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

DEPARTMENT OF ENERGY

Federal Energy Regulatory Commission

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

[Docket No. RM06–11–000; Order No. 684]

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

Issued October 19, 2006.

AGENCY: Federal Energy Regulatory Commission, DOE.

ACTION: Final rule.

SUMMARY: In this Final Rule, the Federal Energy Regulatory Commission (Commission) is amending its regulations to further implement the Public Utility Holding Company Act of 2005 (PUHCA 2005). Specifically, the Commission is adding a Uniform System of Accounts (USofA) for Centralized Service Companies, adding preservation of records requirements for holding companies and service companies, revising FERC Form No. 60, Annual Report of Centralized Service Companies, to provide for financial reporting consistent with the new USofA and providing for electronic filing of the revised FERC Form No. 60. The Final Rule will provide for greater accounting transparency for centralized service company operations, and uniform records retention by holding companies and service companies subject to PUHCA 2005. This transparency will protect ratepayers from pass-through of improper service company costs.

EFFECTIVE DATE: The rule will become effective January 8, 2007.

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SUPPLEMENTARY INFORMATION:

Table of Contents

I. Introduction
II. Background
III. Overview of Final Rule
IV. Discussion
1. Adoption of the Proposed Uniform System of Accounts
2. Implementation Date
3. FERC Form No. 60 Filing Deadline
4. Definitions
(a) ''Direct cost'' and ''Indirect cost''
(b) ''Work order system''
5. Instructions
(a) Section 367.2—Companies for which this system of accounts is prescribed
(b) Section 367.8—Extraordinary items
(c) Section 367.10—Unaudited Items
(d) Section 367.20(b)—Depreciation accounting
(e) Section 367.23—Transactions with non-associate companies
(f) Section 367.24—Construction and service contracts for other companies
(g) Section 367.25—Determination of service cost
(h) Section 367.27—Billing procedures
(i) Section 367.51(a)(17)—Allowance for funds used during construction
(j) Section 367.53—Service company property purchased or sold
(k) Section 367.54—Expenditures on leased property
(l) Section 367.59— Additions and retirements of property
(m) Sections 367.103–.104—Current & Deferred Income Taxes
(n) Section 367.23—Transactions with non-associate companies; § 367.25—Determination of service cost; § 367.27—Billing procedures; § 367.28—Methods of allocation; § 367.29—Compensation for use of capital
6. Balance Sheet Accounts
7. Income Statement Accounts
(a) Sections 367.4570–.4594—Revenue accounts for services rendered
(b) Sections 367.5000 and 367.8000—Operation and maintenance expense accounts
(c) Sections 367.9220 and 367.4171—Account 922, Administrative expenses transferred—Credit, and Account 417.1, Expenses of non-utility company
(d) Section 367.4160—Costs and expenses of merchandising, jobbing and contract work; § 367.9120—Demonstrating and selling expenses; § 367.9130—Advertising expenses; § 367.9301—General advertising expenses
(e) Sections 367.4263, 367.4117, 367.4180—Miscellaneous Income Statement Issues
8. Records Retention Requirements
9. FERC Form No. 60
(a) Use of GAAP Financial Statement instead of Structured FERC Form No. 60
(b) FERC Form No. 60 Schedules
(1) Schedule II, Service Company Property
(2) Schedule III–A, Summary of Service Company Property and Accumulated Provisions for Depreciation and Amortization
(3) Schedule IV, Investments and Schedule XII, Long-Term Debt
(4) Schedule V, Accounts Receivable from Associate Companies
(5) Schedule VI, Fuel Stock Expenses Undistributed
(6) Schedule X, Research, Development or Demonstration Expenses
(7) Schedule XI, Proprietary Capital
(8) Schedule XIV, Notes to Financial Statements
(9) Schedule XV, Comparative Income Statement
(10) Schedule XV–A, Schedule of Utility Operating Expenses; Schedule XVI, Analysis of Charges for Service; Schedule XVII, Schedule of Expense Distribution by Department or Service Function
(11) Analysis of Billing Schedules
(12) Departmental Analysis of Salaries Schedule; Methods of Allocation Schedule; and Organizational Chart Schedule
(13) Annual Statement of Compensation for Use of Capital Billed
(14) Miscellaneous General Expenses Schedule (Account 930.2)
(c) General Instruction IX
(d) Raising the Threshold for Individually Itemized Items
(e) Reporting in Whole Dollars or Alternatively in Thousands
(f) Comparative Information
(g) Request to Expand Data Collection in FERC Form No. 60
(h) Schedule Numbering
(i) Chief Accountant's delegated authority
V. Information Collection Statement
VI. Environmental Analysis
VII. Regulatory Flexibility Act
VIII. Document Availability
IX. Effective Date and Congressional Notification

Before Commissioners: Joseph T. Kelliher, Chairman; Suedeen G. Kelly, Marc Spitzer, Philip D. Moeller, and Jon Wellinghoff.

I. Introduction

1. On April 24, 2006, the Commission issued a notice of proposed rulemaking (NOPR) that proposed to add a new Uniform System of Accounts (USofA) for centralized service companies, *i.e.*, service companies that are not special purpose companies, and new preservation of records requirements for holding companies and service companies as new parts 367 and 368 of Title 18 of the Code of Federal Regulations.[1] The NOPR also proposed to revise FERC Form No. 60, Annual Report of Centralized Service Companies, to be codified in new part 369, to provide for financial reporting by centralized service companies consistent with the new USofA; to provide for electronic filing of Form No. 60; and to make conforming changes to the Commission's regulations in part 366 and corresponding changes to the Commission's Chief Accountant's delegation of authority in part 375. The

[1] 71 FR 28464 (May 16, 2006), FERC Stats. & Regs. ¶ 32,600 (2006).

NOPR proposed to make the changes effective January 1, 2007.

2. As directed by the Commission in the NOPR, the Commission staff held a technical conference on July 18, 2006, to provide interested persons an opportunity to discuss the regulations proposed in the NOPR. At the conclusion of the technical conference, staff announced that the record in this docket would remain open until August 8, 2006, to provide interested persons additional time to submit specific recommendations on how the Commission's proposed regulations could be modified to accommodate their concerns.

3. This Final Rule adopts, in many respects, the proposals contained in the NOPR, but with certain noted changes to minimize any unnecessary burden. Chief among them, the Commission defers the implementation date by an additional year, to January 1, 2008.

II. Background

4. 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]

5. 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. The Commission also 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 [9] should be modified to adopt or otherwise integrate the relevant parts of the Securities and Exchange Commission's (SEC) Uniform System of Accounts and records retention rules.

6. In the April 24, 2006 NOPR,[10] the Commission recognized that the range of changes that would be needed to Parts 101, 125, 201 and 225 of its regulations to allow for application of those requirements to holding companies and service companies would make understanding and applying them difficult for all entities. Therefore, the Commission proposed to adopt separate accounting, records retention, and reporting requirements for holding companies and service companies in new Parts 367, 368 and 369.

7. After consideration of the discussion during the technical conference and the comments received, the Commission is adopting this Final Rule which is generally consistent with the NOPR, but with several significant changes to reduce the compliance burden on affected entities. The Commission received nine comments on the proposed NOPR and ten supplemental comments submitted following the July 18, 2006 staff technical conference. A list of the commenters is attached as Appendix B. Comments received on specific aspects of the Commission's proposal are discussed in greater detail below.

III. Overview of Final Rule

8. As an initial matter, the Commission in this Final Rule has been guided by the clear intent of Congress to repeal the regulatory regime established by PUHCA 1935 and to rely on this Commission and state regulatory authorities to protect energy customers. Throughout, we have attempted to strike a balance between the Commission's need for information to carry out its regulatory responsibilities and the burden that gathering and reporting information imposes on industry. Therefore, as described below, we have modified our proposal in several key respects to reduce any unnecessary burden. The modifications include deleting and modifying certain accounts and instructions in the originally proposed USofA, providing flexibility in the work order system requirements, streamlining and eliminating certain schedules in the FERC Form No. 60, retaining the May 1 filing date for the FERC Form No. 60, and postponing the implementation date of the Final Rule until January 1, 2008. These modifications balance the Commission's need for information to fulfill its regulatory responsibilities with minimizing any unnecessary burden.

9. Specifically, in the NOPR, the Commission proposed to add, as Part 367 of its regulations, a new USofA for centralized service companies that conforms, to the maximum extent practicable, to the existing USofA for public utilities and licensees and for natural gas companies as set forth in Parts 101 and 201, respectively, of the Commission's regulations. The Final Rule adopts the new USofA for centralized service companies, but with the following modifications to reduce the burden on respondents:

- Centralized service companies will not be required to adopt a formal work order system. Instead, the Commission will permit centralized service companies to use a variety of cost accumulation systems, provided such systems support the allocation of expenses to the services performed and readily identify the source of the expenses and the basis for their allocation.

[2] Energy Policy Act of 2005, Pub. L. No. 109–58, 119 Stat. 594 (2005).

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

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

[5] Repeal of the Public Utility Holding Company Act of 1935 and Enactment of the Public Utility Holding Company Act of 2005, Order No. 667, 70 FR 75592 (Dec. 20, 2005), FERC Stats. & Regs. ¶ 31,197 (2005), order on reh'g, Order No. 667–A, 71 FR 28446 (May 16, 2006), FERC Stats. & Regs. ¶ 31,213 (2006), order on reh'g, Order No. 667–B, 71 FR 42750 (July 28, 2006), FERC Stats. & Regs. ¶ 31,224 (2006).

[6] As defined in 18 CFR 366.1, a holding company is (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, a service company is 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. ''Centralized service companies'' are defined in 18 CFR 367.1(a)(7) as 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. Centralized service companies are different from other service companies that only provide a discrete good or service.

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

[9] 18 CFR parts 101, 125, 201 and 225 (2006).

[10] *Supra* note 1.

• Centralized service companies will not be required to obtain Commission approval to account for an item as extraordinary. Instead, the Commission will only require extraordinary items to be disclosed in footnotes to the financial statements.

• Centralized service companies will not be required to conduct extensive mortality studies to support the useful lives of all depreciable assets, but can exercise judgment in determining the evidence needed to support the lives of depreciable assets.

• Centralized service companies will not be required to prepare paper invoices each month for services rendered to associate utility companies. Instead, the Commission will permit centralized service companies to use a variety of accounting mechanisms, provided that associate utilities are receiving accurate information about the work being done for them and the related costs on a monthly basis.

• Centralized service companies will not be required to capitalize an allowance for funds used during construction (AFUDC) as a component of construction cost but will instead be allowed to capitalize interest.

• Centralized services companies will not be required to calculate income taxes for individual departments.

• Centralized service companies will not be required to recognize revenues received for, or expenses incurred in, providing services to non-utility companies in separate accounts.

• Centralized service companies will not be required to record revenues received for services provided in support of merchandising, jobbing and contract work in a separate account. Instead, revenues from such services will be included in the accounts provided for other service company revenues. Proposed Account 415, Revenues from merchandising, jobbing and contract work, will be eliminated.

10. In the NOPR, the Commission also proposed to add, as new part 368 of its regulations, preservation of records requirements for holding companies and service companies, that conform to the preservation of records requirements for public utilities and natural gas companies contained in §§ 125.3 and 225.3 of the Commission's regulations, with certain modifications appropriate for holding companies and service companies. The Final Rule adopts the new requirements, with certain modifications to the Schedule of Records and Periods of Retention in § 368.3. In order to reduce any unnecessary burden, the Commission will revise the retention period for certain depreciation records from 25 years to 3 years after retirement or disposition of the property.

11. Additionally, the NOPR proposed to revise FERC Form No. 60 to permit reporting consistent with the proposed USofA for centralized service companies, and to codify it in new part 369. The Final Rule adopts the revised FERC Form No. 60 in part 369, but deletes or modifies the following schedules in the Form itself to reduce the compliance burden:

• Schedule XV–A, Schedule of Utility Operating Expenses, will be deleted because similar information is available on Schedule XVI, Analysis of Charges for Service.

• Schedule XVI will be modified to reflect the Commission's decision not to require a separate account for recording expenses attributable to services provided to non-utility companies.

• The Analysis of Billing Non-utility Companies—Account 459 Schedule, will be deleted to reflect the Commission's decision to eliminate Account 459.

• The schedules for analysis of service company billings will eliminate the need to separately report billings to utility customers and non-utility customers.

• The departmental analysis of salaries schedule will be eliminated because the reported data is not comparable across companies.

12. In addition, the Final Rule delays the implementation date of the new requirements until January 1, 2008, and makes conforming changes to the transition provisions contained in §§ 366.21, 366.22 and 366.23 of the Commission's regulations. The delay in the implementation date and the transition periods will allow for a more orderly implementation of the new requirements and further reduce the compliance burden on affected entities.

13. The Final Rule, therefore, adopts new parts 367, 368 and 369 and corresponding changes to parts 366 and 375 of the Commission's regulations.

IV. Discussion

14. In general, the National Association of Regulatory Utility Commissioners (NARUC), the American Public Power Association (APPA), the Florida Municipal Power Authority (FMPA), and National Rural Electric Cooperative Association (NRECA) supported the NOPR while Edison Electric Institute (EEI) and individual service companies opposed the NOPR.

1. Adoption of the Proposed Uniform System of Accounts

15. The Commission proposed to adopt a new USofA for Centralized Service Companies that generally mirrors the Commission's existing USofA for public utilities and licensees and for natural gas companies, with certain modifications to reflect the unique business characteristics of centralized service companies.

Comments

16. Several industry commenters urge the Commission to allow centralized service companies to continue to use their existing systems of accounts.[11] These commenters contend that centralized service companies should not be required to adopt the USofA as proposed in the NOPR. EEI, First Energy, and XES also argue that centralized service companies should be permitted to continue to maintain their financial records in conformance with Generally Accepted Accounting Principles (GAAP) and Sarbanes-Oxley requirements.[12]

17. EEI argues that, to the extent there is some detail the Commission does not currently have, but wants to obtain, rather than requiring centralized service companies to restructure their accounting systems, the Commission could simply add items to FERC Form No. 60 to obtain that information.[13]

18. Progress Energy contends that instituting reporting requirements that are more complicated and time-consuming runs counter to the spirit that prompted the repeal of PUHCA 1935.[14]

19. PSEG Companies maintain that the Commission has substantially underestimated the costs of complying with the NOPR and that it failed to balance the costs associated with implementing the NOPR against the benefits expected to result from implementation.[15] PSEG Companies state that the proposals in the NOPR, if adopted, would impose more regulatory burdens than was required under PUHCA 1935. They state this would be inconsistent with the intent of Congress. PSEG Companies express their concern that the increased cost of compliance will be much higher than the Commission has estimated and that the benefits of the rule are non-existent and

[11] EEI at 19–20; FirstEnergy Service Company (FirstEnergy) Supplemental Comments at 2; Pepco Holdings, Inc. and PHI Service Company (PHI Companies) jointly-filed Supplemental Comments at 4–5; Progress Energy, Inc. (Progress Energy) at 2; Public Service Enterprise Group Incorporated (PSEG Companies) at 9–10; Xcel Energy Services, Inc. (XES) at 2–3.

[12] EEI at 20–21; FirstEnergy Supplemental Comments at 2; XES at 2–3.

[13] EEI at 18.

[14] Progress Energy at 3.

[15] PSEG Companies at 3.

may be counter-productive.[16] PSEG Companies request the Commission to withdraw the requirement that the centralized service companies must adopt the USofA, or, at a minimum, modify the NOPR in such a manner that provides net public benefits.[17]

20. XES claims that conversion to the new USofA proposed by the Commission would be expensive and time consuming, and is unnecessary because the current accounts and accounting systems comply with SEC's requirements and state regulations. Additionally, XES asserts that it does not foresee any additional benefit to federal and state regulatory agencies by conversion to the USofA proposed by the Commission.[18]

21. Southern Company Services and Southern Nuclear Operating Company (Southern) state that the accounting and work order systems now in place allow the public utility company receiving service company billings to report these expenses using the USofA. They state, further, that the Commission's proposal for the centralized service companies to use a modified USofA does nothing to enhance that process. They suggest that, if the Commission concludes there must be a conversion to its USofA, there be flexibility.[19] In their supplemental comments, Southern notes that the Commission receives detailed FERC Form No. 1 information from all public utility companies, which is where the service company charges are ultimately placed in the appropriate USofA classification.[20]

22. Some commenters express their belief that compliance with existing reporting requirements, including GAAP and SEC requirements, along with the Sarbanes-Oxley and state regulatory requirements, will provide adequate information in sufficient detail to ensure transparency and facilitate review of centralized service company charges.[21] XES adds, further, that existing federal and state requirements ensure the accuracy of records and the adequacy of internal accounting controls.[22] As such, these commenters believe the Commission's proposal to adopt the proposed conversion to a USofA is unnecessary.[23]

23. Conversely, APPA supports the Commission's effort to develop a comprehensive chart of accounts for centralized service companies. APPA believes that the Commission generally has done an admirable and workmanlike job of developing a comprehensive chart of accounts for centralized service companies. APPA states that such companies are likely to perform many operations and maintenance services for their public utility affiliates. The costs of these functions should be recorded and accounted for in the same way, regardless of exactly what entity performs them. APPA reports that some of its members that have had to deal with allocations of costs from centralized service companies to their public utility affiliates in the past have reported that accounting for such service company costs was often vague and opaque, recorded in accounts such as ''Administrative and General.'' According to APPA, these accounts could lead to improper allocation of such costs to utility customers. The new chart of accounts should be of material assistance in this regard. Indeed, APPA states that the Commission should make clear its intent to use the greater transparency achieved by the proposed service company accounting requirements to protect ratepayers from the pass-through of improper service company costs—*i.e.*, costs that would not be chargeable to ratepayers consistent with Commission policy if incurred at the operating company level.[24]

24. NRECA shares APPA's comments and concerns, and urges the Commission to adopt regulations ensuring just and reasonable rates by prohibiting the pass-through of improper service company costs to jurisdictional public utilities.[25]

25. FMPA supports the NOPR and compliments the Commission on the proposed standards, accounting requirements, and new accounts for centralized service companies. FMPA states that the rule provides long-needed transparency and consistency for centralized service companies' accounting. FMPA is of the view that the current method is broken, and there would not have been a need for a staff technical conference on this topic if it were otherwise. FMPA states that the current accounting method undermines the Commission's ability to insure just and reasonable rates and, that without the proposed reforms, the problem will only get worse. FMPA points out that with consolidation and mergers likely to follow the PUHCA repeal, inadequacies in the current accounting systems will face increasing stress leading to consumer harm. FMPA adds that there is growing reliance on formula rates at the Commission that heightens the need for greater transparency and consistency which also aids in their ability to audit and intervene in rate cases. FMPA states that the new USofA should facilitate scrutiny of costs passed through to customers, particularly as they need proper functionalization of costs under formula rates. FMPA indicates that there are centralized service companies that they deal with and have extreme difficulty getting the information needed to see the transparency. FMPA indicates also that, when they do get access to the information, it is very time consuming to ferret out, purge and find the information needed because there is not consistency of accounting between utilities. FMPA cautions that the Commission should not be swayed by the GAAP argument. FMPA states that financial reporting under GAAP is oriented toward investors, and that it does not provide sufficient regulatory scrutiny to protect the wholesale and retail ratepayers or to prevent cross-subsidization. FMPA asks that the Commission not water down the NOPR because it would only undermine the transparency and consistency that is needed.[26]

26. NARUC and the Wisconsin Commission state that service company costs are an important piece to the ratemaking responsibilities at the state regulatory level. They state that, typically, costs originating at the service company make up a large and increasing percentage of the operating expenses of the regulated utilities. They point out that, as affiliated companies, these transactions are not made on an arms-length basis and, therefore, require additional controls. Therefore, NARUC supports the Commission's effort in attempting to increase transparency in bringing uniformity of these costs.[27]

Commission Determination

27. The Commission concludes that a structured USofA as proposed under new part 367 of the Commission's regulations is necessary to ensure consistency across the centralized service companies and, equally important, to ensure the Commission has the information necessary to carry out its obligations under PUHCA 2005, the Federal Power Act (FPA), and the

[16] *Id.* at 6–7.

[17] *Id.* at 12.

[18] XES at 3–4.

[19] Southern at 1.

[20] Southern Supplemental Comments at 1.

[21] EEI at 17–19; Progress Energy at 2; PSEG Companies at 9–10; XES at 3–4.

[22] XES at 3.

[23] EEI at 23; XES at 3.

[24] APPA at 5.

[25] NRECA Supplemental Comments at 2.

[26] *See* Technical Conference Tr. 111–115 (Mr. Steven Ruppel).

[27] *See* Technical Conference Tr. 90 (Mr. Thomas Ferris).

Natural Gas Act (NGA).[28] In reaching this conclusion, the Commission is mindful that one of Congress' goals in repealing PUHCA 1935 was to reduce the regulatory burden on holding companies. The Commission, nevertheless, finds that the absence of a structured USofA would impede the Commission's ability to carry out the new regulatory responsibilities imposed by Congress when it adopted PUHCA 2005. Without a structured USofA, the Commission would not have adequate information to be able to ensure just and reasonable jurisdictional rates, discern potential or actual cross-subsidization, or be able to approve cost allocations between holding company affiliates.

