5) Restaurant equipment.
(6) Soda fountains.
(7) Operators' cottage furnishings.
(8) Other miscellaneous equipment.

§ 367.3990 Account 399, Other tangible property.

This account must include the cost of tangible service company property not provided for elsewhere.

§ 367.3991 Account 399.1, Asset retirement costs for service company property.

This account must include asset retirement cost on service company property.

Subpart H—Income Statement Chart of Accounts

Service Company Operating Income

§ 367.4000 Account 400, Operating revenues.

There must be shown under this caption the total amount included in the service company operating revenue accounts 457 through 459 (§§ 367.4570 through 367.4590).

§ 367.4010 Account 401, Operation expense.

There must be shown under this caption the total amount included in the service company operation expense accounts 500 through 589 (§§ 367.5000 through 367.5890), 800 through 881 (§§ 367.8000 through 367.8810) and 901 through 931 (§§ 367.9010 through 367.9310).

§ 367.4020 Account 402, Maintenance expense.

There must be shown under this caption the total amount included in the service company maintenance expense accounts 500 through 598 (§§ 367.5000 through 367.5890), 800 though 894 (§§ 367.8000 through 367.8810), and 935 (§ 367.9350).

§ 367.4030 Account 403, Depreciation expense.

(a) This account must include the amount of depreciation for all service company property, the cost of which is included in accounts 390 through 399.1 (§§ 367.3900 through 367.3991). Provide subaccounts by each class of service company property owned or leased except the depreciation expense that is charged to clearing accounts or to account 416, Costs and expenses of merchandising, jobbing and contract work (§ 367.4160).

(b) The service company must keep the records of property and property retirements that will reflect the service life of property that has been retired and aid in estimating probable service life by mortality, turnover, or other appropriate methods; and also the records that will reflect the percentage of salvage and costs of removal for property retired from each account, or related subaccount, for depreciable property.

(c) Depreciation expenses applicable to transportation equipment, shop equipment, tools, work equipment, power operated equipment and other general equipment may be charged to clearing accounts as necessary in order to obtain a proper distribution of expenses between construction and operation.

§ 367.4031 Account 403.1, Depreciation expense for asset retirement costs.

This account must include the depreciation expense for asset retirement costs included in service company property.

§ 367.4040 Account 404, Amortization of limited-term property.

This account must include amortization charges applicable to amounts included in the service company property's accounts for limited-term franchises, licenses, patent rights, limited-term interests in land, and expenditures on leased property where the service life of the improvements is terminable by action of the lease. The charges to this account must be sufficient to distribute the book cost of each investment as evenly as may be over the period of its benefit. (*See* account 111, Accumulated provision for amortization of service company property (§ 367.1110).)

§ 367.4050 Account 405, Amortization of other property.

(a) When authorized by the Commission, this account must include charges for amortization of intangible or other property that does not have a definite or terminable life and that is not subject to charges for depreciation expense.

(b) This account must be supported in sufficient detail to show the amortization applicable to each investment being amortized, together with the book cost of the investment and the period over which it is being written off.

§ 367.4081 Account 408.1, Taxes other than income taxes, operating income.

This account must include those taxes, other than income taxes, that relate to service company operating income. This account must be maintained so as to allow ready identification of the various classes of taxes.

§ 367.4082 Account 408.2, Taxes other than income taxes, other income and deductions.

This account must include those taxes, other than income taxes, that relate to other income and deductions.

§ 367.4091 Account 409.1, Income taxes, operating income.

This account must include the amount of those local, state and Federal income taxes that relates to service company operating income.

§ 367.4092 Account 409.2, Income taxes, other income and deductions.

This account must include the amount of those local, state and Federal income taxes (both positive and negative), that relate to other income and deductions.

§ 367.4093 Account 409.3, Income taxes, extraordinary items.

This account must include the amount of those local, state and Federal income taxes (both positive and negative), that relate to extraordinary items.

§ 367.4101 Account 410.1, Provision for deferred income taxes, operating income.

This account must include the amounts of those deferrals of taxes and allocations of deferred taxes that relate to service company operating income.

§ 367.4102 Account 410.2, Provision for deferred income taxes, other income and deductions.

This account must include the amounts of those deferrals of taxes and allocations of deferred taxes that relate to other income and deductions.

§ 367.4111 Account 411.1, Provision for deferred income taxes—Credit, operating income.

This account must include the amounts of those allocations of deferred taxes and deferrals of taxes, credit, that relate to service company operating income.

§ 367.4112 Account 411.2, Provision for deferred income taxes—Credit, other income and deductions.

This account must include the amounts of those allocations of deferred taxes and deferrals of taxes, credit, that relate to other income and deductions.

§ 367.4114 Account 411.4, Investment tax credit adjustments, service company property.

This account must include the amount of those investment tax credit adjustments that relate to service company property.

§ 367.4115 Account 411.5, Investment tax credit adjustments, other.

This account must include the amount of those investment tax credit adjustments not properly included in other accounts.

§ 367.4116 Account 411.10, Accretion expense.

This account must be charged for accretion expense on the liabilities associated with asset retirement obligations included in account 230, Asset retirement obligations (§ 367.2300), related to service company property.

§ 367.4150 Account 415, Revenues from merchandising, jobbing and contract work.

(a) These accounts shall include respectively, all revenues derived from the sale of merchandise and jobbing or contract work, including any profit or commission accruing to the service company on jobbing work performed by it as agent under contracts whereby it does jobbing work for another for a stipulated profit or commission, and all expenses incurred in such activities. Interest related income from installment sales must be recorded in Account 419, Interest and Dividend income (§ 367.4190).

(b) Records in support of this account must be so kept as to permit ready summarization of revenues by such major items as are feasible.

(c) This account must include revenues from the sale of merchandise and from jobbing and contract work, and discounts and allowances made in settlement of bills for merchandise and jobbing work.

(d) Related taxes must be recorded in account 408.2, Taxes other than income taxes, other income and deductions (§ 367.4082), or account 409.2, Income taxes, other income and deductions (§ 367.4092), as appropriate.

§ 367.4160 Account 416, Costs and expenses of merchandising, jobbing and contract work.

(a) This account must include the following labor items:

(1) Canvassing and demonstrating appliances in homes and other places for the purpose of selling appliances.

(2) Demonstrating and selling activities in sales rooms.

(3) Installing appliances on customer premises where the work is done only for purchasers of appliances from the utility.

(4) Installing wiring, piping, or other property work, on a jobbing or contract basis.

(5) Preparing advertising materials for appliance sales purposes.

(6) Receiving and handling customer orders for merchandise or for jobbing services.

(7) Cleaning and tidying sales rooms.

(8) Maintaining display counters and other equipment used in merchandising.

(9) Arranging merchandise in sales rooms and decorating display windows.

(10) Reconditioning repossessed appliances.

(11) Bookkeeping and other clerical work in connection with merchandise and jobbing activities.

(12) Supervising merchandise and jobbing operations.

(b) This account must include the following materials and expenses items:

(1) Advertising in newspapers, periodicals, radio, television, and other similar items.

(2) Cost of merchandise sold and of materials used in jobbing work.

(3) Stores expenses on merchandise and jobbing stocks.

(4) Fees and expenses of advertising and commercial artists' agencies.

(5) Printing booklets, dodgers, and other advertising data.

(6) Premiums given as inducement to buy appliances.

(7) Light, heat and power.

(8) Depreciation on equipment used primarily for merchandise and jobbing operations.

(9) Rent of sales rooms or of equipment.

(10) Transportation expense in delivery and pick-up of appliances by the utility's facilities or by others.

(11) Stationery and office supplies and expenses.

(12) Losses from uncollectible merchandise and jobbing accounts.

(c) Records in support of this account shall be so kept as to permit ready summarization of costs and expenses by such major items as are feasible.

(d) Related taxes must be recorded in account 408.2, Taxes other than income taxes, other income and deductions (§ 367.4082), or account 409.2, Income taxes, other income and deductions (§ 367.4092), as appropriate.

§ 367.4171 Account 417.1, Expenses of non-utility related operations.

(a) This account will include expenses incurred in providing services to non-utility companies where the revenues from which are included in Account 459, Services rendered to non-utility companies (§ 367.4590).

Expenses related to providing customer, sales or administrative and general services to non-utility companies will initially be recorded in the 900 series of accounts and transferred to Account 417.1 (§ 367.4171), through credit to Account 922, Administrative expenses transferred—Credit (§ 367.9220). The cost of other services provided to non-utility companies will be charged directly to Account 417.1 (§ 367.4171).

(b) Related taxes must be recorded in account 408.1, Taxes other than income taxes, operating income (§ 367.4081), or account 409.1, Income taxes, operating income (§ 367.4091).

§ 367.4181 Account 418.1, Equity in earnings of subsidiary companies.

This account must include the service company's equity in the earnings or losses of subsidiary companies for the year.

§ 367.4190 Account 419, Interest and dividend income.

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

(b) This account may include the *pro rata* amount necessary to extinguish (during the interval between the date of acquisition and the date of maturity) the difference between the cost to the service company and the face value of interest-bearing securities. The amounts credited or charged must be concurrently included in the accounts in which the securities are carried.

(c) Where significant in amount, expenses, excluding operating taxes and income taxes, applicable to security investments and to interest and dividend revenues on the account must be charged in this account.

(d) Related taxes must be recorded in account 408.2, Taxes other than income taxes, other income and deductions (§ 367.4082), or account 409.2 Income taxes, other income and deductions (§ 367.4092).

(e) Interest accrued, the payment of which is not reasonably assured, dividends receivable that have not been declared or guaranteed, and interest or dividends upon reacquired securities issued or assumed by the service company must not be credited to this account.

§ 367.4191 Account 419.1, Allowance for other funds used during construction.

This account must include concurrent credits for allowance for other funds used during construction.

§ 367.4210 Account 421, Miscellaneous income or loss.

This account must include all revenue and expense items except taxes properly includible in the income account and not provided for elsewhere. Related taxes must be recorded in account 408.2, Taxes other than income taxes, other income and deductions (§ 367.4082), or account 409.2, Income taxes, other income and deductions (§ 367.4092).

§ 367.4211 Account 421.1, Gain on disposition of property.

This account must be credited with the gain on the sale, conveyance, exchange, or transfer of service or other property to another. Income taxes on gains recorded in this account must be recorded in account 409.2, Income taxes, other income and deductions (§ 367.4092).

§ 367.4212 Account 421.2, Loss on disposition of property.

This account must be charged with the loss on the sale, conveyance, exchange or transfer of service or other property to another. The reduction in income taxes relating to losses recorded in this account must be recorded in account 409.2 Income taxes, other income and deductions (§ 367.4092).

§ 367.4250 Account 425, Miscellaneous amortization.

(a) This account must include amortization charges not includible in other accounts which are properly deductible in determining the income of the service company before interest charges. Charges included in this account, if significant in amount, must be in accordance with an orderly and systematic amortization program.

(b) This account must include the following items:

(1) Amortization of intangibles included in service company property.

(2) Other miscellaneous amortization charges authorized to be included in this account by the Commission.

§ 367.4261 Account 426.1, Donations.

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

§ 367.4262 Account 426.2, Life insurance.

This account must include all payments for life insurance of officers and employees where the service company is beneficiary (net premiums less increase in cash surrender value of policies).

§ 367.4263 Account 428.3, Penalties.

This account must include payments by the service company for penalties or fines for violation of any regulatory statutes by the service company or its officials.

§ 367.4264 Account 426.4, Expenditures for certain civic, political and related activities.

(a) This account must include expenditures for the purpose of influencing public opinion with respect to the election or appointment of public officials, referenda, legislation, or ordinances (either with respect to the possible adoption of new referenda, legislation or ordinances or repeal or modification of existing referenda, legislation or ordinances) or approval, modification, or revocation of franchises; or for the purpose of influencing the decisions of public officials.

(b) This account must not include expenditures that are directly related to appearances before regulatory or other governmental bodies in connection with an associate utility company's existing or proposed operations.

§ 367.4265 Account 426.5, Other deductions.

This account must include other miscellaneous expenses that are not properly included in service company operations.

§ 367.4270 Account 427, Interest on long-term debt.

(a) This account must include the amount of interest on outstanding long-term debt issued or assumed by the service company, the liability for which is included in account 224, Other long-term debt (§ 367.2240).

(b) This account must be kept or supported so as to show the interest accruals on each class and series of long-term debt.

(c) This account must not include interest on nominally issued or nominally outstanding long-term debt, including securities assumed.

§ 367.4280 Account 428, Amortization of debt discount and expense.

(a) This account must include the amortization of unamortized debt discount and expense on outstanding long-term debt. Amounts charged to this account must be credited concurrently to accounts 181, Unamortized debt expense (§ 367.1810), and 226, Unamortized discount on long-term debt—Debit (§ 367.2260).

(b) This account must be kept or supported so as to show the debt

discount and expense on each class and series of long-term debt.

§ 367.4290 Account 429, Amortization of premium on debt—Credit.

(a) This account must include the amortization of unamortized net premium on outstanding long-term debt. Amounts credited to this account must be charged concurrently to account 225, Unamortized premium on long-term debt (§ 367.2250).

(b) This account must be kept or supported so as to show the premium on each class and series of long-term debt.

(c) This account must include the following items:

(1) Loss relating to investments in securities written-off or written-down.

(2) Loss on sale of investments.

(3) Loss on reacquisition, resale or retirement of service company's debt securities.

(4) Preliminary survey and investigation expenses related to abandoned projects, when not written-off to the appropriate operating expense account.

§ 367.4300 Account 430, Interest on debt to associate companies.

This account must include interest accrued on amounts included in account 223, Advances from associate companies (§ 367.2230), and account 233, Notes payable to associate companies (§ 367.2330). The records supporting the entries to this account must be kept so 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 must be maintained for each related debt account.

§ 367.4310 Account 431, Other interest expense.

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

§ 367.4320 Account 432, Allowance for borrowed funds used during construction—Credit.

This account must include concurrent credits for allowance for borrowed funds used during construction.

Subpart I—Retained Earnings Accounts

§ 367.4330 Account 433, Balance transferred from income.

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

§ 367.4340 Account 434, Extraordinary income.

This account must be credited with gains of unusual nature and infrequent occurrence, that would significantly distort the current year's income computed before extraordinary items, if reported other than as extraordinary items. Income tax relating to the amounts recorded in this account must be recorded in account 409.3, Income taxes, extraordinary items (§ 367.4093). (See General Instructions in § 367.8.)

§ 367.4350 Account 435, Extraordinary deductions.

This account must be debited with losses of unusual nature and infrequent occurrence that would significantly distort the current year's income computed before extraordinary items, if reported other than as extraordinary items. Income tax relating to the amounts recorded in this account must be recorded in account 409.3, Income taxes, extraordinary items (§ 367.4093). (*See* General Instructions in § 367.8.)

§ 367.4360 Account 436, Appropriations of retained earnings.

This account must include appropriations of retained earnings as follows:

(a) Appropriations required under terms of mortgages, orders of courts, contracts, or other agreements.

(b) Appropriations required by action of regulatory authorities.

(c) Other appropriations made at option of the service company for specific purposes.

§ 367.4370 Account 437, Dividends declared—preferred stock.

(a) This account must include amounts declared payable out of retained earnings as dividends on actually outstanding preferred or prior lien capital stock issued by the service company.

(b) Dividends must be segregated for each class and series of preferred stock as to those payable in cash, stock, and other forms. If not payable in cash, the medium of payment must be described with sufficient detail to identify it.

§ 367.4380 Account 438, Dividends declared—common stock.

(a) This account must include amounts declared payable out of retained earnings as dividends on actually outstanding common capital stock issued by the service company.

(b) Dividends must be segregated for each class of common stock as to those payable in cash, stock and other forms. If not payable in cash, the medium of payment must be described with sufficient detail to identify it.

§ 367.4390 Account 439, Adjustments to retained earnings.

(a) This account must, with prior Commission approval, include significant non-recurring transactions accounted for as prior period adjustments, as follows:

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

(2) Adjustments that result from realization of income tax benefits of reacquisition operating loss carry forwards of purchased subsidiaries. All other items of profit and loss recognized during a year must be included in the determination of net income for that year.

(b) Adjustments, charges, or credits due to losses on reacquisition, resale or retirement of the company's own capital stock must be included in this account.

Subpart J—Operating Revenue Chart of Accounts

§ 367.4570 Account 457, Services rendered to associate utility companies.

This account must include amounts billed to associate utility companies for services rendered at cost. (*See* accounts 457.1 through 457.3 in §§ 367.4571 through 367.4573). Overbillings or underbillings arising from adjustments of estimated costs to actual costs must be cleared through this account and concurrent adjustments made to other accounts involved.

§ 367.4571 Account 457.1, Direct costs charged to associate utility companies.