28. Although GAAP and the SEC's accounting rules may be sufficient for some purposes, they alone are not sufficient for fulfilling the Commission's new regulatory responsibilities under PUHCA 2005. In order to carry out its regulatory responsibilities, the Commission needs accounting information that is more ''granular,'' *i.e.*, more detailed, than what is required under GAAP. For example, reporting a single figure for total operation and maintenance expense on an income statement would satisfy GAAP requirements. However, the Commission needs information, among other things, about how much was spent on operations compared to maintenance, how much was spent on transmission compared to distribution, and what one company spent on an activity compared to another for that same activity in order to ensure, for example, just and reasonable jurisdictional rates.

29. Although flexibility in accounting rules may have enabled the SEC to meet its regulatory responsibilities, such flexibility will not allow the Commission to accomplish its regulatory mandate to ensure just and reasonable rates. There are hundreds of entities subject to the Commission's jurisdiction. The only way the Commission can efficiently carry out this mandate is by requiring these entities to account for transactions in a structured and uniform manner. That is why the Commission adopted and still maintains USofAs for public utilities and licensees and for natural gas companies. A structured USofA for centralized service companies is an equally essential tool that the Commission needs to carry out its regulatory responsibilities.

30. Upon further consideration, however, the Commission finds that the USofA proposed in the NOPR for centralized service companies may include some requirements that, in retrospect, may not be needed. Therefore, consistent with the overall objective of not imposing unnecessarily burdensome regulatory requirements under PUHCA 2005, we are adopting the following modifications suggested by the commenters to the proposed USofA to reduce that burden, as discussed below.

2. Implementation Date

31. The NOPR proposed to require holding companies and service companies to implement the new accounting, records retention, and reporting requirements on January 1, 2007.

Comments

32. Several commenters argue that the January 1, 2007 implementation date does not allow sufficient time to implement the Final Rule.[29] They argue that compliance with the Final Rule, if adopted as proposed, would require time, man hours and company resources to implement software changes, train personnel, to update Sarbanes-Oxley controls, and to receive sign off from internal and external auditors. In addition, Progress Energy argues that reengineering of company processes, procedures and software, remapping of thousands of projects to new Commission accounts, and testing and auditing (internal and external) of revised systems would take many months to ensure error-free implementation.[30] The commenters suggest, therefore, that the Commission defer compliance with the Final Rule until January 1, 2008. According to commenters, this deferral also would provide time to issue a Final Rule and an order on rehearing. NARUC and other state commissions had no objections to extension of the implementation date as long as there was no gap between the SEC's regulations and implementation of the Commission's regulations.[31]

Commission Determination

33. The Commission agrees with the commenters, and will move the implementation date of this Final Rule from January 1, 2007 to January 1, 2008. As a result, the revised FERC Form No. 60 prescribed in this Final Rule will first be due on May 1, 2009 (reporting data for the 2008 reporting year).[32] This change will provide companies sufficient time to implement software changes, train personnel, update Sarbanes-Oxley controls, and receive sign off from internal and external auditors. The change in implementation date will reduce the burden and cost to service companies impacted by the Final Rule. Additionally, the Commission will extend the transition periods for holding companies and service companies to comply with the Commission's accounting and recordkeeping requirements.[33]

3. FERC Form No. 60 Filing Deadline

34. In the NOPR, the Commission proposed to change the filing deadline for the FERC Form No. 60 from May 1 to April 18. The proposed April 18 filing date is consistent with the filing date for most of the Commission's other annual report forms that contain financial information.

Comments

35. EEI proposes that the Commission retain the current FERC Form No. 60 filing deadline of May 1 because companies have a number of financial reporting requirements with spring due dates affecting the same staff. EEI claims accelerating the filing date to April 18 would increase the cost of compliance, and increase company staffing needs.

Commission Determination

36. We will retain the current FERC Form No. 60 filing date of May 1. Retention of the May 1 date will minimize the burden on service companies that may also be responsible for filing FERC Form Nos. 1, 2 or 6 on behalf of regulated public utility companies and licensees, natural gas pipelines, or oil pipelines. The

[28] 42 U.S.C. 16451 *et seq.*; 16 U.S.C. 824 *et seq.*; 15 U.S.C. 717 *et seq.*

[29] EEI at 45–48; XES at 5; Southern at 2; Progress Energy at 12; National Grid USA (National Grid) at 14–15; NiSource Inc. (NiSource) Supplemental Comments at 3; FirstEnergy Supplemental Comments at 4; PHI Companies Supplemental Comments at 5–6.

[30] Progress Energy at 12.

[31] *See* Technical Conference Tr. 97–98 (Mr. Thomas Ferris); Technical Conference Tr. 101 (Mr. Joseph Buckley); Technical Conference Tr. 109 (Mr. James Mitchell).

[32] The currently effective FERC Form No. 60 due on May 1, 2007 and May 1, 2008 will be the FERC Form No. 60 adopted in Order Nos. 667, 667–A and 667–B. *See Repeal of the Public Utility Holding Company Act of 1935 and Enactment of the Public Utility Holding Company Act of 2005*, Order No. 667, 70 FR 75592 (December 20, 2005), FERC Stats. & Regs. ¶ 31,197 (2005), *order on reh'g*, Order No. 667–A, 71 FR 28446 (May 16, 2006), FERC Stats. & Regs. ¶ 31,213 (2006), *order on reh'g*, Order No. 667–B, 71 FR 42750 (July 28, 2006), FERC Stats. & Regs. ¶ 31,224 (2006).

[33] In Order No. 667, the Commission established transition periods for holding companies formerly ''registered'' under PUHCA 1935 to comply with the Commission's record retention requirements, and for service companies in such holding company systems to comply with the Commission's accounting, records retention, and reporting requirements. *See* 18 CFR 366.21(b), 366.22(a)(2), 366.22(b)(2) and 366.23(b).

Commission will also make submission software available to companies, allowing for electronic filing of the revised FERC Form No. 60 for the 2008 reporting year and subsequent reporting years, similar to the submission software used for electronic filing of Form Nos. 1, 2, 2–A, 3–Q, 6, and 6–Q.[34]

4. Definitions

(a) ''Direct cost'' and ''Indirect cost''

37. In the NOPR, the Commission proposed to define ''direct cost'' to include ''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. Costs incidental to or related to a directly charged item must be classified as a direct cost.'' ''Indirect cost'' was defined to include ''the costs of a general overhead nature such as general services, housekeeping costs, and other support costs 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.'' These are the same definitions that were contained in the SEC's former USofA for service companies.[35]

Comments

38. Southern recommends redefining the terms ''direct cost'' and ''indirect cost'' because it believes the definitions of these terms in the NOPR require costs it views as direct costs to be recharacterized as indirect costs. Southern explains that billings for direct costs should include overhead costs, such as employee benefits, as an adder to those direct costs, which otherwise would be characterized as indirect costs based on the definition in the NOPR. Southern suggests the Commission define ''direct cost'' as ''those costs which are applicable to services performed for a single client company. Costs incidental to, or related to, a directly charged item also should be classified as a direct cost.'' Likewise, Southern suggests ''indirect cost'' be defined as ''those costs which are not applicable to services performed for a single client company and which must be allocated.'' Costs incidental to, or related to, indirect items should also be classified as an indirect cost.[36]

Commission Determination

39. We do not agree with Southern's assertion that costs such as employee benefit costs must be recharacterized as indirect costs. The definition for ''direct cost'' includes labor costs and expenses applicable to services performed for a single or group of associate and non-associate companies and any cost incremental to or related to a directly charged item. Based on that definition, employee labor costs that are applicable to a service performed for a single or group of companies are a ''direct cost'' together with the related employee benefit costs.

40. We also will not adopt Southern's proposal to define ''direct cost'' as those applicable to services performed for a single client company, and ''indirect cost'' as those not applicable to services performed for a single client company. We do not believe Southern's proposed definition would be workable in all situations. For example, a centralized service company could provide engineering services for a construction project that is jointly owned by two associated public utilities. In that instance, the labor costs of providing the engineering services are a direct cost of the project but the services are provided for more than a single client company. Therefore, we will adopt the definitions set forth in the NOPR.

(b) ''Work Order System''

41. In the NOPR, the Commission proposed to adopt the definition and requirements of ''work order system'' from the SEC's former USofA for service companies. The NOPR, therefore, defined ''work order system'' as a system for the accumulation of service company costs 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. The requirements of a ''work order system,'' in turn, were provided as a General Instruction in § 367.30. This instruction provides that a service company must maintain a detailed classification of service costs that permits costs to be identified with the functional processes of the associate companies served and also various other accounting and cost allocation records needed to support work order charges.

Comments

42. Commenters suggest that the Commission clarify and redefine the term ''work order system'' to incorporate a broader use of the term.[37] XES believes the focus of the Commission, as it relates to a work order system, should be on complete and accurate reporting to enable it, state commissions, and other interested persons to monitor service company activities. XES states that variation in work order procedures should not affect the accuracy of reporting, and holding company systems should have the flexibility to rely on the systems that they have previously developed and implemented.

43. EEI notes that, at the technical conference, industry panelists suggested that work order systems could include the use of a variety of systems.[38] EEI recommends that the Commission replace the current definition of ''work order system'' with the following broader definition: ''Work order system means a system for the accumulation of service company costs on a job, project, or functional basis. It includes any method used to account clearly for charges billed to single and groups of associate and non-associate companies, including, but not limited to, use of actual work orders, electronic notifications, bills, ledger entries, or activity-based accounting software systems.'' [39] EEI encourages the Commission to reflect this broad meaning of the term ''work order system'' throughout this Final Rule, by conforming the regulatory text and preamble to this broadly defined concept. To do this, EEI states the following sections should be revised to avoid implying that work orders are required: §§ 367.24(a), 367.27, 367.28, 367.58(a), 367.4571, 367.4581, 367.4591, 367.50(d), 367.52(c), 367.1070(b), 367.1080(c), 367.1520, 367.1850, and 367.9240(d); and Records Retention Requirements Nos. 13, 15, 16, 17, and 19.

44. Commenters also argue that, while the SEC previously had regulations on work order systems, the SEC never formally required formal work order systems and allowed significant flexibility in how to account for inter-affiliate transactions.[40] They state that, for the Commission to impose a formal work order system, centralized service companies would incur substantial

[34] We note that, contemporaneously with this Final Rule, we are issuing, in Docket No. RM06–25–000, a Final Rule providing for the electronic filing of the currently-effective FERC Form No. 60 for 2006 and 2007 reporting years, to be filed on May 1, 2007 and May 1, 2008, respectively. *See Electronic Filing of FERC Form No. 60*, Order No. 685, published elsewhere in this issue of the **Federal Register**, FERC Stats. & Regs. ¶ (2006).

[35] *See* 17 CFR part 256 (Uniform System of Accounts for Mutual Service Companies; Subsidiary Companies, Public Utility Holding Company Act of 1935).

[36] Southern at 4; Southern Supplemental Comments at 2.

[37] EEI Supplemental Comments at 15; FirstEnergy Supplemental Comments at 4; XES Supplemental Comments at 2.

[38] EEI Supplemental Comments at 15.

[39] *Id.* at 16.

[40] EEI at 40; National Grid at 4; XES at 4.

costs to update accounting systems and train workers and their companies would decrease operating efficiency would suffer because routine and recurring work would now need to be reorganized around specific work orders.[41] National Grid also explains that its current practice accomplishes all of the goals sought by the Commission's proposed work order system.[42] Accordingly, the commenters believe the Commission should not require the use of a formal work order system, but should allow centralized service companies to continue to use their prior SEC-approved practices for tracking and assigning service costs.

45. NARUC states that if the Commission determines that a formal work order system would be too burdensome, an alternative would be for the Commission to use the proposed definition and describe the minimum requirements of a work order system. NARUC adds that each centralized service company would then be required to file information describing its system and how it complies with the Commission's definition and minimum requirements. NARUC suggests minimum requirements could include a written agreement on the types of work that will be performed by the service company for the utility, identification of the work to be completed by functional area, and the ability to track the costs to the services provided. NARUC states the work order system should separately break down costs related to one-time/nonrecurring expenditures. Further, if the service company incurs direct costs relating to construction work for a utility, NARUC believes the service company should have a work order system identical to the one that is required under parts 101 and 201 of the Commission's regulations.[43]

Commission Determination

46. While the Commission would prefer centralized service companies to utilize formal work order systems, the Commission also recognizes that the goals and purposes of a formal work order system can be met through other means, as several commenters suggest. The Commission also recognizes that there are increased costs associated with implementing a formal work order system. Accordingly, the Commission will replace the term ''work order system'' with ''cost accumulation system,'' and will modify the instructions in § 367.30 so that the instructions do not mandate centralized service companies to implement a formal work order system. The Commission, further, will allow centralized service companies to use a variety of cost accumulation systems, provided any cost accumulation system adopted meets the requirements provided in the definition for ''cost accumulation system'' and the requirements contained in § 367.30. Also, we will modify the regulations to remove language that suggests a formal or uniform work order system is required.

47. The definition for ''cost accumulation system'' in § 367.1(a)(12) will be

> ''a system for the accumulation of service company costs 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. It can be a variety of systems, including but not limited to, a work order system or an activity-based accounting software system.''

While the instructions in § 367.30 will remain the same, we will revise all references to a work order system in the regulations.

48. In making the changes discussed above, the Commission affords centralized service companies flexibility in the type of cost accumulation system they use to reflect their costs, and reduces any unnecessary burden that may be associated with changing their current system for accounting for these costs to a formal ''work order system.''

5. Instructions

49. In the NOPR, the Commission proposed to adopt four categories of instructions: General Instructions, Service Company Property Instructions, Operating Expense Instructions, and Special Instructions. The proposed instructions included most of the instructions contained in parts 101 and 201 of the Commission's regulations modified to meet the needs of centralized service companies and certain additional instructions contained in the SEC's USofA relevant to centralized service companies. The specific comments received on these instructions are discussed below.

(a) Section 367.2—Companies for Which This System of Accounts Is Prescribed

50. The Commission proposed that the USofA apply 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. However, we also proposed to continue the existing SEC exemptions from the USofA, including: Special-purpose service companies, electric or gas utility companies, companies primarily engaged in the production of goods, and service companies that provide services exclusively to a local gas distribution company.

Comments

51. NARUC states that § 367.2 does not adequately ensure the existence of proper controls in the event of certain possible organization changes. For example, NARUC explains that, in the event that a service company is eliminated, the utility may transfer relevant service company functions to the holding company, a utility within the holding company, or another company within the holding company system. NARUC claims there is a risk that such transfers will result in the elimination of needed accounting controls relating to these functions, because under the proposed rules holding companies and special purpose companies would not be required to comply with the new USofA. NARUC argues that, in order to assure all service companies that provide goods and services to utilities are subject to proper controls, § 367.2 should be revised to (1) eliminate the special purpose service company exemption; (2) clarify that the new USofA applies to the entity that performs service company functions, even if it is a holding company or a company providing electric or gas utility services; and (3) prohibit service company functions from being transferred to a utility in the holding company system. NARUC states that, in the absence of such modifications the purpose of the Commission's proposed regulations may be thwarted.[44]

52. Certain commenters, on the other hand, argue that the Commission should maintain its requirement that the new recordkeeping and reporting requirements apply to centralized service companies only.[45] EEI states that parent holding companies and their subsidiaries may own a variety of assets and undertake a variety of activities. Thus, EEI argues, if the Commission were to extend the requirements beyond centralized service companies, the Commission would need to address a variety of potential scenarios in order to define the circumstances in which the requirements would apply to other companies—which would complicate

[41] EEI at 41; National Grid at 5–6; XES at 4.

[42] National Grid at 5.

[43] NARUC Supplemental Comments at 6; *codified at* 18 CFR parts 101 and 201.

[44] NARUC at 3–5.

[45] EEI at 38; EEI Supplemental Comments at 19; CMS Energy Corporation and Consumers Energy Company (CMS Energy) Supplemental Comments at 3.

and increase the accounting and recordkeeping burden.[46] EEI also argues that the Commission should not adopt requests to impose constraints on whether and how holding companies establish service companies to provide services to their subsidiaries. EEI states that neither the FPA nor PUHCA 2005 gives the Commission authority to regulate holding company structure and operations in such a manner. Additionally, EEI urges the Commission to adopt a new definition for centralized service companies that would limit application of the Final Rule's accounting and reporting requirements to service companies, and to preclude holding companies from being classified as service companies. EEI also suggests the Commission specify that only parts 367 and 368 apply to service companies.[47]

53. For its part, CMS Energy argues that the Commission already has put into place the ability to monitor and respond to any concentration of utility functions within special purpose companies through the FERC–65 [48] and FERC–61 [49] reporting requirements established in Order No. 667.[50] CMS Energy states these reporting requirements require identification of special purpose service companies and annual reporting on the functions of each special purpose company. CMS Energy adds that special purpose service companies have a simpler, smaller, more focused nature and the FERC–65 and FERC–61 reporting requirements are well suited to monitor them, without imposing the USofA and FERC Form No. 60 requirements.[51]

Commission Determination

54. We have decided that the USofA we are adopting herein will apply to centralized service companies only, consistent with Order No. 667.[52] We agree with EEI that extending the requirements beyond centralized service companies would be a difficult definitional exercise that could lead to unnecessary regulatory uncertainty. While the Commission shares NARUC's concerns that holding company systems could potentially circumvent the Commission's accounting and reporting requirements for centralized service companies, the Commission does not believe NARUC's recommendations are the best way to address the potential issue. At this time it is preferable to monitor developments in the industry and assess whether the instructions we are adopting lead to circumvention of our rules. If centralized service companies begin to decentralize their service functions in an effort to circumvent the Commission's accounting and reporting regulations, the Commission will take the necessary actions to ensure the Commission has the information necessary to carryout its obligations under PUCHA 2005, the FPA, and the NGA. The Commission also will not impose restrictions on holding company systems which prevent centralized service company functions from being transferred to other companies in the same holding company system. Such restrictions are outside the Commission's statutory authority under the PUCHA 2005, the FPA, and the NGA.

55. We also clarify that holding companies are not subject to the rules of this USofA, and we will amend the instructions to § 367.2 to provide for this exemption. Further, we will adopt in § 367.1(a) of the regulations a definition for the term ''centralized service company'' based on our discussions in Order No. 667.[53]

(b) Section 367.8—Extraordinary Items

56. In the NOPR, we proposed that centralized service companies must obtain Commission approval to record all extraordinary items. Extraordinary items are 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.

Comments

57. EEI and Progress Energy disagree with the Commission's proposed requirement that Commission approval is required for an item to be accounted for as extraordinary.[54] They state that this requirement is unnecessary and burdensome. Further, they contend, it should be sufficient for centralized service companies to follow the GAAP requirement for reporting extraordinary items. Progress Energy also argues that, to the extent the Commission does not approve an item that is a required disclosure for SEC reporting, the Commission runs the risk of promoting inconsistent treatment of extraordinary items across holding company systems.[55] Progress Energy adds that such a requirement would be an unnecessary burden on Commission staff to perform the reviews.[56] EEI suggests that the Commission should require centralized service companies to provide a footnote describing any amounts included in Accounts 434, Extraordinary income and Account 435, Extraordinary deductions.[57]

Commission Determination

58. Upon further consideration, we agree that requiring Commission approval for any item to be recognized as extraordinary may impose an unnecessary burden on centralized service companies. EEI's suggested alternative strikes a balance between the need for disclosure of such items and the desire to reduce unnecessary regulatory burden. Accordingly, the Commission will not require centralized service companies to seek Commission approval for all extraordinary items. Rather, as suggested by EEI, the Commission will require centralized service companies to include disclosure in the Notes to the Financial Statements of the FERC Form No. 60 identifying and describing any amounts included in Account 434, Extraordinary income, and Account 435, Extraordinary deductions. Accordingly, we will add an instruction to Schedule XIV, Notes to Financial Statements, to require disclosure of extraordinary items.

(c) Section 367.10—Unaudited Items

59. Proposed § 367.10 states that, when preparing a financial statement 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 the effect upon the accounts cannot be determined with absolute accuracy, the amount must be estimated and the estimated amount included in the proper accounts.

Comments

60. Southern questions the purpose of § 367.10 because its financial statements are audited and include all estimable liabilities in accordance with GAAP.[58]

Commission Determination

61. Southern's comments are misplaced. The Commission does not at this time require the centralized service company financial statements,

[46] EEI Supplemental Comments at 21–22.

[47] EEI Supplemental Comments at 20.

[48] Holding companies that meet the definition of a holding company as defined by § 366.1 must notify the Commission of this status by submitting FERC–65. *See* 18 CFR366.4(a).

[49] Every service company in a holding company system, including a special-purpose company, which does not file a FERC Form No. 60 must instead file a narrative description of the service company's function during the prior calendar year. *See* 18 CFR 366.23(a)(2).

[50] *Supra* note 5.

[51] CMS Energy Supplemental Comments at 8.

[52] *See* Order No. 667 at P 38.

[53] *See* Order No. 667 at P 37.

[54] EEI at 32; Progress Energy at 10.

[55] Progress Energy at 10.

[56] *Id.*

[57] EEI at 32.

[58] Southern at 5.

contained in the FERC Form No. 60, to be audited by independent public accountants. The purpose of § 367.10 is simply to instruct a centralized service company, in preparing such statements, that it must use estimates if a transaction occurs that affects a company's accounts even if the amount involved in the transaction and its effect upon the accounts cannot be determined with absolute accuracy and the estimates have not been audited.