This account must include those direct costs that can be identified through a work order system as being applicable to services performed for associate utility companies. This account must not include any compensation for use of equity capital or inter-company interest on indebtedness.

§ 367.4572 Account 457.2, Indirect costs charged to associate utility companies.

This account must include recovery of those indirect costs that cannot be separately identified to a single or group of associate companies and therefore must be allocated. Only journal or memorandum entries should be prepared monthly, by departments, for all such cost accumulated and billed to customers. Amounts billed to associate utility companies must be included in this account. This account must not include any compensation for use of equity capital or inter-company interest on indebtedness.

§ 367.4573 Account 457.3, Compensation for use of capital-associate utility companies.

This account must include only the portion of compensation for use of equity capital and inter-company interest on indebtedness before income taxes that is properly allocable to services rendered to each associate utility company.

§ 367.4580 Account 458, Services rendered to non-associate utility companies.

This account must include amounts billed for services rendered to non-associate utility companies. (*See* accounts 458.1 through 458.4 (§§ 367.4581 through 367.4584).)

§ 367.4581 Account 458.1, Direct costs charged to non-associate utility companies.

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

§ 367.4582 Account 458.2, Indirect costs charged to non-associate utility companies.

This account must include recovery of those indirect costs of services performed for non-associate utility companies that cannot be specifically assigned and therefore must be allocated. This account must not include any compensation for use of equity capital or inter-company interest on indebtedness.

§ 367.4583 Account 458.3, Compensation for use of capital—Non-associate utility companies.

This account must include only the portion of compensation for use of equity capital and inter-company interest on indebtedness before income taxes that is properly allocable to services rendered to non-associate utility companies. A statement to support the basis for the compensation and how it was calculated must be attached to a separate journal entry, ledger system, or memorandum file.

§ 367.4584 Account 458.4, Excess or deficiency on servicing non-associate utility companies.

This account must include the amount by which the aggregate price received for services rendered to non-associate utility companies differs from the sum of the total direct and indirect costs and compensation for use of capital which are properly allocable to such services. (*See* accounts 458.1 through 458.3 (§§ 367.4581 through 367.4583) and General Instructions in § 367.23.)

§ 367.4590 Account 459, Services rendered to non-utility companies.

This account must include amounts billed for services rendered to non-utility companies. (*See* accounts 459.1 through 459.4 (§§ 367.4591 through 367.4594).)

§ 367.4591 Account 459.1, Direct costs charged to non-utility companies.

This account must include those direct costs that can be identified through a work order system as being applicable to services performed for associate and non-associate companies except utility companies. This account must not include any compensation for use of equity capital or interest on indebtedness.

§ 367.4592 Account 459.2, Indirect costs charged to non-utility companies.

This account must include recovery of those indirect costs of services performed for associate and non-associate companies except utility companies that cannot be separately identified and therefore must be allocated. This account must exclude amounts billed to associate and non-associate utility companies. This account must not include any compensation for use of equity capital or inter-company interest on indebtedness.

§ 367.4593 Account 459.3, Compensation for use of capital—non-utility companies.

This account must include only the portion of compensation for use of equity capital and inter-company interest on indebtedness before income taxes that is properly allocable to services rendered to associate and non-associate companies except utility companies. A statement to support the basis for the compensation and how it was calculated must be attached to a separate journal entry, ledger system, or memorandum file.

§ 367.4594 Account 459.4, Excess or deficiency on servicing non-associate non-utility companies.

This account must include the amount by which the aggregate price received for services rendered to non-associate companies except utility companies differs from the sum of the total direct and indirect costs and compensation for use of capital which are properly allocable to such services. (*See* Accounts 459.1 through 459.3 (§§ 367.4591 through 367.4593) and General Instructions (§ 367.23).)

Subpart K—Operation and Maintenance Expense Chart of Accounts

§ 367.5000 Accounts 500–598, Electric operation and maintenance accounts.

Service companies must use accounts 500 through 598 in part 101 of this chapter.

§ 367.8000 Accounts 800–894, Gas operation and maintenance accounts.

Service companies must use accounts 800 through 894 in part 201 of this chapter.

§ 367.9010 Account 901, Supervision.

This account must include the cost of labor and expenses incurred in the general direction and supervision of customer accounting and collecting activities. Direct supervision of a specific activity must be charged to account 902, Meter reading expenses (§ 367.9020), or account 903, Customer records and collection expenses (§ 367.9030), as appropriate. (*See* Operating Expense Instructions in § 367.80.)

§ 367.9020 Account 902, Meter reading expenses.

(a) This account must include the cost of labor, materials used and expenses incurred in reading customer meters, and determining consumption when performed by employees engaged in reading meters.

(b) This account must include the following labor items:

(1) Addressing forms for obtaining meter readings by mail.

(2) Changing and collecting meter charts used for billing purposes.

(3) Inspecting time clocks, checking seals, and other similar items, when performed by meter readers and the work represents a minor activity incidental to regular meter reading routine.

(4) Reading meters, including demand meters, and obtaining load information for billing purposes. Exclude and charge to account 586, Meter expenses (§ 367.5860), account 878, Meter and house regulator expenses (§ 367.8780), or to account 903, Customer records and collection expenses (§ 367.9030), as applicable, the cost of obtaining meter readings, first and final, if incidental to the operation of removing or resetting, sealing, or locking, and disconnecting or reconnecting meters.

(5) Computing consumption from meter reader's book or from reports by mail when done by employees engaged in reading meters.

(6) Collecting from prepayment meters when incidental to meter reading.

(7) Maintaining record of customers' keys.

(8) Computing estimated or average consumption when performed by employees engaged in reading meters.

(c) This account must include the following materials and expenses items:

(1) Badges, lamps, and uniforms.

(2) Demand charts, meter books and binders and forms for recording readings, but not the cost of preparation.

(3) Postage and supplies used in obtaining meter readings by mail.

(4) Transportation, meals, and incidental expenses.

§ 367.9030 Account 903, Customer records and collection expenses.

(a) This account must include the cost of labor, materials used and expenses incurred in work on customer applications, contracts, orders, credit investigations, billing and accounting, collections and complaints.

(b) This account must include the following labor items:

(1) Receiving, preparing, recording and handling routine orders for service, disconnections, transfers or meter tests initiated by the customer, excluding the cost of carrying out the orders, that is chargeable to the account appropriate for the work called for by the orders.

(2) Investigations of customers' credit and keeping of records pertaining to the investigations, including records of uncollectible accounts written off.

(3) Receiving, refunding or applying customer deposits and maintaining customer deposit, line extension, and other miscellaneous records.

(4) Checking consumption shown by meter readers' reports where incidental to preparation of billing data.

(5) Preparing address plates and addressing bills and delinquent notices.

(6) Preparing billing data.

(7) Operating billing and bookkeeping machines.

(8) Verifying billing records with contracts or rate schedules.

(9) Preparing bills for delivery, and mailing or delivering bills.

(10) Collecting revenues, including collection from prepayment meters unless incidental to meter-reading operations.

(11) Balancing collections, preparing collections for deposit, and preparing cash reports.

(12) Posting collections and other credits or charges to customer accounts and extending unpaid balances.

(13) Balancing customer accounts and controls.

(14) Preparing, mailing, or delivering delinquent notices and preparing reports of delinquent accounts.

(15) Final meter reading of delinquent accounts when done by collectors incidental to regular activities.

(16) Disconnecting and reconnecting service because of nonpayment of bills.

(17) Receiving, recording, and handling of inquiries, complaints, and requests for investigations from customers, including preparation of necessary orders, but excluding the cost of carrying out such orders, which is chargeable to the account appropriate for the work called for by the orders.

(18) Statistical and tabulating work on customer accounts and revenues, but not including special analyses for sales department, rate department, or other general purposes, unless incidental to regular customer accounting routines.

(19) Preparing and periodically rewriting meter reading sheets.

(20) Determining consumption and computing estimated or average consumption when performed by employees other than those engaged in reading meters.

(c) This account must include the following materials and expenses items:

(1) Address plates and supplies.

(2) Cash overages and shortages.

(3) Commissions or fees to others for collecting.

(4) Payments to credit organizations for investigations and reports.

(5) Postage.

(6) Transportation expenses (Major only), including transportation of customer bills and meter books under centralized billing procedure.

(7) Transportation, meals, and incidental expenses.

(8) Bank charges, exchange, and other fees for cashing and depositing customers' checks.

(9) Forms for recording orders for services removals, and other similar forms.

(10) Rent of mechanical equipment.

(d) The cost of work on meter history and meter location records is chargeable to account 586, Meter expenses (§ 367.5860) or account 878, Meter and house regulator expenses (§ 367.8780).

§ 367.9040 Account 904, Uncollectible accounts.

This account must be charged with amounts sufficient to provide for losses from uncollectible service company revenues. Concurrent credits must be made to account 144, Accumulated provision for uncollectible accounts—Credit (§ 367.1440). Losses from uncollectible accounts also must be charged to account 144 (§ 367.1440).

§ 367.9050 Account 905, Miscellaneous customer accounts expenses.

(a) This account must include the cost of labor, materials used and expenses incurred not provided for in other accounts.

(b) This account must include the following labor items:

(1) General clerical and stenographic work.

(2) Miscellaneous labor.

(c) This account must include the following materials and expenses items:

(1) Communication service.

(2) Miscellaneous office supplies and expenses and stationery and printing other than those specifically provided for in accounts 902 and 903 (§§ 367.9020 and 367.9030).

§ 367.9070 Account 907, Supervision.

This account must include the cost of labor and expenses incurred in the general direction and supervision of customer service activities, the object of which is to encourage safe, efficient and economical use of the associate utility company's service. Direct supervision of a specific activity within customer service and informational expense classification must be charged to the account wherein the costs of such activity are included. (*See* Operating Expense Instructions in § 367.80.)

§ 367.9080 Account 908, Customer assistance expenses.

(a) This account must include the cost of labor, materials used and expenses incurred in providing instructions or assistance to customers, the object of which is to encourage safe, efficient and economical use of the associate utility company's service.

(b) This account must include the following labor items:

(1) Direct supervision of department.

(2) Processing customer inquiries relating to the proper use of electric equipment, the replacement of such equipment and information related to the equipment.

(3) Advice directed to customers as to how they may achieve the most efficient and safest use of electric equipment.

(4) Demonstrations, exhibits, lectures, and other programs designed to instruct customers in the safe, economical or efficient use of electric service, and/or oriented toward conservation of energy.

(5) Engineering and technical advice to customers, the object of which is to promote safe, efficient and economical use of the associate utility company's service.

(c) This account must include the following materials and expenses items:

(1) Supplies and expenses pertaining to demonstrations, exhibits, lectures, and other programs.

(2) Loss in value on equipment and appliances used for customer assistance programs.

(3) Office supplies and expenses.

(4) Transportation, meals, and incidental expenses.

(d) Do not include in this account expenses that are provided for elsewhere, such as accounts 416, Costs and expenses of merchandising, jobbing and contract work (§ 367.4160), 587, Customer installations expenses (§ 368.5870), 879, Customer installations expenses (§ 367.8790), and 912, Demonstrating and selling expenses (§ 367.9120).

§ 367.9090 Account 909, Informational and instructional advertising expenses.

(a) This account must include the cost of labor, materials used and expenses incurred in activities which primarily convey information as to what the associate utility company urges or suggests customers should do in utilizing service to protect health and safety, to encourage environmental protection, to utilize their equipment safely and economically, or to conserve energy.

(b) This account must include the following labor items:

(1) Direct supervision of informational activities.

(2) Preparing informational materials for newspapers, periodicals, billboards, and other similar forms of advertisement, and preparing and conducting informational motion pictures, radio and television programs.

(3) Preparing informational booklets, bulletins, and other similar forms of advertisement, used in direct mailings.

(4) Preparing informational window and other displays.

(5) Employing agencies, selecting media and conducting negotiations in connection with the placement and subject matter of information programs.

(c) This account must include the following materials and expenses items:

(1) Use of newspapers, periodicals, billboards, radio, and other similar forms of advertisement, for informational purposes.

(2) Postage on direct mailings to customers exclusive of postage related to billings.

(3) Printing of informational booklets, dodgers, bulletins, and other similar items.

(4) Supplies and expenses in preparing informational materials for the associate utility company.

(5) Office supplies and expenses.

(d) Exclude from this account and charge to account 930.2, Miscellaneous general expenses, the cost of publication of stockholder reports, dividend notices, bond redemption notices, financial statements, and other notices of a general corporate character. Also exclude all expenses of a promotional, institutional, goodwill or political nature, that are included in accounts 913, Advertising expenses (§ 367.9130), 930.1, General advertising expenses (§ 367.9301), and 426.4, Expenditures for certain civic, political, and related expenses (§ 367.4264).

(e) Entries relating to informational advertising included in this account must contain or refer to supporting documents that identify the specific advertising message. If references are used, copies of the advertising message must be readily available.

§ 367.9100 Account 910, Miscellaneous customer service and informational expenses.

(a) This account must include the cost of labor, materials used and expenses incurred in connection with customer service and informational activities that are not includible in other customer information expense accounts.

(b) This account must include the following labor items:

(1) General clerical and stenographic work not assigned to specific customer service and informational programs.

(2) Miscellaneous labor.

(c) This account must include the following materials and expenses items:

(1) Communication service.

(2) Printing, postage and office supplies expenses.

§ 367.9110 Account 911, Supervision.

This account must include the cost of labor and expenses incurred in the general direction and supervision of sales activities, except merchandising. Direct supervision of a specific activity, such as demonstrating, selling, or advertising, must be charged to the account wherein the costs of such activity are included. (*See* Operating Expense Instructions in § 367.80.)

§ 367.9120 Account 912, Demonstrating and selling expenses.

(a) This account must include the cost of labor, materials used and expenses incurred in promotional, demonstrating, and selling activities, except by merchandising, the object of which is to promote or retain the use of utility services by present and prospective customers.

(b) This account must include the following labor items:

(1) Demonstrating uses of utility services.

(2) Conducting cooking schools, preparing recipes, and related home service activities.

(3) Exhibitions, displays, lectures, and other programs designed to promote use of utility services.

(4) Experimental and development work in connection with new and improved appliances and equipment, prior to general public acceptance.

(5) Solicitation of new customers or of additional business from old customers, including commissions paid employees.

(6) Engineering and technical advice to present or prospective customers in connection with promoting or retaining the use of utility services.

(7) Special customer canvasses when their primary purpose is the retention of business or the promotion of new business.

(c) This account must include the following materials and expenses items:

(1) Supplies and expenses pertaining to demonstration and experimental and development activities.

(2) Booth and temporary space rental.

(3) Loss in value on equipment and appliances used for demonstration purposes.

(4) Transportation, meals, and incidental expenses.

§ 367.9130 Account 913, Advertising expenses.

(a) This account must include the cost of labor, materials used and expenses incurred in advertising designed to promote or retain the use of utility service, except advertising the sale of merchandise by the utility company.

(b) This account must include the following labor items:

(1) Direct supervision of department.

(2) Preparing advertising material for newspapers, periodicals, billboards, and other similar forms of advertisement, and preparing and conducting motion pictures, radio and television programs.

(3) Preparing booklets, bulletins, and other similar forms of advertisement, used in direct mail advertising.

(4) Preparing window and other displays.

(5) Clerical and stenographic work.

(6) Investigating advertising agencies and media and conducting negotiations in connection with the placement and subject matter of sales advertising.

(c) This account must include the following materials and expenses items:

(1) Advertising in newspapers, periodicals, billboards, radio, and other similar forms of advertisement, for sales promotion purposes, but not including institutional or goodwill advertising included in account 930.1, General advertising expenses.

(2) Materials and services given as prizes or otherwise in connection with civic lighting contests, canning, or cooking contests, bazaars, and other similar materials and services, in order to publicize and promote the use of utility services.

(3) Fees and expenses of advertising agencies and commercial artists.

(4) Novelties for general distribution.

(5) Postage on direct mail advertising.

(6) Premiums distributed generally, such as recipe books, and other similar items, when not offered as inducement to purchase appliances.

(7) Printing booklets, dodgers, bulletins, and other similar forms of advertisement.

(8) Supplies and expenses in preparing advertising material.

(9) Office supplies and expenses.

(d) The cost of advertisements which set forth the value or advantages of utility service without reference to specific appliances or, if reference is made to appliances invites the reader to purchase appliances from his dealer or refer to appliances not carried for sale by the utility company, must be considered sales promotion advertising and charged to this account. However, advertisements that are limited to specific makes of appliances sold by the utility company and prices, terms, and other similar items, without referring to the value or advantages of utility service, must be considered as merchandise advertising and the cost must be charged to account 416, Costs and expenses of merchandising, jobbing and contract work.

(e) Advertisements that substantially mention or refer to the value or advantages of utility service, together with specific reference to makes of appliances sold by the utility company and the price, terms, and other similar items, and designed for the joint purpose of increasing the use of utility service and the sales of appliances, must be considered as a combination advertisement and the costs must be distributed between this account and account 416 (§ 367.4160) on the basis of space, time, or other proportional factors.