(d) Section 367.20(b)—Depreciation Accounting

62. The NOPR at § 367.20(b) required service companies to support the estimated useful service lives of depreciable property with engineering, economic, or other depreciation studies.

Comments

63. Southern recommends the Commission eliminate § 367.20(b) or use a more restrictive definition of when a study is needed. Southern states that a service company would not typically need ''engineering, economic, or other depreciation studies'' to support the useful lives of depreciable property, which consists primarily of computer equipment, furniture, and other fixtures.[59]

Commission Determination

64. Service companies own a variety of assets. Some centralized service companies primarily own office furniture and computers while others own more significant assets such as office buildings.[60] Accordingly, some centralized service companies may need to conduct a more sophisticated engineering, economic, or other type of depreciation study than would others based on the complexity and characteristic of the depreciable assets that they own. The intent of the instruction is to require service lives of depreciable assets to be supported by evidence and analysis. It is not intended to require unnecessarily extensive mortality studies to be conducted when the cost of doing so cannot be supported by the improved accuracy in depreciation estimates. The Commission, therefore, will revise the instructions in § 367.20(b) to state that the ''estimated useful service lives of depreciable property must be supported by objective evidence and analysis, including where appropriate engineering, economic, or other depreciation studies.''

(e) Section 367.23—Transactions With Non-Associate Companies

65. Proposed § 367.23 was carried over from the SEC's former USofA and requires profits and losses on transactions with non-associate companies to 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. It also requires centralized service companies to use net profits received outside of the holding company system to reduce the cost of providing service to associate companies within the holding company system.

Comments

66. NARUC supports the provisions; however, it explains that, if a service provided outside the corporate umbrella becomes profitable, a utility might form a new affiliate to provide the service so that profits associated with that service will no longer flow back to regulated operations.[61] In that circumstance, it points out, the excess profits that would otherwise be available to reduce the costs of associate companies may decline. Therefore, NARUC suggests that services should not be transferred to a new affiliate if, and when, they become profitable. Additionally, NARUC suggests the Final Rule could require the centralized service company to report yearly which services it provides to outside entities, including an explanation of why any services were dropped from one year to the next.

Commission Determination

67. It is beyond the scope of the Commission's authority under PUHCA 2005 to set regulations which prohibit the transfer of services performed from one associate company in a holding company system to another associate company. Therefore, we will not adopt NARUC's suggestion to prohibit services provided outside the corporate umbrella by a service company from being transferred to another associate company. Nor will we adopt the suggestion that service companies provide a yearly report on changes to services provided. A separate report is unnecessary because the Commission and others will be able to monitor such transfers because they will be reported annually either through FERC Form No. 60 or in FERC–61.[62]

(f) Section 367.24—Construction and Service Contracts for Other Companies

68. Proposed § 367.24 was carried over from the SEC's former USofA for service companies. Section 367.24(b) requires centralized service companies to exclude from their accounting system the cost of materials, construction payrolls, outside services, and other expenses directly attributable to the construction of physical property for other companies, and requires that these costs must be charged directly by the vendor or supplier to the construction project. Additionally, § 367.24(c) requires the cost of goods procured (as opposed to services) to be excluded from the accounting system of the service company and charged directly by the vendor or supplier to the associate company concerned.

Comments

69. Southern states it does not understand the purpose behind § 367.24(b) and (c), and recommends their elimination as it requires the exclusion of certain direct costs and cost of goods procured from the accounting system of the service company.[63] Southern explains that its service companies contract for such expenses on behalf of its affiliate companies, as well as incur costs directly that are related to construction projects, that are then billed to a utility or other affiliate company. EEI requests the Commission clarify to whom § 367.24(b) applies.[64]

70. National Grid believes § 367.24 requires that expenses associated with the construction services performed by service company employees will not be accounted for separately but treated as part of the capital investment in assets being constructed. This will cause, in National Grid's view, an inconsistency with proposals by the Commission to create incentives for transmission construction by allowing expense treatment of pre-commercial costs incurred in relation to new transmission builds.[65]

Commission Determination

71. We agree with Southern that the purpose and intent of § 367.24(b) and (c) are somewhat unclear. We believe the ambiguity is due in part to the fact that § 367.24(a) does not prescribe specific accounts for recording costs incurred in connection with construction or service contracts under which the service company undertakes projects to

[59] Southern at 5.

[60] *See, e.g.*, American Electric Power Service Company's 2005 FERC Form No. 60.

[61] NARUC at 8.

[62] Pursuant to Order No. 667–A, service companies that do not file the FERC Form No. 60 must file annually a narrative description of their functions, as identified in FERC–61. *See* 18 CFR 366.23(a)(2).

[63] Southern at 5.

[64] EEI at 25.

[65] National Grid at 7–9.

construct physical property for others. Therefore, we will amend § 367.24(a) to require that costs incurred for this purpose, as well as any other purpose not provided for elsewhere in the expense accounts, are to be charged to new Account 412, Costs and expenses of construction or other services, adopted in this Final Rule. We also will eliminate the ambiguous language contained in § 367.24(b) and (c).

(g) Section 367.25—Determination of Service Cost

72. In the NOPR, the Commission proposed to adopt § 367.25 to state that 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.

Comments

73. NARUC requests that the Commission clarify the meaning of the phrase ''if paid'' in § 367.25 because the language renders the meaning of the section unclear.[66]

Commission Determination

74. The Commission agrees that the phrase ''if paid'' in § 367.25 is unclear. This instruction is intended to state that the cost of services provided equals the total amounts included in the expense accounts plus an appropriate amount for the compensation for the use of capital. Furthermore, the meaning of compensation for the use of capital is explained in § 367.29, Compensation for use of capital. Therefore, the Commission finds that the phrase ''if paid'' is unnecessary and will modify § 367.25 to remove the phrase.

(h) Section 367.27—Billing Procedures

75. Proposed § 367.27 requires service companies to bill monthly for their services and to include sufficient information in such billings to permit any company to properly classify the amount billed according to the accounting system prescribed by the regulatory authority of such company. This section was carried over from the SEC's former USofA for service companies.

Comments

76. Several commenters disagree with the Commission's proposed regulation in § 367.27 on monthly billing procedures.[67] EEI and National Grid argue that generating paper invoices for billings of services rendered to associate utility companies on a monthly basis is largely unnecessary as the specific charges and their accounting are obtainable through the holding company's accounting system.[68] Southern also argues that it does not currently provide the level of detail required in § 367.27 to its affiliate companies but that the information it does provide is sufficient in detail.[69]

77. EEI and FirstEnergy encourage the Commission to clarify in the regulatory text and preamble to the Final Rule that service companies can bill their clients using a variety of mechanisms as long as the service company clients are receiving accurate, timely information about the work being done for them and the cost of the work.[70] FirstEnergy notes that it has a fully integrated accounting system which provides full access to the information contained within the system as it relates to their company. Therefore, FirstEnergy argues that there is no need for a formal bill due to the available technology.[71]

78. With respect to billing of services rendered to non-associated utility companies, these commenters state service companies often provide a *de minimis* amount of services.[72] Thus, according to National Grid, it makes little business sense to undertake the costs of establishing a detailed monthly invoicing for non-associated companies for services rendered.[73] The commenters add that those arrangements are largely negotiated on an arms-length basis without reference to specific costs and would potentially provide sensitive competitive information that is not required by any contract between the service company and the unrelated party.[74] Consequently, they contend, the Commission's mandated monthly invoice scheme would force the service company into a cost of service business, even for non-jurisdictional services.[75]

Commission Determination

79. The commenters misunderstood the purpose of this section. It was not intended to require the use of paper invoices as some commenters concluded. Rather, the intent of this instruction is to require centralized service companies to charge their associate public-utility companies for services provided each month, together with enough information to allow these companies to properly classify the amount in the accounts prescribed by their regulatory authorities. However, in order to eliminate any confusion, we will remove the reference to ''invoices'' in § 367.27, and clarify it is only intended for billings to associate public-utility companies.

(i) Section 367.51(a)(17)—Allowance for Funds Used During Construction

80. Proposed § 367.51 provided instructions on the cost of construction properly included in the service company property accounts. These instructions were taken from the Electric and Gas Plant Instructions in parts 101 and 201 of the Commission's regulations, and include an allowance for funds used during construction (AFUDC).

Comments

81. EEI believes that AFUDC, as described in § 367.51(a)(17), only has relevance to jurisdictional entities that have been granted this provision by regulators.[76] For service companies, EEI contends, a more appropriate approach would be to calculate capitalized interest based on GAAP. EEI recommends that the section on AFUDC be removed from the proposed rule and that service companies be allowed to capitalize interest based on GAAP.[77]

Commission Determination

82. Based on a review of the record in this proceeding, the construction projects for service company property do not appear to be large and the related interest charges will be relatively insignificant. In such circumstances, the Commission agrees the use of the proposed AFUDC formula would be unnecessarily complex. Therefore, the Commission will modify § 367.51(a)(17) to allow centralized service companies to capitalize interest in accordance with GAAP.

(j) Section 367.53—Service Company Property Purchased or Sold

83. In § 367.53, we proposed to modify Electric and Gas Plant Instructions No. 5 in parts 101 and 201 of the Commission's regulations to require centralized service company property to be recorded at the cost of acquisition rather than its original cost. Section § 367.53 also requires centralized service companies to file journal entries with the Commission when they acquire property at a purchase price of $10 million or more

[66] NARUC at 13–14.

[67] EEI at 41–42; National Grid at 9–10; Southern at 5.

[68] EEI at 41, National Grid at 10.

[69] Southern at 5.

[70] EEI Supplemental Comments at 18, FirstEnergy Supplemental Comments at 4.

[71] FirstEnergy Supplemental Comments at 4.

[72] EEI at 42; National Grid at 10; Southern at 5.

[73] National Grid at 10.

[74] EEI at 42; National Grid at 10; Southern at 5.

[75] EEI at 42; National Grid at 10.

[76] EEI at 25.

[77] *Id.*

that has been previously devoted to public service.[78] This filing requirement was intended to provide the Commission and others the opportunity to monitor transactions involving property previously devoted to public service.

Comments

84. NARUC states that the regulations on service company property purchased or sold could be used as a vehicle to inflate rate base.[79] For example, it posits, a service company may have bought an asset at a premium over original cost to the party that previously owned it and recorded the asset on the service company's books at the total acquisition cost, after which a public utility may have purchased the asset from the service company. To avoid such problems, NARUC suggests, the new USofA should require that any asset purchased by a service company not be transferred at an amount higher than the original purchase price or the remaining original cost, whichever is lower. Specifically, NARUC suggests that the following language (italicized below) should be incorporated into § 367.53(e), Service company property purchased or sold:

In connection with the acquisition of 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. *If the property was previously devoted to utility service, the service company must preserve the original cost of the property in the records of the service company.*[80]

85. NARUC also states that, in order for state commissions to monitor the acquisition of property from affiliates, a copy of the journal entries also should be filed with the relevant state commissions and suggests the following language changes (stricken language in brackets or new language italicized below) to incorporate this concept.

(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. *In addition, a copy of the proposed journal entries filed with the Commission must be sent to the state regulatory commissions having jurisdiction in the states in which associated utility companies provide utility service.*[81]

Commission Determination

86. The Commission will not adopt NARUC's proposed language changes to § 367.53. The regulations which are already in place for public utilities and licensees, and natural gas companies adequately prevent rate base from being artificially inflated. The Commission's regulations in parts 101 and 201 require all electric and gas plant purchased by a public utility or a natural gas company to be recorded at its original cost and the related journal entries must be filed with the Commission.[82] Further, proposed § 367.53(c) requires that property acquired from affiliates must be at book value and journal entries must be filed with the Commission for purchases of property previously devoted to public service in excess of $10 million. Therefore, NARUC's proposed language is not necessary, nor do we believe it is necessary for the Commission to require copies of journal entries to be filed with State commissions. All filings of this nature are docketed by the Commission and can be viewed electronically by all interested parties. Accordingly, state commissions will be able to monitor the acquisition of property from affiliates without imposing an additional reporting burden on service companies. We also note that our determination here is consistent with the filing requirements applied to public utilities, licensees, and natural gas companies for similar transactions under the Commission's regulations in parts 101 and 201.

(k) Section 367.54—Expenditures on Leased Property

87. Proposed § 367.54 requires the cost of improvements made to leased property to be used for more than one year to be charged to the appropriate service company property account. It also requires that amounts charged to service company property be amortized to Account 404, Amortization of limited-term service property, over the lease term if the service life of the improvement is terminable by the action of the lease. Otherwise, the improvement is subject to depreciation practices normally followed for amounts recorded in the account to which the improvement was charged. The forgoing requirements are essentially the same requirements for public utilities, licensees and natural gas companies for leasehold improvements in Electric and Gas Plant Instructions No. 6 of parts 101 and 201 of the Commission's regulations.

Comments

88. Southern notes that GAAP requires that the life of a leasehold improvement be co-terminus with the lease; thus, there would not be a leasehold improvement whose ''service life is not terminated by action of the lease but by depreciation proper.'' [83] By this section's definition, according to the company, all leasehold improvement amortization would have to be accounted for as ''amortization of limited term property.'' Southern asks what value this information is to the Commission.

Commission Determination

89. This instruction provides important guidance on how the costs of leasehold improvements are to be recorded and depreciated or amortized under the USofA. We, therefore, will retain this instruction. Further, we do not believe this instruction prohibits a centralized service company from following GAAP as it relates to leasehold improvements.

(l) Section 367.59—Additions and Retirements of Property

90. Proposed § 367.59 requires centralized service companies to adopt and maintain a list of retirement units. The list forms the basis for determining whether the cost of property-related work should be capitalized or charged to expense. In general, if the work involves adding or replacing an item of property appearing on the list, the cost of the work is capitalized. If the work involves adding or replacing an item of property that is not on the list and, therefore, constitutes a minor item of property, the cost of the work is charged to expense.

Comments

91. Southern states it does not believe that retirement units are applicable to service company property. Southern states that each service company purchase is a discrete unit of property and service companies would not be able to maintain a written property units

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

[79] NARUC at 6.

[80] *Id.* at 6–7.

[81] NARUC at 11–12.

[82] *See, e.g.*, 18 CFR part 101, Account No. 102.

[83] Southern at 5.

listing for use in accounting for additions and retirements of property.[84]

Commission Determination

92. We do not agree with Southern that retirement units are not applicable to service company property. Establishing a retirement unit is necessary to determine whether property-related expenditures should be capitalized or expensed. It is the same requirement that is followed by public utilities and licensees and by natural gas companies under parts 101 and 201 of the Commission's regulations. We see no reason service companies should not follow the same practice because they have the same assets that an electric or gas company would have if the service company did not exist. Therefore, service companies should maintain property unit listings.

(m) Sections 367.103–.104—Current and Deferred Income Taxes

93. Proposed §§ 367.103–.104 contain special accounting instructions for recognizing income tax expense. Among other things, they require the accruals for income taxes to be apportioned among service company departments and other income and deductions. These requirements were carried over from the Special Instructions for the current and deferred tax expense accounts in parts 101 and 201 of the Commission's regulations.

Comments

94. EEI and Progress Energy recommend that there be no requirement to calculate or allocate taxes on a department level because income taxes are generally computed at a legal entity level, not to individual departments.[85] Progress Energy notes that service companies are not income-producing; rather, they are cost centers required to bill all of their expenses at cost and their income statements net to zero. The only income taxes that are computed for service companies are due to timing differences between GAAP and tax accounting, which, according to Progress Energy, cannot, in any meaningful way, be associated with individual departments. Therefore, Progress Energy states it does not have actual income tax accruals for its individual service company departments and could not meaningfully apportion the limited timing-related income tax accruals to the individual departments.[86]

Commission Determination

95. Upon further consideration, the Commission agrees that it is not practical or necessary for centralized service companies to calculate income taxes for individual departments. Therefore, the regulations will be revised to eliminate this requirement.

(n) Section 367.23—Transactions With Non-Associate Companies; § 367.25—Determination of Service Cost; § 367.27—Billing Procedures; § 367.28—Methods of Allocation; § 367.29—Compensation for Use of Capital

96. The proposed sections of the Commission's regulations listed above specify rules or standards that must be applied in accounting for certain transactions or events. The rules are fairly broad in their application and were carried over from the SEC's USofA for service companies.

97. More specifically, § 367.23 requires that the excess or deficiencies in providing services to non-associated companies to be recorded in Account 458.4, and that the net excess be used to reduce charges to associate companies. Section 367.25 states that a service must be deemed at cost and 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 constitutes cost during that period. Section 367.27 provides that charges for services to associate public-utility companies be made 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. Section 367.28 requires that indirect costs and compensation for use of capital must be allocated to projects in accordance with the service company's applicable and currently effective methods of allocation. Section 367.29 states that interest on borrowed capital and compensation for the use of capital must represent a reasonable return on the amount of capital reasonably necessary for the performance of services or construction work for associate companies. It also requires that the amount of compensation be separately stated on each billing to associate companies and an annual statement to support the amount of compensation for the use of capital billed for the previous 12 months be supplied to each associate company at the end of the calendar year.

Comments

98. EEI argues that the proposed rule goes beyond accounting regulations and adopts cost allocation and billing practice principles in the definition of ''indirect cost'' and in §§ 367.23, 367.25, 367.27, 367.28, and 367.29.[87] EEI states these cost allocation and billing principles should be made applicable only in the context of service company cost allocations the Commission is asked to review under section 1275 of PUHCA 2005.[88]

Commission Determination

99. The Commission disagrees with EEI's assertion that the matters addressed in these sections of the regulations are only applicable in the context of cost allocation reviews under section 1275 of PUHCA 2005. Costs are incurred continually and on an on-going basis by centralized service companies and these costs must be accounted for and eventually reported to the Commission in the FERC Form No. 60. The noted regulations provide important guidance to centralized service companies as to how the items covered by those regulations should be accounted for as the transactions or events occur. For example, § 367.23 requires excesses or deficiencies in providing services to non-associate companies to be recorded in Account 458.4, and § 367.25 provides that ''cost'' includes reasonable compensation for the use of capital. The guidance that these instructions provide promotes uniformity in accounting practices.

100. As it relates to the portions of these sections which relate to cost allocation and billing requirements, we note that such regulations are necessary to carry out the Commission's obligations and duties under PUCHA 2005, the FPA and the NGA. These instructions assist the Commission in ensuring just and reasonable jurisdictional rates, discerning potential or actual cross-subsidization, and approving cost allocations between holding company affiliates. Therefore, these instructions are needed beyond the review required under section 1275 of PUCHA 2005 and are adopted as proposed.

[84] Southern at 5.

[85] EEI at 39; Progress Energy at 8–9.

[86] Progress Energy at 9.

[87] EEI at 39.

[88] Section 1275 of PUHCA 2005 provides that in the case of non-power goods or administrative or management services provided by an associate company organized specifically for the purpose of providing such goods or services to any public utility in the same holding company system, at the election of the system or a State commission having jurisdiction over the public utility, the Commission, must review and authorize the allocation of costs for those goods or services to the extent relevant to that associate company. *See* 42 U.S.C. 16462.

6. Balance Sheet Accounts

101. In the NOPR, the Commission proposed to adopt in the new USofA for centralized service companies many, but not all, of the balance sheet accounts contained in parts 101 and 201 of the Commission's regulations, as well as the primary property Accounts 301 (§ 367.3010), 303 (§ 367.3030) and 389 to 399.1 (§§ 367.3890 to 367.3991).

Comments

102. EEI suggests that the Commission add the following balance sheet accounts to part 367 subpart F:

Account 106—Completed construction not classified
Account 182.3—Other regulatory assets
Account 189—Unamortized loss on reacquired debt
Account 228.2—Accumulated provision for injuries and damages
Account 228.3—Accumulated provision for pensions and benefits
Account 254—Other regulatory liabilities [89]

103. These accounts were not included in the SEC's Uniform System of Accounts.[90] However, a review of 2005 FERC Form No. 60s indicates that some companies are using these accounts.[91]

104. In addition, EEI and Southern suggest that the Commission make improvements to Account 146, Accounts receivable from associate companies, and Account 123, Investment in associate companies.[92] EEI argues that the requirement to classify long-term receivables as investments in associate companies is contrary to GAAP, and recommends elimination of this requirement.[93] Southern asserts that, on occasion, operating companies do not have to submit payment immediately. The company argues that the delay in payment could exceed 12 months, which, according to Southern, would be appropriately classified as long-term receivables and not as investments in associate companies.[94]

105. NARUC asks that the Commission clarify the meaning of ''common expenditures'' in § 367.1070, Construction work in progress, because, in its opinion, the proposed language renders the section unclear.[95] NARUC also believes proposed § 367.1070 includes language that may not be appropriate for a service company doing work for more than an associate public utility company. Accordingly, it requests that the Commission clarify the language (italicized below) in § 367.1070 as follows:

(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...*[96]

106. NiSource states that the definitions of proposed Accounts 233, Notes payable to associate companies (§ 367.2330) and 234, Accounts payable to associate companies (§ 367.2340) appear to be identical. The language of the definitions, it suggests, should be clarified to indicate that Account 233 applies to notes payable, whereas Account 234 applies to accounts payable.[97]

Commission Determination

107. EEI did not explain in its comments why it suggests that the Commission add the recommended accounts. However, our review of a number of the FERC Form No. 60s filed with the Commission for calendar year 2005 indicates that some of the recommended accounts are already being used by service companies.[98] For other recommended accounts it appears reasonably possible that service companies either already have or could enter into transactions in the future requiring use of those accounts. Therefore, the Commission will add the following balance sheet accounts recommended by EEI to part 367 subpart F:

Account 106, Completed construction not classified
Account 182.3, Other regulatory assets
Account 189, Unamortized loss on reacquired debt
Account 228.2, Accumulated provision for injuries and damages
Account 228.3, Accumulated provision for pensions and benefits
Account 254, Other regulatory liabilities

108. The Commission also will add Account 306, Leasehold improvements, as a transitional accommodation only.[99] Account 306 was included in the SEC's Uniform System of Accounts.[100] Use of this account will be restricted to leasehold improvements placed in service prior to January 1, 2008. Effective January 1, 2008, leasehold improvements must be charged to the appropriate primary plant account consistent with § 367.54. Conforming changes to Schedules II and III of the FERC Form No. 60 will be made to permit reporting of amounts related to Account 306.

109. In response to EEI and Southern's comments concerning Account 123, Investment in associate companies, we note that, in the NOPR, the Commission proposed to adopt Account 146, Accounts receivable from associate companies, (§ 367.1460) as contained in parts 101 and 201 of the Commission's regulations. The text to Account 146 requires that items which do not bear a specified due date, but which have been carried for more than 12 months and items which are not paid within 12 months from the due date be transferred to Account 123, Investment in associate companies. This requirement results in classifying receivables that are long-term in nature to a long-term asset account (Account 123) and facilitates preparation of a classified balance sheet directly from the accounts. Although the Commission could prescribe a new account created specifically for recording long-term accounts receivables held by service companies, as Southern suggests, it would create an inconsistency between the accounts prescribed for service companies and those prescribed for public utilities and licensees and for natural gas companies. To ensure consistency between the service companies and the public utilities and natural gas companies, the Commission will continue to require long-term accounts receivables to be recorded in Account 123, Investment in associate companies.

110. In response to NARUC's comments concerning Account 107, Construction work in progress, we agree that the instructions contained in § 367.1070 that address construction projects consisting of multiple units with different in-service dates are unclear. Therefore, the Commission will modify that section and adopt NARUC's recommended clarifying language.

[89] EEI at 26.

[90] 17 CFR part 256.

[91] *See, e.g.*, Schedule I Comparative Balance Sheet contained in 2005 FERC Form No. 60 of American Electric Power Service Corporation, E. ON U.S. Services INC, PHI Service Company, and Progress Energy Service Company, LLC.

[92] EEI at 26; Southern at 6.

[93] EEI at 26.

[94] Southern at 6.

[95] NARUC at 14.

[96] NARUC at 14.

[97] NiSource at 3.

[98] *See, e.g.*, Schedule I Comparative Balance Sheet contained in 2005 FERC Form No. 60 of American Electric Power Service Corporation, E. ON U.S. Services INC, PHI Service Company, and Progress Energy Service Company, LLC.

[99] Account 306 was contained in the SEC USofA for service companies. We will permit continued use of this account and not require reclassification of amounts recorded therein for leasehold improvements placed in service prior to January 1, 2008.

[100] 17 CFR part 256.

111. Additionally, in response to NiSource's comments we will revise the language in Account 234 (§ 367.2340) to indicate that Account 234 applies to accounts payable. The language is revised to read, ''This account must include all amounts payable to associate companies by the service company within one year, which are not provided for in other accounts.''

7. Income Statement Accounts

112. In the NOPR, the Commission proposed to incorporate some of the income statement accounts contained in parts 101 and 201 of the Commission's regulations and some of the income statement accounts contained in the SEC's USofA for service companies. The specific comments received on these accounts are discussed below.

(a) Sections 367.4570–.4594—Revenue Accounts for Services Rendered

113. In the NOPR, we proposed to adopt new revenue control Accounts 457, Services rendered to associate utility companies; Account 458, Services rendered to non-associate utility companies; and Account 459, Services rendered to non-utility companies. We proposed that each of these new revenue control accounts have corresponding subaccounts for direct labor (Accounts 457.1, 458.1 and 459.1) and indirect labor (Accounts 457.2, 458.2 and 459.2), and compensation for use of capital (Accounts 457.3, 458.3 and 459.3). We also proposed to include revenue Accounts 458.4, Excess or deficiency on servicing non-associate utility companies, and 459.4, Excess or deficiency on servicing non-associate non-utility companies. Our proposal differed slightly from the SEC's USofA for service companies, which provided control accounts for revenues from services provided to associate companies and revenues from services provided to non-associate companies.

Comments

114. National Grid and NiSource believe that the Commission should provide for separate revenue control accounts for services to associate companies and to non-associate companies, and that these accounts should each be further subdivided into separate accounts or subaccounts tracking services to utility and non-utility companies in order to satisfy the Commission's stated goals and to provide a more detailed picture of service company revenues.[101] These commenters believe that this added detail (*i.e.*, separately identifying revenues associated with services to associate, non-utility companies and non-associate, non-utility companies) would not impose a significant burden over the status quo, but would provide a more detailed picture of service company services rendered for non-utility companies than the Commission's proposed regulations would require. As an alternative, NiSource requests that the Commission clarify that all service company revenues received from non-utility companies are to be charged to Account 459.4, whether or not they are derived from companies that are part of the same holding company system.[102] Southern believes that subaccounts should be added for all direct and indirect charges including the non-labor components of billings.[103]

115. In contrast, EEI believes most service companies will not have information needed to distinguish between direct labor, indirect labor, and use of capital costs for services provided to associate utilities, non-associate utilities and non-utilities. Instead, EEI encourages the Commission to retain the current breakdown into services rendered to associate and non-associate companies, at most subdividing the associate company information by utility and non-utility if necessary to address cross subsidization concerns. EEI also recommends that the Commission delete the requirement for tracking revenue related to the use of capital, and states that it is a minor aspect of service company activities already reflected elsewhere in company accounts.[104]

116. Progress Energy expresses concerns that requiring the redesign of allocation processes and systems to capture and disaggregate expense and revenue data to distinguish utility and non-utility services would impose a significant and unjustified burden on company resources without any appreciable benefit. Progress Energy points out that service companies already have procedures in place to prevent inappropriate costs shifts and other cross subsidization, and that the separation of costs as proposed by the Commission is not necessary.[105]

Commission Determination

117. In response to commenters' concerns, the Commission will adopt revenue accounts that will provide a breakdown by services rendered to associate and non-associate companies, but eliminate the requirement to record revenues from services provided to utilities and non-utilities in separate accounts. The Commission believes this modification to the NOPR is appropriate because this information can be obtained in the FERC Form No. 60, Analysis of Billing Schedule, which requires reporting amounts billed by customer for the year. Therefore, this modification will reduce burden without loss of important data. More specifically, we will adopt the following revenue control accounts and corresponding subaccounts: Account 457, Services rendered to associate companies; Account 457.1, Direct costs charged to associate companies; Account 457.2, Indirect costs charged to associate companies; Account 457.3, Compensation for use of capital-associate companies; Account 458, Services rendered to non-associate companies; Account 458.1, Direct costs charged to non-associate companies; Account 458.2, Indirect costs charged to non-associate companies; Account 458.3, Compensation for use of capital-non-associate companies; Account 458.4, Excess or deficiency on servicing non-associate companies. Consistent with the discussion above, we will not adopt proposed Accounts 459, 459.1, 459.2, 459.3, and 459.4. Use of Accounts 457, 457.1, 457.2, 457.3, 458, 458.1, 458.2, 458.3, and 458.4 is consistent with the requirements that existed under the SEC's USofA for service companies. Contrary to EEI's assertion, our review of 2005 FERC Form No. 60s indicates that service companies are capable of breaking down amounts billed between direct costs, indirect costs and compensation for capital.[106]

(b) Sections 367.5000 and 367.8000—Operation and Maintenance Expense Accounts

118. In the NOPR, the Commission proposed to require centralized service companies to use the 500 and 800 series of accounts contained in parts 101 and 201 of the Commission's regulations for recording the expenses related to generation, transmission and distribution operation and maintenance services they provide to associate public-utilities and licensees and, where applicable, associate natural gas companies.

Comments

119. NARUC initially indicated that it was unclear how the 500 and 800 series

[101] National Grid at 11–12; at 2–3.

[102] NiSource at 2–3.

[103] Southern at 4.

[104] EEI at 27–28.

[105] Progress Energy at 6–9.

[106] 2005 FERC Form No. 60, Analysis of Billing—Associate Companies Schedule and Analysis of Billing—Non-associate Companies Schedule.

accounts will be impacted by the types of services that centralized service companies provide.[107] In supplemental comments filed following the staff technical conference, NARUC explains that, at the July 18, 2006 Technical Conference, it became clear that because some service companies currently use the 500 and 800 series accounts, it could be reasonable to include the accounts in the centralized service company's USofA.[108] NARUC believes the question the Commission needs to determine is whether these accounts should be mandatory. NARUC believes that if the Commission determines that use of the 500 and 800 series accounts should not be mandatory for all service companies, then the Commission needs to identify the accounting methods that best reflect the financial position of the service companies and associate companies within a holding company system. NARUC suggests that one approach would be to establish a threshold for when the use of the 500 and 800 series accounts would become mandatory. NARUC suggests that a possible threshold could be a percentage, such as 10 percent or less, of utility costs or of service company expenses. Another option, NARUC suggests, is to require the use of the 500 and 800 series accounts whenever a service company starts performing utility functions that should be recorded in the 500 and 800 series accounts. NARUC also suggests that the Commission prohibit the recording of charges classified in Account 923, Outside services on the utility's records, and, instead, it suggests that the Commission mandate that service company charges be classified in accordance with the utility account or function to which they relate because, in some cases, all costs are classified in Account 923. NARUC explains that adoption of this recommendation is necessary if the Commission adopts a threshold.[109]

120. Mr. Buckley, a participant at the technical conference, indicates that in Ohio they have experienced an explosion of service company costs recently. Mr. Buckley states that service company costs make up a large and increasing percentage of the costs that are ultimately passed on to ratepayers. Mr. Buckley points out that mergers and consolidations are moving the physical records and altering the existing relationships that state regulators have with the companies they regulate. According to Mr. Buckley, this makes it harder to know to whom to go to get information and, therefore, any increase in transparency is a positive step.[110] Mr. Buckley adds that, if the service companies become more centralized, citing American Electric Power as an example and noting that consolidation in the industry could lead to things becoming more centralized, the 500 and 800 accounts will provide for growth.[111]

121. In contrast, several commenters do not believe that the 500 and 800 series accounts accurately portray the majority of service company costs.[112] While National Grid recognizes that some companies already record costs and revenues to match the accounting accorded to such costs and revenues by the ultimate service recipients, it asserts there is no reason to require wholesale reclassification of costs and revenues by all service companies. National Grid also believes this may lead to an inaccurate picture of a service company's financial position, and explains that using the 500 and 800 series accounts implies that the service company owns the assets that it is operating and maintaining.[113]

122. EEI and Progress Energy assert that requiring the use of the 500 and 800 series of accounts would cause service companies to be out-of-compliance with GAAP principles.[114] Progress Energy explains that GAAP principles presume that each company reports its financial information as if it were a stand-alone (non-affiliated) company. It explains that force-fitting a centralized service company's financials into the format reported by a public utility would result in books that do not properly reflect the work conducted by a centralized service company and would over-complicate the accounting, increase the risk of errors inherent in any process or system change and violate GAAP principles.[115] In addition, EEI and NARUC contend that the burden associated with the 500 and 800 series accounts is greater than the benefit.[116]

Commission Determination

123. We will require centralized service companies to use the 500 and 800 series of accounts as proposed. It is evident from the July 18, 2006 Technical Conference and from a review of the 2005 FERC Form No. 60s that a number of service companies use the 500 and 800 series accounts. These centralized service companies perform operation and maintenance services related to generation, distribution, transmission, and customer services for associate electric and gas companies. The expenses incurred from providing these types of services are most accurately reported in the 500 and 800 series accounts.

124. We do not agree with National Grid that use of these accounts by centralized service companies performing the types of services for which costs are properly included in these accounts would result in an inaccurate picture of the service company's financial position. To the contrary, we believe the use of these accounts will add transparency to centralized service company costs and will facilitate comparison across such companies. Centralized service companies that offer operation and maintenance services related to generation, distribution, transmission, and services perform the same type of work and incur the same costs that a public utility would incur if that public utility performed the work itself. Therefore, we will require centralized service companies to record the expenses it incurs for conducting operation and maintenance activities related to generation, transmission, distribution and customer services in the same expense accounts public utilities are required to use to record these costs. Using the 500 and 800 series of accounts also provides better assurance that costs are properly assigned because like items will be identified and measured in the same way regardless of the entity performing the work. Although EEI and Progress Energy suggest that this is somehow in violation of GAAP principles, they offer nothing in the way of concrete evidence or reference to specific accounting standards to support this allegation. Furthermore, even if such evidence did exist, and we do not believe it does, the Commission's need for comparability and transparency of service company expenses provided by use of the 500 and 800 series of accounts would outweigh concerns about conformity with GAAP principles.

125. In responding to NARUC's concern, we will not prohibit the recording of charges in Account 923, Outside services. Prohibiting the use of this account would be overly prescriptive. It is possible that some service company costs would be accurately reported in Account 923. However, we believe that it is appropriate for utilities that receive bills

[107] NARUC at 8–9.

[108] NARUC Supplemental Comments at 3–6.

[109] NARUC Supplemental Comments at 3–5.

[110] See Technical Conference Tr. 101–102 (Joseph Buckley).

[111] See Technical Conference Tr. 120–121 (Joseph Buckley).

[112] NARUC at 8–9; Progress Energy at 3; EEI at 22–24; NiSource Supplemental Comments at 4–6; FirstEnergy Supplemental Comments at 3.

[113] National Grid at 7–8.

[114] Progress Energy at 6; EEI at 22–24.

[115] Progress Energy at 6.

[116] EEI at 5–6; NARUC at 8–9.

from service companies to classify those costs in the appropriate accounts. Utilities would not be in compliance with part 101, General Instruction 14, if they do otherwise. Specifically, General Instruction 14 requires that transactions with associated companies be recorded in the appropriate accounts for transactions of the same nature. We will require that centralized service companies performing services such as operation and maintenance services related to generation, distribution, transmission, and customer service on behalf of service companies to use the appropriate accounts for those services performed.

126. We do not agree with NARUC that the use of thresholds is an option for determining when centralized service companies must use the 500 and 800 accounts. As discussed above, the use of the 500 and 800 accounts provides clarity about the types of services performed by centralized service companies and the costs of providing those services. Proper classification of service company costs facilitates proper classification of the costs at the utility. Therefore, we will require centralized service companies to use the 500 and 800 series of accounts as proposed.

(c) Sections 367.9220 and 367.4171—Account 922, Administrative Expenses Transferred—Credit, and Account 417.1, Expenses of Non-Utility Company

127. In the NOPR, the Commission proposed that the portion of administrative, general, and customer expenses recorded in the 900 series of expense accounts, but attributable to services provided to non-utility companies, be transferred to proposed Account 417.1, Expenses of non-utility company related operations, with a contra-credit to Account 922, Administrative expenses transferred-credit.

Comments

128. EEI and Progress Energy request clarification regarding the adoption of Account 922 since most service company expenses are recorded in Accounts 920, Administrative and general salaries, and 921, Office supplies and expenses.[117] Progress Energy states that service companies are labor intensive, so most of their expenses are currently charged to Accounts 920 and 921. Progress Energy also states that the Commission should not adopt its proposal to credit Account 922 with administrative expenses recorded in Accounts 920 and 921 that are transferred to construction costs or to other accounts or 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. In addition, Progress Energy points out that its accounts are mapped to the appropriate associate company accounts in compliance with the Federal (*e.g.*, Commission and SEC) and state regulatory reporting requirements imposed on the affiliated companies. Further, Progress Energy explains that its cost allocation methodology and charging practices have been approved by state regulatory commissions and are currently consistent with inter-company service agreements. If required to comply with this proposal, Progress Energy asserts its processes, systems and legal documents will have to be changed even though the associate companies already accurately report their allocations in compliance with Federal and state requirements.[118]

129. EEI states there is confusion related to the credit posted in Account 922. EEI states that many of these costs are administrative and general costs that are allocated based on service agreement methodologies and that the proposed process would require service companies to keep track of a dollar spent on administrative and general labor so the dollar could be recorded partly in the administrative and general series and partly ''below the line'' in Account 417.1. EEI states this would result in a process to build a ''clump'' of expenses in Account 417.1 that would be essentially useless to the service company. EEI recommends that the Commission not implement, or require companies to use, the proposed accounting treatment for new Account 417.1.[119]

Commission Determination

130. Upon further consideration, the Commission has concluded that it is not necessary at this time for centralized service companies to record expenses attributable to services provided to non-utility companies in a separate account because the information reported in the Analysis of Billing Schedule should be sufficient to identify such amounts. The Analysis of Billing Schedule requires centralized service companies to report all amounts billed for services during the year on a company by company basis. Since services are billed at cost, it will be possible to determine the expenses attributable to services provided to non-utilities from the schedule. Therefore, Accounts 417.1, Expenses of non-utility company, and Account 922, Administrative expenses transferred—credit, will be deleted from §§ 367.9220 and 367.4171.

(d) Section 367.4160—Costs and Expenses of Merchandising, Jobbing and Contract Work; § 367.9120—Demonstrating and Selling Expenses; § 367.9130—Advertising Expenses; § 367.9301—General Advertising Expenses

131. In the NOPR, the Commission proposed to adopt Account 416, Costs and expenses of merchandising, jobbing and contract work; Account 912, Demonstrating and selling expenses; Account 913, Advertising expenses; and Account 930.1, General advertising expenses as they presently appear in parts 101 and 201 of the Commission's regulation into the USofA for centralized service companies.

Comments

132. NARUC states that it is difficult to determine in which accounts different types of advertising costs should be recorded. It also states that the Commission should anticipate service companies providing promotional services to non-utility affiliates. To address these concerns NARUC suggests: Revising § 367.4160 to clarify that only the cost of merchandising and contract work performed for associated utility companies is recorded in Account 416, Costs and expenses of merchandizing, jobbing and contract work for associate companies; revising § 367.9120 and § 367.9130 to clarify that demonstrating, selling and advertising costs incurred to promote/retain either the service companies services/customers or associate companies services/customers are recorded in these accounts; and revising § 367.9301 to clarify that only general advertising costs incurred on behalf of associated utility companies are recorded in this account.[120]

Commission Determination

133. The Commission agrees that §§ 367.416, 367.912 and 367.913 should be clarified. We will adopt the revisions suggested by NARUC for §§ 367.912 and 367.913 and incorporate others that will clarify what amounts are properly included in these accounts. In considering the suggested revisions to § 367.416, the Commission has determined that services related to merchandising, jobbing and contract work could be performed on behalf of associate, non-associate, utility or non-

[117] Progress Energy at 9–10; EEI at 24–26.

[118] Progress Energy at 9–10.

[119] EEI at 24–25.

[120] NARUC at 9–12.

utility companies. Consequently, we do not believe the use of Account 416 should be limited to costs of merchandising, jobbing and contract work performed for associate utility companies. Additionally, we have concluded that it is inappropriate to place Account 416 within the Other Income section of FERC Form No. 60, Schedule XV—Comparative Income Statement, as proposed in the NOPR. Services performed related to merchandising, jobbing and contract work are an operating activity of a service company and the cost of those services should be included in an account that enters into the determination of net operating income of the service company. Therefore, we will revise Schedule XV to reflect Account 416, Costs and expenses of merchandizing, jobbing and contract work, as an operating expense account and require revenues related to merchandising, jobbing and contract work to be recorded in Accounts 457, Services rendered to associate companies and 458, Services rendered to non-associate companies, as appropriate. Account 415, Revenues for merchandising, jobbing and contract work, will be eliminated from the USofA for centralized service companies. Finally, we consider Account 930.1 to be a general ''catch all'' account for recording advertising costs not provided for elsewhere in the accounts. Therefore, we will not adopt NARUC's recommendation to limit its use to advertising related to associate utility companies.

(e) Sections 367.4263, 367.4117, 367.4180—Miscellaneous Income Statement Issues

Comments

134. EEI states that the numbering appears to be incorrect in § 367.4263.[121] EEI also states the following accounts should be added to subpart H: Account 411.7, Losses from disposition of service company plant; and Account 418, Non-operating rental income.[122]

Commission Determination

135. EEI did not explain in its comments why the numbering should be corrected in § 367.4263 or why the Commission should add the recommended accounts. However, our review of a number of the FERC Form No. 60s filed with the Commission for calendar year 2005 indicates that these accounts are used by some service companies.[123] Therefore, we will correct the numbering in § 367.4263, and add Account 411.7, Losses from disposition of service company plant, and Account 418, Non-operating rental income.

8. Records Retention Requirements

136. Order No. 667 required all holding companies and all service companies, which were not granted a waiver or otherwise exempted by the Commission, to follow the Commission's records retention requirements in parts 125 and 225. The NOPR proposed to establish, as new part 368 of the Commission's regulations, records retention requirements for all holding companies and all service companies. The records retention requirements proposed were based on the requirements contained in §§ 125.3 and 225.3 of the Commission's regulations,[124] with certain modifications considered appropriate for holding companies and service companies.