(f) Exclude from this account and charge to account 930.2, Miscellaneous general expenses (§ 367.9302), the cost of publication of stockholder reports, dividend notices, bond redemption notices, financial statements, and other notices of a general corporate character. Exclude also all institutional or goodwill advertising. (See account 930.1, General advertising expenses (§ 367.9301).)

§ 367.9160 Account 916, Miscellaneous sales expenses.

(a) This account must include the cost of labor, materials used and expenses incurred in connection with sales activities, except merchandising, which are not includible in other sales expense accounts.

(b) This account must include the following labor items:

(1) General clerical and stenographic work not assigned to specific functions.

(2) Special analysis of customer accounts and other statistical work for sales purposes not a part of the regular customer accounting and billing routine.

(3) Miscellaneous labor.

(c) This account must include the following materials and expenses items:

(1) Communication service.

(2) Printing, postage, and office supplies and expenses applicable to sales activities, except those chargeable to account 913, Advertising expenses (§ 367.9130).

§ 367.9200 Account 920, Administrative and general salaries.

(a) This account must 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 must be supported by time records and appropriately referenced to detailed records subdividing salaries and wages by departments or other functional organization units.

§ 367.9210 Account 921, Office supplies and expenses.

(a) This account must 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 included in account 920 (§ 367.9200).

(b) This account may be subdivided in accordance with a classification appropriate to the departmental or other functional organization of the service company. The following items must be included in this account:

(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, and other similar items.

(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, and other similar items.

(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 must be included in account 930.2 in § 367.9302.)

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

§ 367.9220 Account 922, Administrative expenses transferred—Credit.

This account must be credited with administrative expenses recorded in accounts 920 and 921 (§§ 367.9200 and 367.9210) that are transferred to construction costs or to other accounts. (*See* Service Company Property Instructions in § 367.51.) Also, this account must be credited with the amount of operating expenses related to services provided to non-utility companies and account 417.1, Expenses of non-utility company related operations (§ 367.4171), must be debited.

§ 367.9230 Account 923, Outside services employed.

(a) This account must 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 (§ 367.9280), and account 930.1, General advertising expenses (§ 367.9301). Separate subaccounts must be provided for auditing, legal, engineering, management consulting fees and any other fees for professional or outside services.

(b) Records must be maintained so as 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.

§ 367.9240 Account 924, Property insurance.

(a) This account must include the cost of insurance or reserve accruals to protect the service company against losses and damages to owned or leased property used in service company operations. It also must include the cost of labor and related supplies and

expenses incurred in property insurance activities.

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

(c) Records must 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 must be credited to the accounts to which the insurance premiums were charged. The following items must be included in this account:

(1) Premiums payable to insurance companies for fire, storm, burglary, boiler explosion, lightning, fidelity, riot, and similar insurance.

(2) Special costs incurred in procuring insurance.

(3) Insurance inspection service.

(4) Insurance counsel, brokerage fees, and expenses.

(d) The cost of insurance or reserve accruals capitalized must be charged to construction either directly or by transfer to construction work orders from this account.

(e) The cost of insurance or reserve accruals for the following classes of property must be charged as indicated.

(1) Materials and supplies and stores equipment, to account 163, Stores expense undistributed (§ 367.1630), or appropriate materials account.

(2) Transportation and other general equipment to appropriate clearing accounts that may be maintained.

(3) Merchandise and jobbing property, to account 416, Costs and expenses of merchandising, jobbing and contract work (§ 367.4160).

(f) The cost of labor and related supplies and expenses of administrative and general employees who are only incidentally engaged in property insurance work may be included in accounts 920 and 921 (§§ 367.9200 and 367.9210), as appropriate.

§ 367.9250 Account 925, Injuries and damages.

(a) This account must include the cost of insurance or reserve accruals to protect the service company against injuries and damages claims of employees or others, losses of such character not covered by insurance, and expenses incurred in settlement of injuries and damages claims. It also must include the cost of labor and related supplies and expenses incurred in injuries and damages activities.

(b) Reimbursements from insurance companies or others for expenses charged to this account because of injuries and damages and insurance dividends or refunds must be credited to this account. The following items must be included in this account:

(1) Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, and other similar items.

(2) Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.

(3) Fees and expenses of claim investigators.

(4) Payment of awards to claimants for court costs and attorneys' services.

(5) Medical and hospital service and expenses for employees as the result of occupational injuries, or resulting from claims of others.

(6) Compensation payments under workmen's compensation laws.

(7) Compensation paid while incapacitated as the result of occupational injuries. (See paragraph (c) of this section.)

(8) Cost of safety, accident prevention and similar educational activities.

(c) Payments to or on behalf of employees for accident or death benefits, hospital expenses, medical supplies or for salaries while incapacitated for service or on leave of absence beyond periods normally allowed, when not the result of occupational injuries, must be charged to account 926, Employee pensions and benefits (§ 367.9260). (See also paragraph (e) of account 926 (§ 367.9260).)

(d) The cost of injuries and damages or reserve accruals capitalized must be charged to construction directly or by transfer to construction work orders from this account.

(e) Exclude the time and expenses of employees (except those engaged in injuries and damages activities) spent in attendance at safety and accident prevention educational meetings, if occurring during the regular work period.

(f) The cost of labor and related supplies and expenses of administrative and general employees who are only incidentally engaged in injuries and damages activities may be included in accounts 920 and 921 (§§ 367.9200 and 367.9210), as appropriate.

§ 367.9260 Account 926, Employee pensions and benefits.

(a) This account must include pensions paid to, or on behalf of, retired employees, or accruals to provide for pensions, or payments for the purchase of annuities for this purpose, when the service company has definitely, by contract, committed itself to a pension plan under which the pension funds are irrevocably devoted to pension purposes, and payments for employee accident, sickness, hospital, and death benefits, or insurance related to this account. Include, also, expenses incurred in medical, educational or recreational activities for the benefit of employees, and administrative expenses in connection with employee pensions and benefits.

(b) The service company must maintain a complete record of accruals or payments for pensions and be prepared to furnish full information to the Commission of the plan under which it has created or proposes to create a pension fund and a copy of the declaration of trust or resolution under which the pension plan is established.

(c) Records in support of this account must be kept so that the total pensions expense, the total benefits expense, the administrative expenses included in this account, and the amounts of pensions and benefits expenses transferred to construction or other accounts will be readily available. The following items must be included in this account:

(1) Payment of pensions under a non-accrual or non-funded basis.

(2) Accruals for or payments to pension funds or to insurance companies for pension purposes.

(3) Group and life insurance premiums (credit dividends received).

(4) Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.

(5) Payments for accident, sickness, hospital, and death benefits or insurance.

(6) Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed, when not the result of occupational injuries, or in excess of statutory awards.

(7) Expenses in connection with educational and recreational activities for the benefit of employees.

(d) The cost of labor and related supplies and expenses of administrative and general employees who are only incidentally engaged in employee pension and benefit activities may be included in accounts 920 and 921 (§§ 367.9200 and 367.9210), as appropriate.

(e) Salaries paid to employees during periods of non-occupational sickness may be charged to the appropriate labor

account rather than to employee benefits.

§ 367.9280 Account 928, Regulatory commission expense.

(a) This account must include all expenses, properly included 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 associate 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 must be prepared to show the cost of each formal case. The following items must be included in this account:

(1) Salaries, fees, retainers, and expenses of counsel, solicitors, attorneys, accountants, engineers, clerks, attendants, witnesses, and others engaged in the prosecution of, or defense against petitions or complaints presented to regulatory bodies.

(2) Office supplies and expenses, payments to public service or other regulatory commissions, stationery and printing, traveling expenses, and other expenses incurred directly in connection with formal cases before regulatory commissions.

(b) Exclude from this account and include in other appropriate operating expense accounts, expenses incurred in the improvement of service, additional inspection, or rendering reports, which are made necessary by the rules and regulations, or orders, of regulatory bodies.

§ 367.9301 Account 930.1, General advertising expenses.

(a) This account must include the cost of labor, materials used, and expenses incurred in advertising and related activities, the cost of which by their content and purpose are not provided for elsewhere.

(b) This account must include the following labor items:

(1) Supervision.

(2) Preparing advertising material for newspapers, periodicals, billboards, and other similar items, and preparing or conducting motion pictures, radio and television programs.

(3) Preparing booklets, bulletins, and other similar forms of advertisement, used in direct mail advertising.