Comments

137. EEI notes that the NOPR is unclear as to whether a holding company that also is a public utility would be subject to both the Commission's holding company and public utility records retention requirements. EEI requests that the Commission specify that only one set of records retention requirements apply and allow the company involved to select the most appropriate set to apply. Furthermore, if the holding company is already following the public utility records retention requirements, it should be able to continue to do so without also having to follow the new holding company records retention requirements.[125]

138. NARUC requests that the records retention general instruction at § 368.2(g) be amended to include the requirement for companies to file a copy of a certified statement of records prematurely lost or destroyed with state commissions to facilitate the state commissions' ability to monitor the activities of service companies.[126]

139. Southern requests that the records retention requirements be better tailored for a service company. Specifically, Southern proposes that the retention period for accumulated depreciation records should be reduced because the majority of service company property has useful lives significantly less than the 25-year retention period proposed in the NOPR.[127]

Commission Determination

140. The records retention requirements originally proposed, and as adopted here, generally are based on the requirements contained in parts 125 and 225 of the Commission's regulations,[128] with certain minor modifications appropriate for holding companies and service companies. As a result, most retention periods proposed for holding companies and service companies are identical to the retention periods required for public utilities and licensees and natural gas pipelines. Additionally, the general instructions for parts 125 and 225 and proposed § 368.2(a)(5) make clear that ''To the extent that any Commission regulations may provide for a different records retention period, the records must be retained for the longer of the retention periods.'' If a holding company that is also a public utility has a conflict between the retention period specified for a public utility and the retention period specified for a holding company, the longer of the retention periods must be observed. Therefore, we do not believe it is appropriate to specify that only one set of records retention requirements apply.

141. We deny NARUC's request to amend the records retention instruction at § 368.2(g) to include a requirement for companies to file a copy of a certified statement of records prematurely lost or destroyed with state commissions. We do not believe it is necessary for the Commission to establish filing requirements for state commissions. All filings of this nature are docketed by the Commission and can be viewed electronically by all interested parties. Accordingly, state commissions will be able to monitor the report of prematurely lost or destroyed records without imposing an additional reporting burden on companies. We note that this is the same treatment applied to public utilities, licensees, and natural gas companies under the Commission's regulations in parts 125 and 225.

142. We agree with Southern's observation related to holding and service company property, and will tailor the schedule of records retention periods. Specifically, we will reduce the retention period for accumulated depreciation records reflecting the service life of property at § 368.3—Item 24, Records of accumulated provisions for depreciation and depletion from 25

[121] EEI at 26.

[122] *Id.* at 27.

[123] *See,* 2005 FERC Form No. 60, Schedule XV, Comparative Income Statement for American Electric Power Service Corporation.

[124] *See* 18 CFR 125.3 and 225.3.

[125] EEI at 39.

[126] NARUC at 12.

[127] Southern at 6.

[128] *See* 18 CFR 125.2(a)(3) and 225.2(a)(3).

years to 3 years after retirement or disposition of property.[129]

9. FERC Form No. 60

(a) Use of GAAP Financial Statement Instead of Structured FERC Form No. 60

143. The Commission proposed a structured reporting format in proposed FERC Form No. 60 in the NOPR. Under the structured format, a centralized service company must report in specified data fields the financial information called for in the report.

Comments

144. In its supplemental comments, in contrast to its initial comments,[130] EEI suggests the FERC Form No. 60 be based on the original FERC Form No. 60 set out in the Commission's December 8, 2005 Order No. 667 Final Rule (December 2005 FERC Form No. 60), with additional changes EEI requests to streamline the form. EEI believes a streamlined version of the December 2005 FERC Form No. 60, together with data the Commission receives directly from public utilities and the Commission's new FPA section 203 regulations,[131] should suffice to enable the Commission to perform its regulatory responsibilities.[132] In its supplemental comments, EEI further encourages the Commission to work with a streamlined version of the December 2005 FERC Form No. 60 with changes EEI has requested to further streamline the form.[133] Southern, PHI Companies, and FirstEnergy support EEI's comments that the FERC Form No. 60 be a streamlined version of the December 2005 FERC Form No. 60. These commenters, together with EEI, believe this streamlined FERC Form No. 60 provides the transparency and uniformity that the Commission desires without imposing undue burden. However, Southern also suggests that the Commission should allow companies the option of submitting their audited GAAP financial statements instead of FERC Form No. 60.[134]

145. Conversely, APPA thinks that the revised FERC Form No. 60 will be very useful in auditing and understanding centralized service company cost allocations to public utility operating companies.[135]

Commission Determination

146. The December 2005 FERC Form No. 60 is essentially the SEC's old Form U13–60 for service companies with certain streamlining changes adopted in Order No. 667. The December 2005 FERC Form No. 60, like the old SEC Form U13–60, is a non-structured reporting format that permits filers wide latitude and flexibility in how they report required financial information. While the Commission understands the centralized service companies'' desire to have flexibility in reporting, the Commission believes that it is necessary to have a structured reporting system. A structured report format results in disclosure and display of predetermined financial information in a uniform manner by all centralized service companies. This promotes comparability of the data not only between entities but also between accounts prescribed. Increasing the comparability of the data makes the information inherently more useful. Moreover, a structured report format allows for the creation of a financial database that can be used for more complex and sophisticated analysis of the information. These items are important to allow the Commission to perform its duties. It also will facilitate electronic submission using Commission-supplied software. This system will help ensure the integrity of the data and make completing the FERC Form No. 60 easier.

147. In response to Southern's suggestion, we do not believe that audited GAAP financial statements would be sufficient for carrying out the Commission's regulatory responsibilities. GAAP financial statements are prepared primarily for investors, and do not provide information in enough detail to ensure that jurisdictional rates charged are just and reasonable or to review cost allocations under section 1275 of PUHCA 2005[136] if called upon to do so. Therefore, the Commission will not modify the proposed requirement for a structured FERC Form No. 60.

(b) FERC Form No. 60 Schedules

(1) Schedule II, Service Company Property

148. Proposed Schedule II requires centralized service companies to report the amounts recorded in the service company primary property accounts and construction work in progress at the beginning of the year, changes to the accounts during the year, and the balance at the end of the year.

Comments

149. Southern does not see the added value of the supplemental information provided in Instructions 2–4[137] and proposes their elimination. Southern comments the break out of the property by account gives sufficient information.[138]

Commission Determination

150. The Commission agrees that the information required by Instructions 2 and 3 is of little value to the Commission and will be deleted. However, we will continue to require centralized service companies to provide information about construction projects similar to the December 2005 current FERC Form No. 60, Instruction 4. Instead of providing the information in a footnote format, we are revising the schedule to provide for additional lines on the schedule for reporting this information.[139]

(2) Schedule III–A, Summary of Service Company Property and Accumulated Provisions for Depreciation and Amortization

151. Schedule III–A would require companies to split out property devoted to utility versus non-utility services.

Comments

152. EEI contends this reporting requirement should be deleted because company records do not differentiate service company property between utility related and non-utility services.[140] FirstEnergy argues that assets devoted exclusively to the utility are on the books of the utility and not on the service company books.[141]

[129] Most holding and service company property typically has a useful life significantly less than 25 years, for example office furniture and equipment and computer software have shorter useful lives than generating facilities or transmission towers. Therefore, establishing a shorter retention period for accumulated depreciation records that closely corresponds to the expected useful life of the related property is more reasonable.

[130] In its initial comments to the NOPR, EEI proposed the Commission rely on information provided in the SEC Forms 10–K and 10–Q supplemented by selected additional information the Commission may need instead of the new FERC Form No. 60.

[131] *See* 18 CFR part 33.

[132] EEI Supplemental Comments at 2.

[133] *Id.*

[134] Southern at 2.

[135] APPA at 3.

[136] *Supra* note 5.

[137] Instruction 2 requires a breakdown of each equipment subaccount for each class of equipment property owned. Instruction 3 requires a description of other company property. Instruction 3 requires a listing of construction work-in-progress projects and the beginning, additions and end-of-year balance for each.

[138] Southern at 2.

[139] The December 2005 FERC Form No. 60 requires this information to be reported in a footnote.

[140] EEI at 29.

[141] FirstEnergy Supplemental Comments at 3.

Commission Determination

153. We agree with EEI and will eliminate this schedule from FERC Form No. 60. All service company property will be reported in Account 101.

(3) Schedule IV, Investments and Schedule XII, Long-Term Debt

154. Proposed Schedule IV provides detailed information on service company investments in associate companies and temporary cash investments. Proposed Schedule XII provides detailed information on long-term debt of the service company. Both schedules require the same information as in the current FERC Form No. 60.

Comments

155. EEI proposes to eliminate schedules that include information already available on the face of the Balance Sheet or within the detailed footnotes. Examples include Schedule IV, Investments and Schedule XII, Long Term Debt.[142]

Commission Determination

156. We disagree with EEI that the information reported on Schedule IV and Schedule XII is available on the Balance Sheet. Long-term debt and investments are reported on the Balance Sheet as aggregate totals. Schedule IV and Schedule XII provide significant additional details that allow for a greater understanding of the aggregate totals reported on the Balance Sheet. For example, short-term investment schedules provide specific details on where centralized service companies have invested excess cash flows from operations and Schedule XII provides specific details on service company long-term capital. We do not agree that footnote disclosure is an adequate substitution for these supporting schedules because the format for footnotes is unstructured and does not allow for database archiving and retrieval. Therefore, the Commission will retain these schedules.

(4) Schedule V, Accounts Receivable From Associate Companies

157. This schedule identifies accounts receivable for each associate company and reports convenience payments.

Comments

158. EEI and Southern recommend the portion of this schedule identifying convenience payments[143] should be eliminated. If retained, EEI recommends the Commission modify the schedule to report the total convenience payments made during the year, consistent with the December 2005 FERC Form No. 60 reporting. EEI states that service companies do not necessarily identify convenience payments separately, and this information would be time consuming to gather. Also, EEI does not understand the usefulness of this information to the Commission; beginning and ending convenience payment balances are not meaningful because convenience payments are Expense accounts, rather than Balance Sheet accounts.[144]

Commission Determination

159. We agree it is not necessary to require beginning and ending convenience payment balances. Consequently, we will not adopt that portion of the proposed Schedule V that would require reporting the beginning and ending balances of convenience payments. Instead, we will retain the December 2005 FERC Form No. 60 requirement of reporting total convenience payments by associate company.

(5) Schedule VI, Fuel Stock Expenses Undistributed

160. Proposed Schedule VI requires centralized service companies to report labor and expenses incurred during the year with respect to fuel stock and the amounts attributable to each associate company. It also requires a summary of the fuel functions performed by the service company.

Comments

161. Southern comments that Schedule VI requires extracting data from work order billings through an annual process to meet the annual report requirement. Southern recommends elimination of this schedule based on its limited value.[145]

Commission Determination

162. For centralized service companies performing fuel services for utilities, this is an important supporting schedule. Some companies report large amounts of labor and other expenses. The reported information includes amounts billed to each associate company including electric and gas utilities, which ultimately could be reflected in cost of service. Consequently we will retain this schedule.

(6) Schedule X, Research, Development or Demonstration Expenses

163. Proposed Schedule X requires a description of all research, development and demonstration projects engaged in by the centralized service company and the related costs incurred during the year.

Comments

164. EEI and Southern state project titles may not provide meaningful information to the Commission. EEI and Southern recommend that service companies have the option instead to list account balance by project partner, citing the U.S. Department of Energy, as an example.[146]

Commission Determination

165. The Commission disagrees with EEI and Southern that Schedule X requires a project title. The schedule requires a description of the project, not the project title. Knowing the project partner alone does not provide useful information. More relevant information is a description of the nature of the project and not just who is the project partner. Therefore, the schedule will be retained the same as in the FERC Form No. 60.

(7) Schedule XI, Proprietary Capital

166. Proposed Schedule XI discloses common and preferred stock shares authorized, outstanding, par or stated value, as well as information on miscellaneous paid-in capital, appropriated retained earnings and other comprehensive income. The second part of the schedule presents information similar to a statement of retained earnings.

Comments

167. EEI and Southern state the first section of this schedule duplicates Schedule I, Comparative Balance Sheet except for shares outstanding.[147] EEI argues the second section of this schedule is new, and generally not applicable to a service company.[148] EEI and Southern recommend including the shares outstanding on Schedule I, Comparative Balance Sheet, and deleting this schedule.[149]

Commission Determination

168. The Commission disagrees with commenters regarding what is reported on this schedule. Commenters indicate only outstanding shares of stock are reported. The schedule asks for class of

[142] EEI at 29.

[143] Convenience payments represent payments such as benefits, outside legal, and consulting paid by service companies to outside vendors and others on behalf of associate companies.

[144] EEI at 33; Southern at 2–3.

[145] Southern at 3.

[146] EEI at 34; Southern at 3.

[147] EEI at 34; Southern at 3.

[148] EEI at 34.

[149] EEI 34; Southern at 3.

stock, number of shares authorized, par or stated value per share, and outstanding shares. Further, the schedule requests explanations about transactions which gave rise to miscellaneous paid-in capital and appropriated retained earnings. Additionally, the schedule requests information on changes in unappropriated retained earnings such as net income and dividends paid. This requirement is not new; it is part of the FERC Form No. 60. The requirements are not overly burdensome. Consequently, we will retain the current requirements. A statement of retained earnings is a basic financial statement. However, we agree with EEI's suggestion that a statement of retained earnings is not applicable to a service company; so, we will delete that portion of the schedule which includes the added statement of retained earnings.

(8) Schedule XIV, Notes to Financial Statements

169. Instruction No. 3 of Schedule XIV states ''Furnish particulars as to any significant increase in services rendered or expenses incurred during the year.''

Comments

170. EEI recommends the Commission not implement this reporting requirement in the notes section.[150] EEI states this introduces an element of Management's Discussion and Analysis (MD&A) that is part of GAAP disclosure requirements, but has never been a requirement of the FERC Form No. 60, Form No. 1, or Form No. 2. EEI indicates that an explanation of service company expense variances is frequently scrutinized by state regulators and would unnecessarily add to the administrative burden of annual reporting. EEI contends this level of detail could be provided on an ad hoc basis as needed, and, when it is needed, companies would like the flexibility of attaching a Microsoft Word file rather than re-keying voluminous footnote data into the Commission's automated reporting application.

Commission Determination

171. Contrary to EEI's assertion, Instruction No. 3 is not a new reporting requirement. Instruction No. 3 is included in the December 2005 FERC Form No. 60 under Schedule XVIII, Notes to the Statement of Income. Any large increase in services and expenses could impact cost allocations which would be useful information to the Commission and others. The disclosure of significant increases in services rendered or expenses incurred is particularly relevant to understanding the business operations of the centralized service company and the efficiency or inefficiency of providing services on a centralized basis to associated utilities. Furthermore, reporting this information should not be administratively burdensome. As EEI notes, this type of information is already part of the MD&A in its GAAP disclosures. The Commission's FERC Form No. 60 submission software will allow copy and paste of this information into the footnote page. Consequently, we will retain the instruction as proposed.[151]

(9) Schedule XV, Comparative Income Statement

172. Proposed Schedule XV requires centralized service companies to report revenues, expenses, gains and losses for the current and prior year by account.

Comments

173. EEI states that the Commission should not require reporting of information broken down into accounts that do not make sense for a given service company. EEI states that there seems to be a presumption in the NOPR that the service company income statement can be presented in a ratemaking format, with an ''above the line'' and ''below the line'' character. EEI points out, that just as with the proposed use of the 500 and 800 series of operational and maintenance expense accounts, this presumption does not fit well with many service company operations, which typically consist primarily of labor services to other companies.[152]

Commission Determination

174. The Schedule XV, Comparative Income Statement, we are adopting for the revised FERC Form No. 60 will require centralized service companies to report the amounts entered in the income statement accounts adopted in this Final Rule. These accounts were developed to be of sufficient scope and breadth to allow for recording the economic effects of all transactions and events that could impact a centralized service company. As noted elsewhere in this Final Rule, not all service companies are engaged in all of the activities for which use of the new accounts would be required. This, however, does not mean that the accounts do not ''fit well'' or do not ''make sense'' for centralized service companies, as EEI seems to suggest. It means only that more accounts exist under the USofA than might be used by any particular centralized service company. If a centralized service company does not incur costs properly included in one of the new accounts adopted in this Final Rule, it simply would not record anything in that account.

(10) Schedule XV–A, Schedule of Utility Operating Expenses; Schedule XVI, Analysis of Charges for Service; Schedule XVII, Schedule of Expense Distribution by Department or Service Function

175. Proposed Schedule XV–A requires centralized service companies to report all amounts entered in the 500 and 800 series of operation and maintenance expense accounts. Proposed Schedule XVI requires centralized service companies to report direct and indirect costs charged to associate utility companies, associate non-utility companies, non-associate utility companies and non-associate non-utility companies. Proposed Schedule XVII requires centralized service companies to report service cost billed by department or service function and overhead costs.

Comments

176. EEI recommends that the Commission consider deleting Schedule XV–A and either Schedule XVI or XVII.[153] EEI states that, whichever of these schedules the Commission retains, the Commission should allow companies to report total amounts for each account or group of accounts listed rather than by direct and indirect or overhead costs. In EEI's opinion, the breakdown by direct, indirect, and use of capital would require companies to parse the information in each account or set of accounts to too fine a degree with no clear benefit. EEI indicates that if Schedule XVI is retained, the Commission should follow the SEC's past practice of having companies distinguish the information for associate and non-associate companies, ideally by group of accounts rather than by utility versus non-utility.[154]

177. In addition, EEI encourages the Commission not to require information to be broken down as shown on Schedule XVII by service company department or service function.[155] As presented, EEI states, the schedule would require companies to break down internal financials across the array of USofA accounts by department or

[150] EEI at 34.

[151] EEI at 34 and 35.

[152] EEI at 30.

[153] EEI at 36.

[154] *Id.*

[155] EEI at 36.

function, requiring far too much detail with no clear benefit.[156] Southern states departmental/functional reporting by account adds difficulty and would not be consistent among companies.[157]

178. NARUC, on the other hand, states Schedule XVI is important since it allows a comparison of direct and indirect costs allocated to utility companies and non-utility companies while showing the allocation of 100 percent of these costs to the various billing groups.[158] NARUC indicates this is needed to ensure utility companies are not treated differently from non-utility companies. NARUC suggests simplifying this schedule, at least for the 500 and 800 series of operation and maintenance expense accounts; NARUC contends it may be possible to allow companies to provide information by group of accounts.

179. NARUC explains that Schedule XVII assists state regulators in classifying charges on the utility's records, helps in judging the reasonableness of service company charges and whether such charges duplicate what the utility incurs internally, and focuses attention on comparisons between what gets charged to the associated utility companies and non-utility companies. NARUC proposes expanding Schedule XVII to provide a breakdown by associate utilities and non-utilities, and by non-associate companies. NARUC states this is important to make a comparison of departmental costs allocated to associate utility and non-utility companies because these comparisons ensure that associate utility companies are not treated differently from associated non-utility companies.[159]

Commission Determination

180. The Commission agrees with EEI that the information required in proposed Schedule XV–A is unnecessary, and will delete Schedule XV–A. The same information is reported in Schedule XVI, Analysis of Charges for Services, except for comparable information for the prior year. Therefore, the Commission will delete Schedule XV–A.

181. The Commission will also delete Schedule XVII. With regard to Schedule XVII, Southern notes that departmental/functional reporting would not be consistent among companies. Departments and functions are not standardized and, therefore, comparison across companies is not possible. While we agree with NARUC that Schedule XVII may provide some useful departmental/functional information, on a company by company basis, requiring the reporting on an annual basis may be an unnecessary burden. NARUC's proposal to expand Schedule XVII to include reporting by individual associate and non-associate utility companies, associate non-utility companies and non-associate companies points to a weakness in the current schedule. In fact, the schedule does not disclose information on charges to utility companies except through the department service or functional category. The additional expense accounts required under the new USofA will provide better functional information and lessen the need for this schedule. The information provided in Schedule XVI will enable the Commission to capture information about charges for services provided to utility companies. If departmental/functional information is needed, the information can be obtained from each centralized service company on a case-by-case basis without the need to be reported annually. Therefore, the Commission will delete Schedule XVII.

182. The Commission will retain Schedule XVI, but modify the schedule to remove the utility versus non-utility expense separation, consistent with our decision concerning the service company revenue accounts discussed elsewhere in this Final Rule. While the utility versus non-utility expense separation is removed, the total amounts assigned to individual utility companies are available in the Analysis of Billing schedules. This will result in returning to the associate company/non-associate company expense separation contained in the December 2005 FERC Form No. 60. We also will revise Schedule XVI to roll up certain expense classifications suggested by EEI and NARUC to reduce the burden associated with completing this schedule.

(11) Analysis of Billing Schedules

183. In the NOPR, the Commission proposed to modify the Analysis of Billing schedules that report billings to each company for services provided by the centralized service companies by breaking out the schedules into associate utility, non-associate utility and non-utility companies.

Comments

184. EEI indicates the Commission should not require reporting of information broken down into utility and non-utility services, in particular for non-associate companies where the service company often will not have this information. Service companies currently report their services provided by individual company in the FERC Form No. 60, on schedules ''Analysis of Billing—Associate Companies'' and ''Analysis of Billing—Non-associate Companies.'' EEI argues these schedules provide ample information of the sort being proposed and that no additional detail is necessary.[160]

185. Southern recommends the schedule, Analysis of Billing—Non-associate Companies, be revised to request the names and amounts for non-associate companies only for those that exceed 10% of the total non-associate billings. Southern argues this would reduce the time spent in preparation of this schedule while still providing the Commission with the names of all non-associate companies of consequence.[161]

Commission Determination

186. We agree with EEI's comments that the Analysis of Billing schedules contained in the December 2005 FERC Form No. 60 provide sufficient information concerning the customers to whom amounts are billed, and a further separation of those customers into utility and non-utility classifications for purposes of this schedule is not needed by the Commission since specific information about utilities is already reported separately in the current Analysis of Billing schedules. Therefore, consistent with our decision above to eliminate Account 459, Services rendered to non-utility companies, we will also eliminate the proposed schedule ''Analysis of Billing Nonutility Companies—Account 459.'' Also, we will revise the ''Analysis of Billing Schedules'' for Accounts 457, Services rendered to associate companies, and 458, Services rendered to non-associate companies to reflect only a separation of billings between associate and non-associate companies, consistent with our decision on the service company revenue accounts discussed elsewhere in this Final Rule. The Commission will not adopt Southern's proposal to reduce the reported number of non-associate companies. The requirement is not overly burdensome and allows the Commission to observe all billings to such companies.

(12) Departmental Analysis of Salaries Schedule; Methods of Allocation Schedule; and Organizational Chart Schedule

187. The proposed Departmental Analysis of Salaries Schedule reports the amount of service company salaries

[156] *Id.*

[157] Southern Supplemental Comments at 3.

[158] NARUC Supplemental Comments at 7.

[159] *Id.*

[160] EEI at 29.

[161] Southern Supplemental Comments at 3.

billed by department or service function to the parent holding company, associate companies, and non-associate companies and the number of employees. The Methods of Allocation Schedule reports the allocation factors used to allocate indirect costs to each associate company. The Organizational Chart schedule reports how the service company is organized.

Comments

188. EEI states these schedules involve what it considers organizational reporting and recommends eliminating the schedules because adequate oversight can be accomplished without this level of detail, and accurate comparisons between companies would be very difficult.[162] If the Methods of Allocation schedule is retained, EEI requests the Commission continue its current practice of allowing companies to list their allocation methods, as they currently do in the FERC Form No. 60, rather than having to elaborate on the methods in the form. EEI indicates companies should not be required to key voluminous formulas, by service rendered, into the automated reporting application.[163]

189. Southern does not see the benefit to the Commission of providing a current Organizational Chart in the FERC Form No. 60 and proposes that this requirement be eliminated. Southern argues it is not required for FERC Form No. 1.[164]

Commission Determination

190. The Commission will eliminate the Departmental Analysis of Salaries Schedule. Consistent with our decision above regarding our decision to eliminate Schedule XVII, departmental or functional categories are difficult to compare because they are not standardized. If needed, the information can be obtained from centralized service companies on a case-by-case basis.

191. The Commission will retain the Methods of Allocation schedule, however, because that is the only means readily available to determine how indirect costs are being allocated to services provided. The current schedule has no instructions and Staff's review of 2005 FERC Form No. 60s indicated poor reporting. The main purpose of the schedule is to disclose what allocation ratios are used and what numerator and denominator were used to create the ratio. We are revising the instruction, accordingly.

192. The Commission will also continue to require submission of an Organization Chart in the FERC Form No. 60 as proposed. An Organization Chart provides basic information about the hierarchical structure of the service company. It provides useful information to the Commission about how the centralized service company deploys its resources and the relationship between organizational departments within the centralized service company and the allocation of costs to services, functions and projects. We recognize the FERC Form No. 1 does not require an Organization Chart. However, our need to know the organizational structure of a centralized service company is greater as opposed to the organizational structure of an electric utility company.

(13) Annual Statement of Compensation for Use of Capital Billed

193. This schedule reports the amount of compensation for use of capital billed to each associate company.

Comments

194. EEI proposes to eliminate the Annual Statement of Compensation for Use of Capital Billed, and the associated revenue Accounts 457.3, Compensation for use of capital-associate companies, 458.3, Compensation for use of capital—Non-associate companies, and 459.3, Compensation for use of capital—Non-associate non-utility companies. EEI argues compensation for use of capital is so minor that it does not warrant special treatment in reporting. Moreover, EEI states details of significant financial arrangements are included in the notes to the balance sheet, and total interest costs are disclosed in the income statement.[165]

195. Conversely, NARUC indicates the Annual Statement of Compensation for Use of Capital Billed should be required in FERC Form No. 60. NARUC argues this statement provides the calculation of the use of capital that will be billed to the centralized service companies' associate companies during the calendar year. In addition, NARUC indicates this statement in the FERC Form No. 60 is a resource for verifying and reconciling the costs that are included in centralized service company billings. NARUC notes the FERC Form No. 60 requires a separate statement for each associate company. However, NARUC claims, a separate statement for each associate company may not be necessary if the calculations are consistent.[166]

Commission Determination

196. We agree with EEI that footnote disclosure would be a suitable substitute for this schedule, and so, we will delete the Annual Statement of Compensation for Use of Capital Billed. However, we will not delete Accounts 457.3 or 458.3. The amounts recorded in these accounts will continue to be reported on the Analysis of Billing Schedules for Accounts 457 and 458. Centralized service companies should disclose the basis of how the amounts are assigned to the associate and non-associate companies in a footnote to the Analysis of Billing Schedules for Accounts 457 and 458. As long as all companies are treated similarly, we believe this should satisfy NARUC's requirements.

(14) Miscellaneous General Expenses Schedule (Account 930.2)

197. This schedule lists the items included in Account 930.2, Miscellaneous general expenses.

Comments

198. EEI and Southern recommend deleting the schedule or only requiring disclosure of items that exceed $1 million. EEI and Southern contend this schedule requires considerable detailed analysis to complete.[167]

Commission Determination

199. The Commission will retain this schedule. Many service companies report significant amounts in Account 930.2. This schedule provides the nature of the amounts included in a miscellaneous catchall account where the account title does not provide descriptive information of the amounts included in the account. This schedule currently has no threshold level. However, in response to EEI's and Southern's proposal, we will adopt a threshold requiring the separate reporting of items over $50,000.[168] We believe a $1,000,000 threshold alternative suggested by commenters is unreasonably high and would not provide for adequate disclosure of the nature of the items included in this account.[169]

(c) General Instruction IX

200. General Instruction IX states that prior period comparison figures must be the same as reported in the previous

[162] EEI at 30.

[163] EEI at 31.

[164] Southern at 3.

[165] EEI at 31.

[166] NARUC Supplemental Comments at 8 and 9.

[167] EEI at 37; Southern at 3.

[168] Our staff review of FERC Form No. 60 submissions for calendar year 2005 indicates that $50,000 is a reasonable threshold that will provide sufficient information without eliminating necessary detail.

[169] The FERC Form No. 1 threshold for this account schedule is $5,000.

report, or ''an appropriate explanation given as to why the different figures were used.''

Comments

201. EEI states that in general, companies would like to follow the GAAP practice of reclassifying prior period amounts when necessary, with a footnote to the effect that ''certain prior amounts have been reclassified to conform to the current year presentation.'' [170] EEI indicates any material reclassifications would include a footnote disclosure. Therefore, EEI recommends the Commission insert the word ''materially'' before ''different figures were used.''

Commission Determination

202. As an initial matter, we note that instances in which prior year data in current reports is different than previously reported should be rare. The instances should be limited to such things as corrections of accounting errors and changes in accounting principles. The Commission and other users of the FERC Form No. 60 are particularly interested in understanding the economic effects of these types of occurrences, including the particular accounts affected and the related amounts. An explanation that ''certain prior amounts have been reclassified to conform to the current year presentation'' does not provide an adequate explanation. Footnote disclosure of only material amounts as EEI suggests also is insufficient because amounts below the material threshold could affect cost allocations or have rate implications. Consequently, we will adopt the proposed instruction unmodified.

(d) Raising the Threshold for Individually Itemized Items

203. Some of the supporting schedules contained in the FERC Form No. 60 require reporting individual items when the amount for such items exceeds a specified threshold amount. For instance, some schedules list individual items and amounts less than a $5,000 threshold can be grouped together rather than reported separately.

Comments

204. EEI proposes the establishment of a higher threshold to apply to itemizations on schedules. Currently, when stated, the minimum for itemization is $5,000 or $10,000. EEI states that, due to the difference in company sizes, the establishment of a relative threshold (for example, five percent of total) would minimize unnecessary itemization and still provide meaningful data.[171] EEI further recommends the Commission allow companies to set a materiality threshold, so that items less than some *de minimis* amount do not need to be broken out in the FERC Form No. 60.[172] EEI suggests using as the *de minimis* amount $100,000, one to five percent of company billings, or 10 percent of the total amount on a particular schedule, whichever is higher. Further, EEI points out that the SEC's ''PUHCA Staff Examination Instructional Manual,'' section IV.A.3(c), which advised their staff to use a $50,000 or five percent threshold to determine if allocation methods should come to the attention of the SEC for approval.

Commission Determination

205. We agree with EEI that the thresholds can be raised without losing appropriate detail. However, the thresholds suggested by EEI are extremely high and would eliminate needed disclosure.[173] The SEC Staff manual threshold suggested by EEI addressed allocations, and did not apply to thresholds in individual schedules. The Commission will raise or add thresholds over the current FERC Form No. 60 schedules. We believe a threshold of $50,000 would reduce the reporting burden without the loss of appropriate detail. Therefore, we will establish a threshold of $50,000 for the following schedules: Schedules IV, VIII, IX, X, XIII, and XIX.

(e) Reporting in Whole Dollars or Alternatively in Thousands

206. In the NOPR, the Commission proposed to require reporting companies to use whole dollars as the reported dollar amounts.

Comments

207. EEI proposes that centralized service companies should have the option to report all dollars consistently in thousands, as opposed to whole dollars as proposed in the NOPR, as long as the companies indicate what they are doing. EEI indicates the added digits do not add significant information, but rather, make the schedules substantially harder to produce and read. EEI notes this is consistent with the way amounts were reported in the SEC Form U–13–60.[174]

Commission Determination

208. When centralized service companies filed with the SEC their filings were text based and did not allow for data retrieval and analysis. The Commission supports the use of submission software to ensure data integrity and permit ready analysis of forms data. The Commission plans to issue submission software for the FERC Form No. 60 in the early part of 2007. The software would allow companies to reduce costs of completing FERC Form No. 60 and allow for data retrieval and analysis not currently possible in the hard copy FERC Form No. 60. However, electronic reporting requires selecting one common reporting basis. Comparability is important, and can not be achieved without one common reporting basis. Consequently, we will adopt reporting in whole dollars. However, during a transition period covering the 2006 and 2007 reporting years, for the FERC Form No. 60s due May 1, 2007 and May 1, 2008, respectively, we will allow centralized service companies that report in thousands to round to the nearest $1000 (reporting $123,000 instead of $123,456).[175]

(f) Comparative Information

209. Some FERC Form No. 60 schedules present data from the current year along with the same data from the prior year.

Comments

210. EEI states that comparative information provided in the revised FERC Form No. 60 should not be required until the following year, at least to the extent the information being compared is not already presented in the December 2005 FERC Form No. 60.[176]

Commission Determination

211. In response to EEI's proposal and in order to reduce the possible administrative burden that may be incurred by respondents during the initial reporting year for the FERC Form No. 60 adopted in this Final Rule, *i.e.*, the FERC Form No. 60 for the 2008 reporting year due May 1, 2009, the Commission will only require current year data. Respondents will be required

[170] EEI at 32–33.

[171] EEI at 30–31.

[172] EEI Supplemental Comments at 12.

[173] For example, for one centralized service company, one percent of its billings represents a $9,000,000 threshold, at five percent, it would represent $45,000,000. These thresholds would eliminate reporting in most itemized schedules.

[174] SEC instructions to SEC Form U–13–60, the predecessor to December 2005 FERC Form No. 60, allowed service companies to report in either whole dollars, thousands of dollars, hundreds of thousand of dollars, or millions of dollars.

[175] *Supra* note 34.

[176] EEI at 49.

to report prior year's amounts beginning with the second year the FERC Form No. 60 adopted in this Final Rule is required, *i.e.*, the FERC Form No. 60 for the 2009 reporting year due May 1, 2010.

(g) Request To Expand Data Collection in FERC Form No. 60 Comments

212. NARUC proposes adding a new schedule showing charges from affiliated companies to the service company. NARUC states the schedule would show the affiliate, the nature of the charges, and the basis of the charges—*i.e.*, cost, market, or other. NARUC states this schedule is important, since an affiliate may charge the service company a marked-up price. Since this would become a cost to the service company, the marked-up item then could be charged to a public utility at a cost higher than if it had been directly charged to the utility. NARUC also proposes adding a new schedule showing goods and services provided by the service company both internally and externally. NARUC's concern is that, once a good or service becomes profitable, it will be moved from the service company and offered by another affiliate.[177]

213. NARUC notes that in Order No. 667, the Commission deleted two supporting schedules concerning outside services employed (Account 923) and employee pensions and benefits (Account 926) from the FERC Form No. 60.[178] NARUC proposes to add these schedules back in the revised FERC Form No. 60. NARUC argues outside services and employee expenses are major components of expense (along with labor) incurred by a service company. According to NARUC, the detail in these schedules would provide an important tool for understanding service company costs and functions. As a result, according to NARUC, these schedules are essential in the evaluation of whether cross-subsidization exists within the holding company organization.

Commission Response

214. We share NARUC's concerns about the possibility of inappropriate cross subsidization or other unfair results obtained through affiliate relationships and transactions. At this time, however, we are not convinced that it is necessary to require centralized service companies to report as extensively about its affiliated transactions as NARUC recommends. With regard to adding back schedules for outside services employed (Account 923) and employee pensions and benefits (Account 926) which we deleted in Order No. 667, we deleted the schedules because they are not required in the FERC Form No. 1. Our need to weigh centralized service company burden versus protecting the public interest is difficult. Our requirement to report services performed for public utilities in the 500 and 800 accounts should reduce the amounts reported in Account 923. Centralized service companies do report information on pensions and benefits in their notes to the financial statements. Therefore, the Commission will not adopt NARUC's recommendations to add Schedules for Account 923 and Account 926 back in the revised FERC Form No. 60 in this Final Rule. However, as we gain additional knowledge about our needs for centralized service company information we may revisit these proposals.

(h) Schedule Numbering

Comments

215. Southern notes that some of the schedules within the revised FERC Form No. 60 have a schedule number while others are referenced by the account number. Southern states that it would be helpful if the schedules were all labeled consistently with schedule numbers.[179]

Commission Determination

216. The Commission agrees that assigning schedule numbers to all schedules in the revised FERC Form No. 60 would be helpful for referencing purposes for both users and preparers. Therefore, we will label all schedules with schedule numbers.

(i) Chief Accountant's Delegated Authority

217. The NOPR proposed to revise § 375.303(c), (d), (e), (f), (g) and (h) to update the delegations to the Chief Accountant or the Chief Accountant's designee. These authorities are similar to those that the Chief Accountant has for public utilities and licensees, natural gas companies and oil pipeline companies.

Comments

218. EEI and National Grid request clarification of proposed § 375.303(f), that authorizes the Chief Accountant or the Chief Accountant's designee to ''accept for filing'' FERC Form Nos. 60, 3–Q, and 6–Q. The commenters believe that the requirement appears to imply that the Commission, its Chief Accountant, or the Chief Accountant's designee would issue a formal order accepting such forms, which is not the current practice. They argue that because such a delegation could raise the expectation (especially on the part of auditors) that orders accepting Form Nos. 60, 3–Q and 6–Q would be issued, the Commission should clarify either that it will, in fact, issue such acceptance orders, or that the regulatory text is not intended to provide for the issuance of formal acceptance orders.[180]

219. EEI and National Grid also request that the Commission clarify proposed § 375.303(g) that permits the Chief Accountant or the Chief Accountant's designee to grant or deny requests for waiver of various regulations including § 366.23, which requires the filing of FERC Form No. 60. The commenters assert that the authority to act on motions for extensions of time is not explicitly provided for in the revisions in § 375.303(g). The commenters ask that the Commission clarify that this delegated authority includes the authority to grant an extension of time.[181]

220. Southern asserts that, in the proposed § 375.303(f), the reference to the Form Nos. 3–Q and 6–Q is erroneous for service companies.[182]

Commission Determination

221. We grant EEI and National Grid's request for clarification of § 375.303(f), that the authorization granted to the Chief Accountant or designee to ''accept for filing'' FERC Form Nos. 60, 3–Q, and 6–Q is not intended to provide for the issuance of formal acceptance orders; the term ''accept for filing'' is merely a designation of the office or Commission officer responsible for the management and oversight of the applicable form.

222. We acknowledge Southern's comment that the proposed § 375.303(f) reference to the Form Nos. 3–Q and 6&Q would be erroneous for centralized service companies. Form Nos. 3–Q and 6–Q are not filing requirements for centralized service companies. However, the delegation of authority to accept the financial forms filed with the Commission, including Form Nos. 3–Q and 6–Q, and, with this Final Rule, the revised FERC Form No. 60, is not directed solely to centralized service companies but to all regulated public utilities and licensees, natural gas pipelines, oil pipelines and with this Final Rule centralized service companies. In this Final Rule, the

[177] NARUC Supplemental Comments at 8.

[178] NARUC Supplemental Comments at 9.

[179] Southern at 3.

[180] EEI at 43–44; National Grid at 13.

[181] National Grid at 13–14; EEI at 44.

[182] Southern at 6.

Commission adopts the delegations to the Chief Accountant in § 375.303(f) as proposed in the NOPR with one modification, to include an additional form, FERC–61. Holding companies are required to file FERC–61, Narrative description of service company functions, annually with the Commission those centralized for service companies that do not file FERC Form No. 60, and, similar to the other reporting Forms, included in this delegation should be handled under delegated authority by the Chief Accountant.[183]

223. We will grant EEI and National Grid's request to clarify § 375.303(g) to include the authority to act on motions for extensions of time to file FERC Form No. 60. While the Commission has previously delegated the authority to grant extensions of time to file FERC Form No. 60 to the Chief Accountant in § 366.23(a)(3), for ease of administration we will include this delegation in § 375.303(g).

V. Information Collection Statement

224. The following collections of information referenced in this Final 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.[184] OMB's regulations require OMB to approve certain information collection requirements imposed by agency rule.[185] Upon approval of a collection of information, OMB will assign an OMB control number and expiration date. Respondents subject to the filing requirements of this Final Rule will not be penalized for failing to respond to these collections of information unless the collections of information display a valid OMB control number or the Commission had provided a justification as to why the control number should be displayed.

225. In the NOPR, the Commission provided burden estimates for complying with the rule as follows:

FERC Form No. 60: 38 Respondents, 38 Responses @ 10 hours per response = 380 Total Annual Hours; and

FERC–555A (recordkeeping): 300 Respondents @ 1,080 hours per respondent = 324,000 Total Annual Hours.

226. In response to comments the Commission received (see below), the Commission is revising its estimates as follows:

Data collection	Number of respondents	Number of responses	Hours per response	Total
1 FERC Form No. 60	38	38	75	2,850
2 FERC–555A	300		1,080	324,000
Totals				326,850

Information Collection Costs: The Commission also projected (and has revised) the average annualized cost of all respondents to be the following:

FERC Form No. 60 = 380 Hours at $120 an hour (an average of 3 staff @ $40 an hour) = $45,600. As revised, *FERC Form No. 60* = 2,850 hours @ $120 (an average of 3 staff @ $40 an hour) = $342,000.

FERC–555A = The Commission projected an annualized cost of all respondents as 324,000 hours @ $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 is $7,440 for retaining records on-site. (Usually after the initial year records are transferred to an off-site location 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 cost estimates 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 saving 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 Total Costs for reporting and recordkeeping ($342,000 + $28,728,000) = $29,070,000.

227. As noted above, the Commission sought comments on both the burden estimates and corresponding costs: it should be noted that the Commission's initial estimates were based on its review of the SEC's burden estimates and its first year of experience in implementing the FERC Form No. 60 reporting requirement. The Commission received one comment specifically addressing the burden estimate for completing the revised FERC Form No. 60. This commenter, Southern, provided an estimate for completion of the revised FERC Form No. 60 prior to our adoption of the requirements contained in this Final Rule. The Commission notes that Southern has significant operations, and it is to be expected that its estimates would exceed the average projected by the Commission. Otherwise, the majority of the commenters, while not providing specific comments on the estimates, in general opposed the Commission's proposal of establishing new accounting and reporting requirements for centralized service companies. These objections were also repeated in the staff technical conference where some participants stated that the NOPR's proposed requirements would be burdensome and costly to implement as changes would have to be made to their accounting systems. The Commission did not receive any specific comments concerning the estimates for the recordkeeping requirements.

228. The Commission has addressed commenters' substantive concerns elsewhere in this Final Rule and will not repeat its responses here. The actions taken in this Final Rule should ameliorate the concerns of a significant burden increase and any corresponding cost increase.