(4) Preparing window and other displays.

(5) Clerical and stenographic work.

(6) Investigating and employing advertising agencies, selecting media and conducting negotiations in connection with the placement and subject matter of advertising.

(c) This account must include the following materials and expenses items:

(1) Advertising in newspapers, periodicals, billboards, radio, and other similar forms of advertisement.

(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, and other related items.

(6) Supplies and expenses in preparing advertising materials.

(7) Office supplies and expenses.

(d) Properly includible in this account is the cost of advertising activities on a local or national basis of a good will or institutional nature, which is primarily designed to improve the image of the associate utility company or the industry, including advertisements which inform the public concerning matters affecting the associate utility company's operations, such as, the cost of providing service, the associate utility company's efforts to improve the quality of service, the company's efforts to improve and protect the environment, and other similar forms of advertisement. Entries relating to advertising included in this account must contain or refer to supporting documents which identify the specific advertising message. If references are used, copies of the advertising message must be readily available.

(e) Exclude from this account and include in account 426.4, Expenditures for certain civic, political and related activities (§ 367.4264), expenses for advertising activities that are designed to solicit public support or the support of public officials in matters of a political nature.

§ 367.9302 Account 930.2, Miscellaneous general expenses.

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

(b) This account must include labor items including miscellaneous labor not elsewhere provided for.

(c) This account must include the following expenses items:

(1) Industry association dues for company memberships.

(2) Contributions for conventions and meetings of the industry.

(3) Research, development, and demonstration expenses not charged to other operation and maintenance expense accounts on a functional basis.

(4) Communication service not chargeable to other accounts.

(5) Trustee, registrar, and transfer agent fees and expenses.

(6) Stockholders meeting expenses.

(7) Dividend and other financial notices.

(8) Printing and mailing dividend checks.

(9) Directors' fees and expenses.

(10) Publishing and distributing annual reports to stockholders.

(11) Public notices of financial, operating and other data required by regulatory statutes, not including, however, notices required in connection with security issues or acquisitions of property.

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

§ 367.9310 Account 931, Rents.

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

§ 367.9350 Account 935, Maintenance of structures and equipment.

This account must include materials used and expenses incurred in the maintenance of property owned, the cost of which is included in accounts 390 through 399 (§§ 367.3900 through 367.3990), and of property leased from others. Provide subaccounts by major classes of structures and equipment, owned and leased.

6. Part 368 is added to read as follows:

PART 368—PRESERVATION OF RECORDS OF HOLDING COMPANIES AND SERVICE COMPANIES

Sec.
368.1 Promulgation.
368.2 General instructions.
368.3 Schedule of records and periods of retention.

Authority: 42 U.S.C. 16451–16463.

§ 368.1 Promulgation.

This part is prescribed and promulgated as the regulations

governing the preservation of records by any holding company and by any service company within a holding company system subject to the jurisdiction of the Commission under the PUHCA 2005.

§ 368.2 General instructions.

(a) *Scope of this part.* (1) The regulations in this part apply to all books of account and other records prepared, maintained or held by any agent or employee on behalf of the company. The specification in the schedule in § 368.3 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 the transaction.

(2) *Company* means a service company or a holding company as defined in § 367.1 of this chapter. Public utilities, licensees, and natural gas companies must continue to use parts 125 and 225 of this chapter.

(3) Any company subject to this regulation, that, as agent, operator, lessor or otherwise, maintains or has possession of any records relating to the operation, property or obligations of a public utility, licensee, or natural gas company, as defined in the Federal Power Act, the Natural Gas Act, or the laws of any state within which the public utility, licensee, or natural gas company operates, must comply with the laws or regulations as to record retention and destruction which would apply to the records if they were records of the public utility, licensee, or natural gas company as codified in parts 125 and 225 of the Commission's regulations.

(4) The regulations in this part should not be construed as excusing compliance with other lawful requirements of any other governmental body, Federal or State, prescribing other record keeping requirements or for preservation of records longer than those prescribed in this part.

(5) To the extent that any Commission regulations may provide for a different record retention period, the records must be retained for the longer of the retention periods.

(6) Records, other than those listed in the schedule, may be destroyed at the option of the company. However, records that are used in lieu of those listed must be preserved for the periods prescribed for the records used for substantially similar purposes. Additionally, retention of records pertaining to added services, functions, plant, and other similar service, the establishment of which cannot be presently foreseen, must conform to the principles embodied in this section.

(7) Notwithstanding the provisions of the records retention schedule in this section, the Commission may, upon the request of the company, authorize a shorter period of retention for any record listed in the schedule upon a showing by the company that preservation of the record for a longer period is not necessary or appropriate, in the public interest or for the protection of investors or consumers.

(b) *Designation of supervisory official.* Each company subject to these record retention regulations must designate one or more officials to supervise the preservation or authorized destruction of its records.

(c) *Protection and storage of records.* The company must provide reasonable protection from damage by fire, flood, and other hazards for records required by these record retention regulations to be preserved and, in the selection of storage space, safeguard such records from unnecessary exposure to deterioration from excessive humidity, dryness, or lack of proper ventilation.

(d) *Index of records.* At each site or location where company records are kept or stored, the records must be arranged, filed, and currently indexed so that records may be readily identified and made available for inspection by authorized representatives of any regulatory agency concerned, including the Commission.

(e) *Record storage media.* Each company has the flexibility to select its own storage media subject to the following conditions.

(1) The storage media must have a life expectancy at least equal to the applicable record retention period provided in § 368.3 unless there is a quality transfer from one media to another with no loss of data.

(2) Each company is required to implement internal control procedures that assure the reliability of, and ready access to, data stored on machine readable media. Internal control procedures must be documented by a responsible supervisory official.

(3) Each transfer of data from one media to another must be verified for accuracy and documented. Software and hardware required to produce readable records must be retained for the same period the media format is used.

(f) *Destruction of records.* At the expiration of the retention period, the company may use any appropriate method to destroy records. Precautions should be taken, however, to macerate or otherwise destroy the legibility of records, the content of which is forbidden by law to be divulged to unauthorized persons.

(g) *Premature destruction or loss of records.* When records are destroyed or lost before the expiration of the prescribed period of retention, a certified statement listing, as far as may be determined, the records destroyed and describing the circumstances of accidental or other premature destruction or loss must be filed with the Commission within 90 days from the date of discovery of the destruction.

(h) *Schedule of records and periods of retention.* The schedule of records retention periods constitutes a part of these record retention regulations. The schedule prescribes the periods of time that designated records must be preserved. Plant records related to public utilities and licensees and natural gas companies must be retained in accordance with §§ 125.3 and 225.3 of this chapter.

(i) *Retention periods designated ''Destroy at option''.* ''Destroy at option'' constitutes authorization for destruction of records at managements' discretion if the destruction does not conflict with other legal retention requirements or usefulness of the records in satisfying pending regulatory actions or directives. ''Destroy at option after audit'' requires retention until the company has received an opinion from its independent accountants with respect to the financial statements including the transactions to which the records relate.

(j) *Records of services performed by associate companies.* Holding companies and service companies must assure the availability of records of services performed by and for public utilities and licensees and natural gas companies with supporting cost information for the periods indicated in §§ 125.3 and 225.3 of this chapter as necessary to be able to readily furnish detailed information as to the nature of the transaction, the amounts involved, and the accounts used to record the transactions.

(k) *Rate case.* Notwithstanding the minimum retention periods provided in these regulations, the company must retain the appropriate records to support the costs and adjustments proposed in any rate case.

(l) *Pending complaint litigation or governmental proceedings.* Notwithstanding the minimum requirements, if a company is involved in pending litigation, complaint procedures, proceedings remanded by the court, or governmental proceedings, it must retain all relevant records.

(m) *Life or mortality study data.* Life or mortality study data for depreciation purposes must be retained for 25 years

or for 10 years after property is retired, whichever is longer.

§ 368.3 Schedule of records and periods of retention.

SCHEDULE OF RECORDS AND PERIODS OF RETENTION

Item No. and description	Retention period
Corporate and General	
1. Reports to stockholders: Annual reports or statements to stockholders.	5 years.
2. Organizational documents:	
(a) Minute books of stockholders, directors' and directors' committee meetings.	5 years or termination of the corporation's existence, whichever occurs first.
(b) Title, franchises, and licenses: Copies of formal orders of regulatory commissions served upon the company.	6 years after final non-appealable order.
(1) Certificates of incorporation, or equivalent agreements and amendments thereto.	Life of corporation.
(2) Deeds, leases and other title papers (including abstracts of title and supporting data), and contracts and agreements related to the acquisition or disposition of property or investments.	6 years after property or investment is disposed of unless delivered to transferee.
3. Contracts and agreements: Contracts, including amendments and agreements (except contracts provided for elsewhere):	
(a) Service contracts, such as for management, consulting, accounting, legal, financial or engineering services.	All contracts, related memoranda, and revisions should be retained for 4 years after expiration or until the conclusion of any contract disputes pertaining to such contracts, whichever is later.
(b) Memoranda essential to clarify or explain provisions of contracts and agreements.	For same period as contract to which they relate.
(c) Card or book records of contracts, leases, and agreements made, showing dates of expirations and of renewals, memoranda of receipts, and payments under such contracts.	For the same periods as contracts to which they relate.
(d) Contracts and other agreements relating to services performed in connection with construction of property (including contracts for the construction of property by others for the company and for supervision and engineering relating to construction work).	All contracts, related memoranda, and revisions should be retained for 4 years after expiration or until the conclusion of any contract disputes or governmental proceedings pertaining to such contracts, whichever is later.
4. Accountants' and auditors' reports:	
(a) Reports of examinations and audits by accountants and auditors not in the regular employ of the company (such as reports of public accounting firms and commission accountants).	5 years after the date of the report.
(b) Internal audit reports and working papers	5 years after the date of the report.
Information Technology Management	
5. Automatic data processing records (retain original source data used as input for data processing and data processing report printouts for the applicable periods prescribed elsewhere in the schedule): Software program documentation and revisions thereto.	Retain as long as it represents an active viable program or for periods prescribed for related output data, whichever is shorter.
General Accounting Records	
6. General and subsidiary ledgers:	
(a) Ledgers:	
(1) General ledgers	10 years.
(2) Ledgers subsidiary or auxiliary to general ledgers except ledgers provided for elsewhere.	10 years.
(b) Indexes:	
(1) Indexes to general ledgers	10 years.
(2) Indexes to subsidiary ledgers except ledgers provided for elsewhere.	10 years.
(c) Trial balance sheets of general and subsidiary ledgers	2 years.
7. Journals: General and subsidiary	10 years.
8. Journal vouchers and journal entries including supporting detail:	
(a) Journal vouchers and journal entries	10 years.
(b) Analyses, summarization, distributions, and other computations which support journal vouchers and journal entries:	
(1) Charging property accounts	25 years. See §§ 125.2(g) and 225.2(g) of this chapter for public utilities and licensees and natural gas companies.
(2) Charging all other accounts	6 years.
9. Cash books: General and subsidiary or auxiliary books	5 years after close of fiscal year.
10. Voucher registers: Voucher registers or similar records when used as a source document.	5 years. See §§ 125.2(g) and 225.2(g) of this chapter for public utilities and licensees and natural gas companies.
11. Vouchers:	
(a) Paid and canceled vouchers (one copy-analysis sheets showing detailed distribution of charges on individual vouchers and other supporting papers).	5 years. See §§ 125.2(g) and 225.2(g) of this chapter for public utilities and licensees and natural gas companies.
(b) Original bills and invoices for materials, services, etc., paid by vouchers.	5 years. See §§ 125.2(g) and 225.2(g) of this chapter for public utilities and licensees and natural gas companies.
(c) Paid checks and receipts for payments of specific vouchers	5 years.

SCHEDULE OF RECORDS AND PERIODS OF RETENTION—Continued

Item No. and description	Retention period
(d) Authorization for the payment of specific vouchers	5 years. See §§ 125.2(g) and 225.2(g) of this chapter for public utilities and licensees and natural gas companies.
(e) Lists of unaudited bills (accounts payable), list of vouchers transmitted, and memoranda regarding changes in audited bills.	Destroy at option.
(f) Voucher indexes	Destroy at option.
(g) Purchases and stores records related to disbursement vouchers.	5 years.
Insurance	
12. Insurance records:	
(a) Records of insurance policies in force, showing coverage, premiums paid, and expiration dates.	Destroy at option after expiration of such policies.
(b) Records of amounts recovered from insurance companies in connection with losses and of claims against insurance companies, including reports of losses, and supporting papers.	6 years. See §§ 125.2(g) and 225.2(g) of this chapter for public utilities and licensees and natural gas companies.
(c) Records of self-insurance against:	
(1) Losses from fire and casualty	6 years after date of last accounting entry with respect thereto.
(2) Damage to property of others, and	6 years after date of last accounting entry with respect thereto.
(3) personal injuries	6 years after date of last accounting entry with respect thereto.
(d) Inspectors' reports and reports of condition of property	Destroy when superseded.
Maintenance	
13. Maintenance work orders and job orders:	
(a) Authorizations for expenditures for maintenance work to be covered by work orders, including memoranda showing the estimates of costs to be incurred.	5 years.
(b) Work order sheets to which are posted in detail the entries for labor, material, and other charges in connection with maintenance, and other work pertaining to company operations.	5 years.
(c) Summaries of expenditures on maintenance and job orders and clearances to operating other accounts (exclusive of property accounts).	5 years.
Property, Depreciation and Investments	
14. Property records, excluding documents included in Item 2(a)(2):	
(a) Ledgers of property accounts including land and other detailed ledgers showing the cost of property by classes.	25 years. See §§ 125.2(g) and 225.2(g) of this chapter for public utilities and licensees and natural gas companies.
(b) Continuing property inventory ledger, book or card records showing description, location, quantities, cost, etc., of physical units (or items) of property owned.	25 years. See §§ 125.2(g) and 225.2(g) of this chapter for public utilities and licensees and natural gas companies.
(c) Operating equipment records.	3 years after disposition, termination of lease, or write-off of property or investment.
(d) Office furniture and equipment records	3 years after disposition, termination of lease or write-off of property or investment.
(e) Automobiles, other vehicles and related garage equipment records.	3 years after disposition, termination of lease or write-off of property or investment.
(f) Aircraft and airport equipment records	3 years after disposition, termination of lease or write-off of property or investment.
(g) Other property records not defined elsewhere	3 years after disposition, termination of lease or write-off of property or investment.
15. Construction work in progress ledgers, work orders, and supplemental records:	
(a) Construction work in progress ledgers	5 years after clearance to property account, provided continuing inventory records are maintained; otherwise 5 years after property is retired.
(b) Work orders sheets to which are posted in summary form or in detail the entries for labor, materials, and other charges for property additions and the entries closing the work orders to property records at completion.	5 years after clearance to property account, provided continuing inventory records are maintained; otherwise 5 years after property is retired.
(c) Authorizations for expenditures for additions to property, including memoranda showing the detailed estimates of cost, and the bases therefore (including original and revised or subsequent authorizations).	5 years after clearance to property account.
(d) Requisitions and registers of authorizations for property expenditures.	5 years after clearance to property account.
(e) Completion or performance reports showing comparison between authorized estimates and actual expenditures for property additions.	5 years after clearance to property account.
(f) Analysis or cost reports showing quantities of materials used, unit costs, number of man-hours etc., in connection with completed construction project.	5 years after clearance to property account.