229. Further, in Order No. 667, the Commission provided its initial estimate for completing the FERC Form No. 60, and did not receive any comments in response to that estimate. In Order No. 667–A, the Commission made offsetting changes to those reporting requirements and, in light of the changes and the absence of comments, let the original projected burden estimates stand. However, we went on to say that, with additional experience, including comments received in response to our initiatives, we would adjust the burden estimates. In view of the comments received specifically concerning the burden estimates and the implementation of the reporting requirements contained in this Final Rule, we are revising the estimates accordingly. On the other hand, as the Commission is adopting electronic submission of this information in a

[183] 18 CFR 366.23(a)(2) (2006).

[184] *See* 44 U.S.C. 3507(d) (2000).

[185] 5 CFR 1320.11 (2006).

separate rulemaking proceeding in Docket No. RM06–25–000, this will save time and resources for all parties since electronic filings require fewer personnel than paper filings by avoiding the need for paper processing and mailing and consequently reduce the burden.[186]

Title: FERC Form No. 60, ''Annual Report of Centralized Service Companies'' and FERC–555A, ''Preservation of Records for Service Companies Subject to PUHCA 2005.''

Action: Proposed collections.

OMB Control Nos.: 1902–0215 (FERC Form No. 60) and 1902–XXXX (to be determined) (FERC–555A).

Respondents: Businesses or other for profit.

Frequency of Responses: Annually and on occasion.

Necessity of the Information: This Final Rule amends the Commission's regulations to implement PUHCA 2005 as enacted by the EPAct 2005. Specifically, the Commission is adopting a USofA for Centralized Service Companies, adding preservation of records requirements for holding companies and service companies, revising the FERC Form No. 60 in order to provide for financial reporting consistent with the new USofA, and providing for the electronic filing of revised FERC Form No. 60. In Order No. 667, the Commission also set forth its objective to prescribe 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. The addition of these accounts and related changes in the reporting, as well as uniform records retention requirements, provides uniformity and transparency for costs that are billed to regulated entities, allows for comparability of like costs across centralized service companies, provides for comparisons of year-to-year changes in a centralized service company's costs and billings, and facilitates the uniform compilation of consolidated financial statements. Without specific instructions and accounts for recording and reporting the above transactions and events, and retaining relevant records and information, inconsistent and incomplete accounting and reporting will result.

230. 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*]

231. For submitting comments concerning the collection of information(s) and the associated burden estimates, 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) 395–7285.

VI. Environmental Analysis

232. 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.[187] No environmental consideration is necessary for the promulgation of a rule that addresses information gathering, analysis, and dissemination,[188] and, also, that addresses accounting.[189] This Final Rule addresses information gathering, analysis, and dissemination. In addition, this Final Rule involves accounting requirements. Therefore, the Final Rule falls within categorical exemptions provided in the Commission's regulations. Consequently, neither an Environmental Impact Statement nor an Environmental Assessment is required.

VII. Regulatory Flexibility Act

233. The Regulatory Flexibility Act of 1980 (RFA)[190] generally requires a description and analysis of the effect that a Final Rule will have on small entities or a certification that a rule will not have a significant economic impact on a substantial number of small entities.

234. The Commission concludes that this Final Rule will not have such an impact on a substantial number of small entities. Most holding companies to which this Final Rule would be applicable do not fall within the RFA's definition of a small entity.[191] Moreover, the Commission also concludes that this Final Rule will not impose a significant burden since the information is already being captured by existing accounting systems and generally being reported at a consolidated business level.

VIII. Document Availability

235. 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.

236. From the Commission's Home Page on the Internet, this document is available in the Commission's document management system, e-Library. The full text of this document is available on e-Library in PDF and Microsoft Word format for viewing, printing, and/or downloading. To access this document in e-Library, type the docket number excluding the last three digits of this document in the docket number field.

237. User assistance is available for e-Library and the Commission's Web site 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*).

IX. Effective Date and Congressional Notification

238. This Final Rule will take effect January 8, 2007; however, the revised FERC Form No. 60 adopted herein will be implemented with the reporting year 2008 (due by May 1, 2009) and the accounting and records retention requirements adopted herein will be implemented January 1, 2008.

239. The Commission has determined with the concurrence of the Administrator of the Office of Information and Regulatory Affairs of

[186] *Supra* note 34.

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

[188] *See* 18 CFR 380.4(a)(5).

[189] *See* 18 CFR 380.4(c)(16).

[190] *See* 5 U.S.C. 601–612.

[191] *See* 5 U.S.C. 601(3) citing to section 3 of the Small Business Act, 15 U.S.C. 632. Section 3 of the Small Business Act defines a ''small-business concern'' as a business which is independently owned and operated and which is not dominant in its field of operation. The Small Business Size Standards component of the North American Industry Classification System (NAICS) defines a small electric utility as one that, including its affiliates, is primarily engaged in generation, transmission, and/or distribution of electric energy for sale and whose total electric output for the preceding fiscal years did not exceed 4 million MWh. NAICS defines a small natural gas pipeline company as one that transports natural gas and whose annual receipts (total income including cost of goods sold) did not exceed $6.5 million dollars for the preceding years. 13 CFR 121.201.

the Office of Management and Budget that this Final Rule is not a major rule within the meaning of section 251 of the Small Business Regulatory Enforcement Fairness Act of 1996.[192] The Commission will submit the Final Rule to both houses of Congress and the General Accounting Office.

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 the Commission.

Magalie R. Salas,

Secretary.

In consideration of the foregoing, under the authority of EPAct 2005, the Commission amends parts 366, and 375 and adds parts 367, 368 and 369, to Chapter I, Title 18 of the *Code of Federal Regulations,* as set forth below:

PART 366—PUBLIC UTILITY HOLDING COMPANY ACT OF 2005

■ 1. The authority citation for part 366 is revised to read as follows:

Authority: 42 U.S.C. 16451–16463.

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

§ 366.21 Accounts and records of holding companies.

* * * * *

(b) Unless otherwise exempted or granted a waiver by Commission rule or order pursuant to §§ 366.3 and 366.4, beginning January 1, 2008, 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, 2007, 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), (a)(2) (b)(1) and (b)(2) 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, beginning January 1, 2008, 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.

(2) *Transition period.* Until December 31, 2007, service companies in holding company systems 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 requirements in parts 125 and 225 of this chapter or the Securities and Exchange Commission's records retention rules in 17 CFR part 257.

* * * * *

(b) *Accounting requirements*—(1) *General.* Unless otherwise exempted or granted a waiver by Commission rule or order pursuant to §§ 366.3 and 366.4, beginning January 1, 2008, 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.

(2) *Transition period.* Until December 31, 2007, service companies in holding company systems registered under the Public Utility Holding Company Act of 1935 (15 U.S.C. 79a *et seq.*), as described in paragraph (b)(1) of this section, may follow either the Commission's Uniform System of Accounts in parts 101 and 201 of this chapter or the Securities and Exchange Commission's Uniform System of Accounts in 17 CFR part 256.

* * * * *

■ 4. In § 366.23, the section heading and paragraphs (a)(1) and (b) are revised to read as follows:

§ 366.23 FERC Form No. 60, Annual report of centralized 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, every centralized service company (*See* § 367.2 of this chapter) in a holding company system must file an annual report, FERC Form No. 60, as provided in § 369.1 of this chapter. Every report must be submitted on the FERC Form No. 60 then in effect and must be prepared in accordance with the instructions incorporated in that form.

* * * * *

(b) *Transition period.* Service companies in holding company systems exempted from the requirements of the Public Utility Holding Company Act of 1935 (15 U.S.C. 79a *et seq.*) need not file an annual report, FERC Form No. 60, for calendar years 2005 through 2007, after which they must comply with the provisions of this section.

* * * * *

■ 5. Part 367 is added to subchapter U to read as follows:

PART 367—UNIFORM SYSTEM OF ACCOUNTS FOR CENTRALIZED SERVICE COMPANIES SUBJECT TO THE PROVISIONS OF PUBLIC UTILITY HOLDING COMPANY ACT OF 2005

Subpart A—Definitions

Sec.

367.1 Definitions.

[192] 5 U.S.C. 801.

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 Cost allocation 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 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.
367.1060 Account 106, Completed construction not classified.
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.

Other Property and Investments

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.
367.1750 Account 175, Derivative instrument assets.
367.1760 Account 176, Derivative instrument assets—Hedges.

Deferred Debits

367.1810 Account 181, Unamortized debt expense.
367.182.3 Account 182.3, Other regulatory assets.
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.
367.1890 Account 189, Unamortized loss on reacquired debt.
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.
367.2282 Account 228.2, Accumulated provision for injuries and damages.
367.2283 Account 228.3, Accumulated provision for pensions and benefits.
367.2300 Account 230, Asset 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.
367.2440 Account 244, Derivative instrument liabilities.
367.245 Account 245, Derivative instrument liabilities—Hedges.

Deferred Credits

367.2530 Account 253, Other deferred credits.
367.2540 Account 254, Other regulatory liabilities.
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.
367.3060 Account 306, Leasehold improvements.
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.
367.4073 Account 407.3, Regulatory debits.
367.4074 Account 407.4, Regulatory credits.
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 411.6, Gains from disposition of service company plant.
367.4117 Account 411.7, Losses from disposition of service company plant.
367.4118 Account 411.10, Accretion expense.
367.4120 Account 412, Costs and expenses of construction or other services.
367.4160 Account 416, Costs and expenses of merchandising, jobbing and contract work.
367.4180 Account 418, Non-operating rental income.
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 companies.
367.4571 Account 457.1, Direct costs charged to associate companies.
367.4572 Account 457.2, Indirect costs charged to associate companies.
367.4573 Account 457.3, Compensation for use of capital-associate companies.
367.4580 Account 458, Services rendered to non-associate companies.
367.4581 Account 458.1, Direct costs charged to non-associate companies.
367.4582 Account 458.2, Indirect costs charged to non-associate companies.
367.4583 Account 458.3, Compensation for use of capital—Non-associate companies.
367.4584 Account 458.4, 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.
367.9230 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 expenses.
367.9301 Account 930.1, General advertising expenses for associated companies.
367.9302 Account 930.2, Miscellaneous general expenses.
367.9310 Account 931, Rents.
367.9350 Account 935, Maintenance of structures and equipment.

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Subpart A—Definitions

§ 367.1 Definitions.

(a) When used in this system of accounts:

(1) *Accounts* mean 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) *Centralized service company* means 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. Centralized service companies are different from other service companies that only provide a discrete good or service.

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

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

(10) *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.

(11) *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.

(12) *Cost accumulation system* means a system for the accumulation of service company costs 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. It can be a variety of systems, including but not limited to, a work order system or an activity-based accounting software system.

(13) *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).

(14) *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.

(15) *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.

(16) *Direct cost* means the labor costs and expenses which can be identified through a cost allocation 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.

(17) *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.

(18) *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.

(19) *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.

(20) *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.

(21) *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'' does 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.

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

(23) *Indirect cost* means 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. Costs incidental to or related to indirect items should also be classified as an indirect cost.

(24) *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.

(25) *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.

(26) *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.

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

(28) *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.

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

(30) *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.

(31) *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.

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

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

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

(35) *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.

(36) *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.

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

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

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

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

(39) *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.

(40) *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.

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

(42) *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.

(43) *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.

(44) *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.

(45) *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.

(46) *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.

(47) *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.

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

(49) *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.

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

(51) *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.

(b) [Reserved]

Subpart B—General Instructions

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

(a) Unless otherwise exempted or granted a waiver by Commission rule or order pursuant to §§ 366.3 and 366.4 of this chapter, 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.

(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.

(5) Holding companies.

(c) To the extent that the term service company is used in this Uniform System of Accounts, it applies only to centralized service companies.

§ 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) 457–458, 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.

Extraordinary items are to be recognized according to the rules which are considered generally accepted accounting principles. These items are 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. Each item recognized as extraordinary must be disclosed in the notes to financial statements (*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, or 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 or extending its term, in a manner that 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 (§ 367.4118), for service company property, and account 421, Miscellaneous income or loss (§ 367.4210), for non-service company property 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 objective evidence and analysis, including where appropriate 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 (§ 367.4118); 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). 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). In computing charges to associate companies for any calendar year, any net credit in this account must be deducted from amounts reimbursable by associate companies as compensation for use of capital invested in the service company.

§ 367.24 Construction and service contracts for other companies.

(a) 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 must be recorded in Account 412, Cost and expenses of construction or other services (§ 367.4120). The service company must keep records pursuant to its cost allocation 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) Account 412 (§ 367.4120) will include:

(1) The cost of materials, construction payrolls, outside services, and other expenses which are directly attributable to the performance of service or construction contracts for other companies.

(2) The cost of goods procured directly attributable to the performance of service or construction contracts for other companies.

(3) The related 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.

(4) The support services performed by the service company in connection with the procurement of goods for associate 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 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.

Charges for services to associate public-utility companies must be made 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. The information provided to associate public-utility companies must provide a summary of the accounts by service provided 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 projects in accordance with the service company's applicable and currently effective methods of allocation. Both direct and allocated indirect costs on projects must be assigned among those companies in the same manner. The cost accumulation system 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 Cost accumulation 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 cost accumulation system, as described in Definitions § 367.1(a)(12), 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, 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)(11)). 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 for posting to property ledgers of accounts. The accumulated gross costs of property 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 in 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) Interest cost on funds used during construction which are allowed to be capitalized following generally accepted accounting principles.

(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.

(b) [Reserved]

§ 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 project 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 recorded 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 (§ 367.4040). 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, Gain on disposition of property (§ 367.4211), or account 421.2, Loss 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, which 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 (f).

(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 Property record system required for service company property.

(a) Each service company must keep its cost allocation 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. Records covering jobs of short duration may be cleared monthly.

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

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

(e) 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.

(f) 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.

(g) Interest on tax refunds or deficiencies must not be included in these accounts but in accounts 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 to Operating Income, Other Income and Deductions, and Extraordinary Items so that, as nearly as practicable, each tax will be included in the appropriate account based on the income 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.

§ 367.1060 Account 106, Completed construction not classified.

At the end of the year or such other date as a balance sheet may be required by the Commission, this account must include the total of the balances of construction projects for service company property which has been completed and placed in service but have not been classified for transfer to the detailed service company property accounts.

§ 367.1070 Account 107, Construction work in progress.

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

(b) Construction projects 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.

(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.

Other Property and Investments

§ 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 its cost allocation system. 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 Account 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.

§ 367.1750 Account 175, Derivative instrument assets.

This account must include the amounts paid for derivative instruments, and the change in the fair value of all derivative instrument assets not designated as cash flow or fair value hedges. Account 421, Miscellaneous income or loss (§ 367.4210), must be credited or debited, as appropriate, with the corresponding amount of the change in the fair value of the derivative instrument.

§ 367.1760 Account 176, Derivative instrument assets—Hedges.

(a) This account must include the amounts paid for derivative instruments, and the change in the fair value of derivative instrument assets designated by the service company as cash flow or fair value hedges.

(b) When a service company designates a derivative instrument asset as a cash flow hedge it will record the change in the fair value of the derivative instrument in this account with a concurrent charge to account 219, Accumulated other comprehensive income (§ 367.2190), with the effective portion of the gain or loss. The ineffective portion of the cash flow hedge must be charged to the same income or expense account that will be used when the hedged item enters into the determination of net income.

(c) When a service company designates a derivative instrument as a fair value hedge it must record the change in the fair value of the derivative instrument in this account with a concurrent charge to a subaccount of the asset or liability that carries the item being hedged. The ineffective portion of the fair value hedge must be charged to the same income or expense account that will be used when the hedged item enters into the determination of net income.

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.

§ 367.1823 Account 182.3, Other regulatory assets.

(a) This account must include the amounts of regulatory-created assets, not includible in other accounts, resulting from the ratemaking actions of regulatory agencies. (*See* Definitions § 367.1(a)(38).)

(b) The amounts included in this account are to be established by those charges which would have been included in net income, or accumulated other comprehensive income, determinations in the current period under the general requirements of the Uniform System of Accounts but for it being probable that such items will be included in a different period(s) for purposes of developing rates that the utility is authorized to charge for its utility services. When specific identification of the particular source of a regulatory asset cannot be made, such as in plant phase-ins, rate moderation plans, or rate levelization plans, account 407.4, Regulatory credits (§ 367.4074), must be credited. The amounts recorded in this account are generally to be charged, concurrently with the recovery of the amounts in rates, to the same account that would have been charged if included in income when incurred, except all regulatory assets established through the use of account 407.4 (§ 367.4074) must be charged to account 407.3, Regulatory debits (§ 367.4073), concurrent with the recovery in rates.

(c) If rate recovery of all or part of an amount included in this account is disallowed, the disallowed amount must be charged to Account 426.5, Other deductions (§ 367.4265), or Account 435, Extraordinary deductions (§ 367.4350), in the year of the disallowance.

(d) The records supporting the entries to this account must be kept so that the service company can furnish full information as to the nature and amount of each regulatory asset included in this account, including justification for inclusion of such amounts in this account.

§ 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 project for property installed for temporary use for a period of less than one year. Each project 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 project 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)(40)), 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.

§ 367.1890 Account 189, Unamortized loss on reacquired debt.

This account must include the losses on long-term debt reacquired or redeemed. The amounts in this account must be amortized in accordance with General Instruction § 367.16.

§ 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).

§ 367.2282 Account 228.2, Accumulated provision for injuries and damages.

(a) This account must be credited with amounts charged to account 925, Injuries and damages (§ 367.9250), or other appropriate accounts, to meet the probable liability, not covered by insurance, for deaths or injuries to employees and others and for damages to property neither owned nor held under lease by the service company.

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

(c) Recoveries or reimbursements for losses charged to this account must be credited to this account; the cost of repairs to property of others if provided for in this account must be charged to this account.

§ 367.2283 Account 228.3, Accumulated provision for pensions and benefits.

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

(b) Amounts paid by the service company for the purposes for which this liability is established must be charged to this account.

(c) A separate account must be kept for each kind of provision included in this account.

(d) If employee pension or benefit plan funds are not included among the assets of the service company but are held by outside trustees, payments into such funds, or accruals therefore, must be included in this account.

§ 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 (§ 367.4118), 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.

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

§ 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 elsewhere, 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).

§ 367.2440 Account 244, Derivative instrument liabilities.

This account must include the change in the fair value of all derivative instrument liabilities not designated as cash flow or fair value hedges. Account 426.5, Other deductions (§ 367.4265), must be debited or credited as appropriate with the corresponding amount of the change in the fair value of the derivative instrument.

§ 367.2450 Account 245, Derivative instrument liabilities—Hedges

(a) This account must include the change in the fair value of derivative instrument liabilities designated by the service company as cash flow or fair value hedges.

(b) A service company must record the change in the fair value of a derivative instrument liability related to a cash flow hedge in this account, with a concurrent charge to account 219, Accumulated other comprehensive income (§ 367.2190), with the effective portion of the derivative's gain or loss. The ineffective portion of the cash flow hedge must be charged to the same income or expense account that will be used when the hedged item enters into the determination of net income.

(c) A service company must record the change in the fair value of a derivative instrument liability related to a fair value hedge in this account, with a concurrent charge to a subaccount of the asset or liability that carries the item being hedged. The ineffective portion of the fair value hedge must be charged to the same income or expense account that will be used when the hedged item enters into the determination of net income.

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.

§ 367.2540 Account 254, Other regulatory liabilities.

(a) This account must include the amounts of regulatory liabilities, not includible in other accounts, imposed on the service company by the ratemaking actions of regulatory agencies. (See Definitions § 367.1(a)(38).)

(b) The amounts included in this account are to be established by those credits which would have been included in net income, or accumulated other comprehensive income, determinations in the current period under the general requirements of the USofA but for it being probable that: Such items will be included in a different period(s) for purposes of developing the rates that the service company is authorized to charge for its services; or refunds to customers, not provided for in other accounts, will be required. When specific identification of the particular source of the regulatory liability cannot be made or when the liability arises from revenues collected pursuant to tariffs on file at a regulatory agency, account 407.3, Regulatory debits (§ 367.4073), must be debited. The amounts recorded in this account generally are to be credited to the same account that would have been credited if included in income when earned except: All regulatory liabilities established through the use of account 407.3 (§ 367.4073) must be credited to account 407.4, Regulatory credits (§ 367.4074); and in the case of refunds, a cash account or other appropriate account should be credited when the obligation is satisfied.

(c) If it is later determined that the amounts recorded in this account will not be returned to customers through rates or refunds, such amounts must be credited to Account 421, Miscellaneous income or loss (§ 367.4210), or Account 434, Extraordinary income (§ 367.4340), as appropriate, in the year such determination is made.

(d) The records supporting the entries to this account must be so kept that the service company can furnish full information as to the nature and amount of each regulatory liability included in this account, including justification for inclusion of such amounts in this account.

§ 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 section. 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 section 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, operating income (§ 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 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 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 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 section, 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 section. 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.

§ 367.3060 Account 306, Leasehold improvements.

This account must include all costs incurred by the service company in improvements of, remodeling of, or installation of additional facilities in rented offices or buildings to suit tenant's needs, placed in service prior to January 1, 2008.

§ 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.

(c) 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 are 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 costs 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 through 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 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.

§ 367.4073 Account 407.3, Regulatory debits.