SCHEDULE OF RECORDS AND PERIODS OF RETENTION—Continued

Item No. and description	Retention period
(g) Records and reports pertaining to progress of construction work, the order in which jobs are to be completed, and similar records which do not form a basis of entries to the accounts.	Destroy at option.
16. Retirement work in progress ledgers, work orders, and supplemental records:	
(a) Work order sheets to which are posted the entries for removal costs, materials recovered, and credits to property accounts for cost of property retirement.	5 years after the property is retired.
(b) Authorizations for retirement of property, including memoranda showing the basis for determination to be retired and estimates of salvage and removal costs.	5 years after the property is retired.
(c) Registers of retirement work	5 years.
17. Summary sheets, distribution sheets, reports, statements, and papers directly supporting debits and credits to property accounts not covered by construction or retirement work orders and their supporting records.	5 years.
18. Appraisals and valuations:	
(a) Appraisals and valuations made by the company of its properties or investments or of the properties or investments of any associated companies. (Includes all records essential thereto.).	3 years after appraisal.
(b) Determinations of amounts by which properties or investments of the company or any of its associated companies will be either written up or written down as a result of:	
(1) Mergers or acquisitions	10 years after completion of transaction or as ordered by the Commission.
(2) Asset impairments	10 years after recognition of asset impairment.
(3) Other bases	10 years after the asset was written up or down.
19. Production maps, geological maps, reproductions, including aerial photographs, showing the location of all facilities the subject matter of which falls within the work orders of the company.	6 years after completion of work order.
20. Engineering records, drawings, supporting data to include diagrams, profiles, photographs, field-survey notes, plot plans, detail drawings, and records of engineering studies that are part of or performed by the company within the work order system.	6 years after completion of work order.
21. Records of building space occupied by various departments of the company.	6 years.
22. Contracts relating to property:	
(a) Contracts relating to acquisition or sale of property	6 years after property is retired or sold.
(b) Contracts and other agreements relating to services performed in connection with construction of property (including contracts for the construction of property by others for the company and for supervision and engineering relating to construction work).	6 years after property is retired or sold.
23. Records pertaining to reclassification of property accounts to conform to prescribed systems of accounts including supporting papers showing the bases for such reclassifications.	6 years.
24. Records of accumulated provisions for depreciation and depletion of property and amortization of intangible property and supporting computation of expense:	
(a) Detailed records or analysis sheets segregating the accumulated depreciation according to the classification of property.	25 years.
(b) Records reflecting the service life of property and the percentage of salvage and cost of removal for property retired from each account for depreciable company property.	25 years.
25. Investment records:	
(a) Records of investment in associate companies	3 years after disposition of investment.
(b) Records of other investments, including temporary investments of cash.	3 years after disposition of investment.
Purchase and Stores	
26. Procurement:	
(a) Agreements entered into for the acquisition of goods or the performance of services. Includes all forms of agreements such as but not limited to: Letters of intent, exchange of correspondence, master agreements, term contracts, rental agreements, and the various types of purchase orders:	
(1) For goods or services relating to property construction	6 years. See §§ 125.2(g) and 225.2(g) of this chapter for public utilities and licensees and natural gas companies.
(2) For other goods or services	6 years.
(b) Supporting documents including accepted and unaccepted bids or proposals (summaries of unaccepted bids or proposals may be kept in lieu of originals) evidencing all relevant elements of the procurement.	6 years. See §§ 125.2(g) and 225.2(g) of this chapter for public utilities and licensees and natural gas companies.

SCHEDULE OF RECORDS AND PERIODS OF RETENTION—Continued

Item No. and description	Retention period
27. Material ledgers: Ledger sheets of materials and supplies received, issued, and on hand.	6 years after the date the records/ledgers were created.
28. Materials and supplies received and issued: Records showing the detailed distribution of materials and supplies issued during accounting periods.	6 years. See §§ 125.2(g) and 225.2(g) of this chapter for public utilities and licensees and natural gas companies).
Revenue Accounting	
29. Miscellaneous billing data: Billing department's copies of contracts with customers (other than contracts in general files).	5 years.
30. Revenue summaries: Summaries of monthly revenues according to classes of service. Including summaries of forfeited discounts and penalties.	5 years.
Tax	
31. Tax records:	
(a) Copies of tax returns and supporting schedules filed with taxing authorities, supporting working papers, records of appeals of tax bills, and receipts for payment. See Item 11 for vouchers evidencing disbursements:	
(1) Income tax returns	2 years after final tax liability is determined.
(2) Agreements between and schedule of allocation by associate companies of consolidated Federal income taxes.	2 years after final tax liability is determined.
(b) Other taxes, including State or local property or income taxes.	
(1) Property tax returns.	2 years after final tax liability is determined.
(2) Sales and other use taxes	2 Years.
(3) Other Taxes	2 years after final tax liability is determined.
(c) Filings with taxing authorities to qualify employee benefit plans	5 years after discontinuance of plan.
(d) Information returns and reports to taxing authorities	3 years after final tax liability is determined.
Treasury	
32. Statements of funds and deposits:	
(a) Summaries and periodic statements of cash balances on hand and with depositories for company or associate.	Destroy at option after completion of audit by independent accountants.
(b) Requisitions and receipts for funds furnished associates and others.	Destroy at option after funds have been returned or accounted for.
(c) Statements of periodic deposits with external fund administrators or trustees.	Retain records for the most recent 3 years.
(d) Statements of periodic withdrawals from external fund	Retain records for the most recent 3 years.
33. Records of deposits with banks and others:	
(a) Statements from depositories showing the details of funds received, disbursed, transferred, and balances on deposit, bank reconcilement papers and statements of interest credits.	Destroy at option after completion of audit by independent accountants.
(b) Check stubs, registers, or other records of checks issued	6 years.
Payroll Records	
34. Payroll records:	
(a) Payroll sheets or registers of payments of salaries and wages, pensions and annuities paid by company or by contractors of its account.	6 years.
(b) Records showing the distribution of salaries and wages paid for each payroll period and summaries or recapitulations of such distribution.	6 years.
Miscellaneous	
35. Financial, operating and statistical annual reports regularly prepared in the course of business for internal administrative or operating purposes.	5 years.
36. Budgets and other forecasts (prepared for internal administrative or operating purposes) of estimated future income, receipts and expenditures in connection with financing, construction and operations, including acquisitions and disposals of properties or investments.	3 years.
37. Periodic or special reports filed by the company on its own behalf with the Commission or with any other Federal or State rate-regulatory agency, including exhibits or amendments to such reports:	
(a) Reports to Federal and State regulatory commissions including annual financial, operating and statistical reports.	5 years.
(b) Monthly and quarterly reports of operating revenues, expenses, and statistics.	5 years.

SCHEDULE OF RECORDS AND PERIODS OF RETENTION—Continued

Item No. and description	Retention period
38. Advertising: Copies of advertisements by or for the company on behalf of itself or any associate company in newspapers, magazines, and other publications, including costs and other records relevant thereto (excluding advertising of appliances, employment opportunities, routine notices, and invitations for bids all of which may be destroyed at option).	2 years.

7. Part 369 is added to read as follows:

PART 369—STATEMENTS AND REPORTS (SCHEDULES)

Authority: Sections 1261 *et seq.* Pub. L. 109–58, 119 Stat. 594.

§ 369.1 FERC Form No. 60, Annual report of service company.

(a) *Prescription.* The Form of Annual Report for Centralized Service Companies, designated as FERC Form No. 60, is prescribed for the reporting year 2007 and each subsequent year.

(b) *Filing requirements*—(1) *Who must file.* Each centralized service company (*See* § 367.2 of this chapter) in a holding company system must prepare and file electronically with the Commission the FERC Form No. 60 pursuant to the General Instructions set out in the form.

(2) *When to file and what to file.* (i) The annual report for the year ending December 31, 2005 and 2006 must be filed by May 1, 2006 and May 1, 2007, respectively. The annual report for each year thereafter must be filed by April 18 of the subsequent years.

(ii) This report must be filed with the Commission as prescribed in § 385.2011 of this chapter and as indicated in the General Instructions set out in the form, and must be properly completed and verified. Filing on electronic media pursuant to § 385.2011 of this chapter is required.

PART 375—THE COMMISSION

8. The authority citation for part 375 continues to read as follows:

Authority: 5 U.S.C. 551–557; 15 U.S.C. 717–717w, 3301–3432; 16 U.S.C. 791–825r, 2601–2645; 42 U.S.C. 7101–7352.

9. In § 375.303, paragraphs (c), (d), (e), (f), (g) and (h) are revised to read as follows:

§ 375.303 Delegations to the Chief Accountant.

* * * * *

(c) Issue interpretations of the Uniform System of Accounts for public utilities and licensees, centralized service companies, natural gas companies and oil pipeline companies.

(d) Pass upon any proposed accounting matters submitted by or on behalf of jurisdictional companies that require Commission approval under the Uniform Systems of Accounts, except that if the proposed accounting matters involve unusually large transactions or unique or controversial features, the Chief Accountant must present the matters to the Commission for consideration.

(e) Pass upon applications to increase the size or combine property units of jurisdictional companies.

(f) Accept for filing FERC Form No. 60 and Quarterly Financial Report Form Nos. 3–Q and 6–Q if such filings are in compliance with Commission orders or decisions, and when appropriate, notify the party of such acceptance. Issue and sign deficiency letters if the filing fails to comply with applicable statutory requirements, and with all applicable Commission rules, regulations, and orders for which a waiver has not been granted.

(g) Deny or grant, in whole or in part, requests for waiver of the reporting requirements for the forms under §§ 141.400, 260.300, 357.4, 366.23 and 369 of this chapter and the filing of these forms on electronic media under § 385.2011 of this chapter.

(h) Deny or grant, in whole or in part, requests for waiver of the requirements of parts 352, 356, 367 and 368 of this chapter, except if the matters involve unusually large transactions or unique or controversial features, the Chief Accountant must present the matters to the Commission for consideration.

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