This account shall be debited, when appropriate, with amounts credited to Account 254, Other Regulatory Liabilities, to record regulatory liabilities imposed on the service company by the ratemaking actions of regulatory agencies. This account shall also be debited, when appropriate, with the amounts credited to Account 182.3, Other Regulatory Assets, concurrent with the recovery of such amounts in rates.

§ 367.4074 Account 407.4, Regulatory credits.

This account shall be credited, when appropriate, with amounts debited to Account 182.3, Other Regulatory Assets, to establish regulatory assets. This account shall also be credited, when appropriate, with the amounts debited to Account 254, Other Regulatory Liabilities, concurrent with the return of such amounts to customers through rates.

§ 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 relate 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 411.6, Gains from disposition of service company plant.

(a) The service company must record in this account gains resulting from the settlement of asset retirement obligations related to service company plant in accordance with the accounting prescribed in General Instructions in § 367.22.

(b) Income taxes relating to losses, recorded in this account must be recorded in Account 409.1, Income Taxes, operating income (§ 367.4091).

§ 367.4117 Account 411.7, Losses from disposition of service company plant.

(a) The service company must record in this account losses resulting from the settlement of asset retirement obligations related to service company plant in accordance with the accounting prescribed in General Instructions in § 367.22.

(b) Income taxes relating to losses, recorded in this account must be

recorded in Account 409.1, Income Taxes, operating income (§ 367.4091).

§ 367.4118 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.

§ 367.4120 Account 412, Cost and expenses of construction or other services.

This account must include expenditures related to the performance of construction or service contracts, under which the service company undertakes projects to construct physical property for associate or non-associate companies (see General Instructions § 367.24, Construction and service contracts for other companies) and the cost of services performed for others not provided for elsewhere.

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

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

(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 associated company.

(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 associated company's facilities.

(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.

§ 367.4180 Account 418, Non-operating rental income.

(a) The expenses shall include all elements of costs incurred in the ownership and rental of property and the accounts shall be maintained so as to permit ready summarization of operation, maintenance, rents, depreciation, and amortization.

(b) Related taxes shall 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.

§ 367.4181 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 426.3, 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 who 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 companies.

This account must include amounts billed to associate 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 companies.

This account must include those direct costs that can be identified through a cost allocation system as being applicable to services performed for associate 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 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 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 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 company.

§ 367.4580 Account 458, Services rendered to non-associate companies.

This account must include amounts billed for services rendered to non-associate companies (*See* accounts 458.1 through 458.4 (§§ 367.4581 through 367.4584)).

§ 367.4581 Account 458.1, Direct costs charged to non-associate companies.

This account must include those direct costs that can be identified through a cost allocation system as being applicable to services performed for non-associate 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 companies.

This account must include recovery of those indirect costs of services performed for non-associate 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 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).

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 (§ 367.5000), account 878, Meter and house regulator expenses (§ 367.8000), 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 (§ 367.5000) or account 878, Meter and house regulator expenses (§ 367.8000).

§ 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 (§ 367.5870), 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 business of present and prospective customers of the service company and the companies within the holding company system that is not recorded in Accounts 416, Costs and expenses of merchandising, jobbing and contract work (§ 367.4160), or 930.1, General advertising expenses for associated companies (§ 367.9301).

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

(1) Demonstrating uses of services provided by companies within the holding company system.

(2) Conducting cooking schools, preparing recipes, and related home service activities.

(3) Exhibitions, displays, lectures, and other programs to promote the services provided by the service company or the companies within the holding company system.

(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 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 services provided by the service company or the companies within the holding company system, except advertising the sale of merchandise.

(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 (§ 367.9301).

(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 offered services without reference to specific appliances or the promotion of appliances must be considered sales promotion advertising and charged to this account. However, advertisements that are limited to specific makes of appliances sold by any company and prices, terms, and other similar items, without referring to the value or advantages of offered services, must be considered as merchandise advertising and the cost must be charged to account 416, Costs and expenses of merchandising, jobbing and contract work (§ 367.4160).

(e) Advertisements that substantially mention or refer to the value or advantages of offered services, together with specific reference to makes of appliances sold by any company and the price, terms, and other similar items, and designed for the joint purpose of increasing the use of offered services 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, Administrative and general salaries (§ 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.

§ 367.9230 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 expenses (§ 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 the 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 projects 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 projects 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 expenses.

(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 for associated companies.

(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 subchapter U 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 Public Utility Holding Company Act of 2005 (42 U.S.C. §§ 16451 *et seq.*).

§ 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 (16 U.S.C. §§ 824 *et seq.*), the Natural Gas Act (15 U.S.C. §§ 717 *et seq.*), 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 this chapter.

(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 of this chapter 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 records 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.

SCHEDULE OF RECORDS AND PERIODS OF RETENTION—Continued

Item No. and description	Retention period
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.
(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 project and work orders:	
(a) Authorizations for expenditures for maintenance work to be covered by project or work orders, including memoranda showing the estimates of costs to be incurred.	5 years.
(b) Project or 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, project or 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) Project or 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 project or 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.

SCHEDULE OF RECORDS AND PERIODS OF RETENTION—Continued

Item No. and description	Retention period
(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.
(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, project or work orders, and supplemental records:	
(a) Project or 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 project or 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 project or work orders of the company.	6 years after completion of project or 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 project or work order system.	6 years after completion of project or 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.	3 years after retirement or disposition of property
(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.	3 years after retirement or disposition of property
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.

SCHEDULE OF RECORDS AND PERIODS OF RETENTION—Continued

Item No. and description	Retention period
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.
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.

SCHEDULE OF RECORDS AND PERIODS OF RETENTION—Continued

Item No. and description	Retention period
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.
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 Subchapter U to read as follows:

PART 369—STATEMENTS AND REPORTS (SCHEDULES)

Authority: 42 U.S.C. 16451–16463.

§ 369.1 FERC Form No. 60, Annual report of centralized 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 2008 and each subsequent year.

(b) *Filing requirements.* (1) *Who must file.* Unless the holding company system is exempted or granted a waiver by Commission rule or order pursuant to §§ 366.3 and 366.4, every 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 then in effect 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, 2008 must be filed by May 1, 2009. The annual report for each year thereafter must be filed by May 1 of the following years.

(ii) The annual report in effect 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; 42 U.S.C. 16451–16463.

■ 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 Systems 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, FERC–61, 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 and requests for extensions of time for the filing of the forms under §§ 141.400, 260.300, 357.4, 366.23 and part 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 that, if the matters involve unusually large transactions or unique or controversial features, the Chief Accountant must present the matters to the Commission for consideration.

BILLING CODE 6717–01–P

Note: The following Appendices will not be published in the Code of Federal Regulations

APPENDIX A--FERC FORM No. 60

Form 60 Approved
OMB No. 1902-0215
Expires 02/28/2009

THIS FILING IS
☐ An Initial (Original) Submission OR ☐ Resubmission No. _____

FERC FINANCIAL REPORT
FERC FORM No. 60:
Annual Report of Centralized Service Companies

This report is mandatory under the Public Utility Holding Company Act of 2005, Section 1270, Section 309 of the Federal Power Act and 18 C.F.R. § 366.23. Failure to report may result in criminal fines, civil penalties, and other sanctions as provided by law. The Federal Energy Regulatory Commission does not consider this report to be of a confidential nature.

Exact Legal Name of Respondent (Company)	For the Year Ending December 31, _____

GENERAL INSTRUCTIONS FOR FILING FERC FORM NO. 60

I. Purpose

Form No. 60 is an annual regulatory support requirement under 18 CFR 369.1 for centralized service companies. The report is designed to collect financial information from centralized service companies subject to the jurisdiction of the Federal Energy Regulatory Commission. The report is considered to be a non-confidential public use form.

II. Who Must Submit

Unless the holding company system is exempted or granted a waiver by Commission rule or order pursuant to §§ 18 CFR 366.3 and 366.4 of this chapter, every centralized service company (see § 367.2) in a holding company system must prepare and file electronically with the Commission the FERC Form No. 60 then in effect pursuant to the General Instructions set out in this form.

III. How to Submit

Submit FERC Form No. 60 electronically through the Form No. 60 Submission Software. Retain one copy of each report for your files. For any resubmissions, submit the filing using the Form No. 60 Submission Software including a justification. Respondents must submit the Corporate Officer Certification electronically.

IV. When to Submit

Submit FERC Form No. 60 according to the filing date contained § 18 CFR 369.1 of the Commission's regulations.

V. Preparation

Prepare this report in conformity with the Uniform System of Accounts (18 CFR 367) (USof A). Interpret all accounting words and phrases in accordance with the USof A.

VI. Time Period

This report covers the entire calendar year.

VII. Whole Dollar Usage

Enter in whole numbers (dollars) only, except where otherwise noted. The amounts shown on all supporting pages must agree with the amounts entered on the statements that they support. When applying thresholds to determine significance for reporting purposes, use for balance sheet accounts the balances at the end of the current reporting period, and use for statement of income accounts the current year's amounts.

VIII. Accurateness

Complete each question fully and accurately, even if it has been answered in a previous report. Enter the word "None" where it truly and completely states the fact.

IX. Applicability

For any page(s) that is not applicable to the respondent, omit the page(s) and enter "NONE," or "Not Applicable" in column (c) on the List of Schedules, page 2.

X. Date Format

Enter the month, day, and year for all dates. Use customary abbreviations. The "Resubmission Date" included in the header of each page is to be completed only for resubmissions (see III above).

XI. Number Format

Generally, except for certain schedules, all numbers, whether they are expected to be debits or credits, must be reported as positive. Numbers having a sign that is different from the expected sign must be reported by use of a minus sign.

XII. Required Entries

Do not make references to reports of previous years or to other reports instead of required entries, except as specifically authorized.

XIII. Prior Year References

Wherever (schedule) pages refer to figures from a previous year, the figures reported must be based upon those shown by the report of the previous year, or an appropriate explanation given as to why the different figures were used.

XIV. Where to Send Comments on Public Reporting Burden

The public reporting burden for the Form No. 60 collection of information is estimated to average 75 hours per response, including

- the time for reviewing instructions, searching existing data sources,
- gathering and maintaining the data-needed, and
- completing and reviewing the collection of information.

Send comments regarding these burden estimates or any aspect of this collection of information, including suggestions for reducing burden, to:

Federal Energy Regulatory Commission,
888 First Street NE
Washington, DC 20426
(Attention: Mr. Michael Miller, ED-33);

And to:

Office of Information and Regulatory Affairs,
Office of Management and Budget, Washington, DC 20503 (Attention: Desk Officer for the Federal Energy Regulatory Commission).

No person shall be subject to any penalty if any collection of information does not display a valid control number (44 U.S.C. 3512(a)).

DEFINITIONS
I. Respondent -- The person, corporation, or other legal entity in whose behalf the report is made.

FERC FORM NO. 60
ANNUAL REPORT FOR SERVICE COMPANIES

IDENTIFICATION	
01 Exact Legal Name of Respondent	02 Year of Report December 31, ____
03 Previous Name (If name changed during the year)	04 Date of Name Change (Month, Day, Year)
05 Address of Principal Office at End of Year (Street, City, State, Zip Code)	06 Name of Contact Person
07 Title of Contact Person	08 Address of Contact Person (Street, City, State, Zip Code)
09 Telephone Number of Contact Person (Including Area Code)	10 E-mail Address of Contact Person
11 This Report is: (1) An Original □ (2) A Resubmission □	12 Resubmission Date (Month, Day, Year)
13 Date of Incorporation	14 If Not Incorporated, Date of Organization
15 State or Sovereign Power Under Which Incorporated or Organized	
16 Name of Principal Holding Company Under Which Reporting Company is Organized:	

CORPORATE OFFICER CERTIFICATION

The undersigned officer certifies that:

I have examined this report and to the best of my knowledge, information, and belief all statements of fact contained in this report are correct statements of the business affairs of the respondent and the financial statements, and other financial information contained in this report, conform in all material respects to the Uniform System of Accounts.

17 Name of Certifying Official	19 Signature of Certifying Official	20 Date Signed (Month, Day, Year)
18 Title of Certifying Official		

Name of Respondent	This Report is: (1) ☐ An Original (2) ☐ A Resubmission	Resubmission Date *(Month, Day, Year)*	Year of Report Dec 31, _____

LIST OF SCHEDULES

1. Enter in Column (c) the terms "None" or "Not Applicable" as appropriate, where no information or amounts have been reported for certain pages. Omit pages where the responses are "None" or "Not Applicable."

Line No.	Title of Schedule (a)	Reference Page No. (b)	Remarks (c)
1	Schedule I – Comparative Balance Sheet	101-102	
2	Schedule II – Service Company Property	103	
3	Schedule III – Accumulated Provision for Depreciation and Amortization of Service Company Property	104	
4	Schedule IV – Investments	105	
5	Schedule V – Accounts Receivable from Associate Companies	106	
6	Schedule VI – Fuel Stock Expenses Undistributed	107	
7	Schedule VII – Stores Expense Undistributed	108	
8	Schedule VIII - Miscellaneous Current and Accrued Assets	109	
9	Schedule IX - Miscellaneous Deferred Debits	110	
10	Schedule X - Research, Development, or Demonstration Expenditures	111	
11	Schedule XI - Proprietary Capital	201	
12	Schedule XII – Long Term Debt	202	
13	Schedule XIII – Current and Accrued Liabilities	203	
14	Schedule XIV- Notes to Financial Statements	204	
15	Schedule XV- Comparative Income Statement	301-302	
16	Schedule XVI- Analysis of Charges for Service- Associate and Non-Associate Companies	303-306	
17	Schedule XVII – Analysis of Billing – Associate Companies (Account 457)	307	
18	Schedule XVIII – Analysis of Billing – Non-Associate Companies (Account 458)	308	
19	Schedule XIX - Miscellaneous General Expenses (Account 930.2)	309	
20	Schedule XX - Organization Chart	401	
21	Schedule XXI - Methods of Allocation	402	

Name of Respondent	This Report is: (1) ☐ An Original (2) ☐ A Resubmission	Resubmission Date (Month, Day, Year)	Year of Report Dec 31, _____

SCHEDULE I – COMPARATIVE BALANCE SHEET

1. Give balance sheet of the Company as of December 31 of the current and prior year.

Line No.	Account Number (a)	Title of Account (b)	Reference Page No. (c)	As of December 31, Current (d)	Prior (e)
1		**Service Company Property**			
2	101	Service Company Property	103		
3	101.1	Property Under Capital Leases	103		
4	106	Completed Construction Not Classified			
5	107	Construction Work In Progress	103		
6		Total Property (Total Of Lines 2-5)			
7	108	Less: Accumulated Provision for Depreciation of Service Company Property	104		
8	111	Less: Accumulated Provision for Amortization of Service Company Property			
9		Net Service Company Property (Total of Lines 6-8)			
10		**Investments**			
11	123	Investment In Associate Companies	105		
12	124	Other Investments	105		
13	128	Other Special Funds	105		
14		Total Investments (Total of Lines 11-13)			
15		**Current And Accrued Assets**			
16	131	Cash			
17	134	Working Funds			
18	135	Other Special Deposits			
19	136	Temporary Cash Investments	105		
20	141	Notes Receivable			
21	142	Customer Accounts Receivable			
22	143	Accounts Receivable			
23	144	Less: Accumulated Provision for Uncollectible Accounts			
24	146	Accounts Receivable From Associate Companies	106		
25	152	Fuel Stock Expenses Undistributed	107		
26	154	Materials And Supplies			
27	163	Stores Expense Undistributed	108		
29	165	Prepayments			
30	171	Interest And Dividends Receivable			
31	172	Rents Receivable			
32	173	Accrued Revenues			
33	174	Miscellaneous Current and Accrued Assets	109		
34	175	Derivative Instrument Assets			
35	176	Derivative Instrument Assets – Hedges			
36		Total Current and Accrued Assets (Total of Lines 16-35)			
37		**Deferred Debits**			
38	181	Unamortized Debt Expense			
39	182.3	Other Regulatory Assets			
40	183	Preliminary Survey And Investigation Charges			
41	184	Clearing Accounts			
42	185	Temporary Facilities			
43	186	Miscellaneous Deferred Debits	110		
44	188	Research, Development, or Demonstration Expenditures	111		
45	189	Unamortized loss on reacquired debt			
46	190	Accumulated Deferred Income Taxes			
47		Total Deferred Debits (Total of Lines 38-46)			
48		**TOTAL ASSETS AND OTHER DEBITS** (TOTAL OF LINES 9, 14, 36 and 47)			

Name of Respondent	This Report is: (1) ☐ An Original (2) ☐ A Resubmission	Resubmission Date (Month, Day, Year)	Year of Report Dec 31, _____

SCHEDULE I – COMPARATIVE BALANCE SHEET

Line No.	Account Number (a)	Title of Account (b)	Reference Page No. (c)	As of December 31, Current (d)	Prior (e)
49		**Proprietary Capital**			
50	201	Common Stock Issued	201		
51	204	Preferred Stock Issued	201		
52	211	Miscellaneous Paid-In-Capital	201		
53	215	Appropriated Retained Earnings	201		
54	216	Unappropriated Retained Earnings	201		
55	219	Accumulated Other Comprehensive Income	201		
56		Total Proprietary Capital (Total of Lines 50-55)			
57		**Long-Term Debt**			
58	223	Advances From Associate Companies	202		
59	224	Other Long-Term Debt	202		
60	225	Unamortized Premium on Long-Term Debt			
61	226	Less: Unamortized Discount on Long-Term Debt-Debit			
62		Total Long-Term Debt (Total of Lines 58-61)			
63		**Other Non-current Liabilities**			
64	227	Obligations Under Capital Leases-Non-current			
65	228.2	Accumulated Provision for Injuries and Damages			
66	228.3	Accumulated Provision For Pensions and Benefits			
67	230	Asset Retirement Obligations			
68		Total Other Non-current Liabilities (Total of Lines 64-67)			
69		**Current and Accrued Liabilities**			
70	231	Notes Payable			
71	232	Accounts Payable			
72	233	Notes Payable to Associate Companies	203		
73	234	Accounts Payable to Associate Companies	203		
74	236	Taxes Accrued			
75	237	Interest Accrued			
76	241	Tax Collections Payable			
77	242	Miscellaneous Current and Accrued Liabilities	203		
78	243	Obligations Under Capital Leases – Current			
79	244	Derivative Instrument Liabilities			
80	245	Derivative Instrument Liabilities – Hedges			
81		Total Current and Accrued Liabilities (Total of Lines 70-80)			
82		**Deferred Credits**			
83	253	Other Deferred Credits			
84	254	Other Regulatory Liabilities			
85	255	Accumulated Deferred Investment Tax Credits			
86	257	Unamortized Gain on Reacquired Debt			
87	282	Accumulated deferred income taxes-Other property			
88	283	Accumulated deferred income taxes-Other			
89		Total Deferred Credits (Total of Lines 83-88)			
90		**TOTAL LIABILITIES AND PROPRIETARY CAPITAL** (TOTAL OF LINES 56, 62, 68, 81, AND 89)			

Name of Respondent	This Report is: (1) ☐ An Original (2) ☐ A Resubmission	Resubmission Date *(Month, Day, Year)*	Year of Report Dec 31, _____

SCHEDULE II - SERVICE COMPANY PROPERTY

1. Provide an explanation of Other Changes recorded in Column (f) considered material in a footnote.
2. Describe each construction work in progress on lines 18 through 34 in Column (b).

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Additions (d)	Retirements or Sales (e)	Other Changes (f)	Balance At Close of Year (g)
1	301	Organization					
2	303	Miscellaneous Intangible Plant					
3	306	Leasehold Improvements					
4	389	Land and Land Rights					
5	390	Structures and Improvements					
6	391	Office Furniture and Equipment					
7	392	Transportation Equipment					
8	393	Stores equipment					
9	394	Tools, Shop and Garage Equipment					
10	395	Laboratory Equipment					
11	396	Power Operated Equipment					
12	397	Communications Equipment					
13	398	Miscellaneous Equipment					
14	399	Other Tangible Property					
15	399.1	Asset Retirement Costs					
16		Total Service Company Property (Total of Lines 1-15)					
17	107	Construction Work in Progress:					
18							
19							
20							
21							
22							
23							
24							
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32							
33							
34							
35		Total Account 107 (Total of Lines 18-34)					
36		Total (Lines 16 and Line 35)					

Name of Respondent	This Report is: (1) ☐ An Original (2) ☐ A Resubmission	Resubmission Date (Month, Day, Year)	Year of Report Dec 31, _____

SCHEDULE III – ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION OF SERVICE COMPANY PROPERTY

1. Provide an explanation of Other Changes in Column (f) considered material in a footnote.

Line No.	Account Number (a)	Description (b)	Balance at Beginning of Year (c)	Additions Charged to Account 403-403.1 404-405 (d)	Retirements (e)	Other Changes Additions (Deductions) (f)	Balance At Close of Year (g)
1	301	Organization					
2	303	Miscellaneous Intangible Plant					
3	306	Leasehold Improvements					
4	389	Land and Land Rights					
5	390	Structures and Improvements					
6	391	Office Furniture and Equipment					
7	392	Transportation Equipment					
8	393	Stores equipment					
9	394	Tools, Shop and Garage Equipment					
10	395	Laboratory Equipment					
11	396	Power Operated Equipment					
12	397	Communications Equipment					
13	398	Miscellaneous Equipment					
14	399	Other Tangible Property					
15	399.1	Asset Retirement Costs					
		Total					

Name of Respondent	This Report is: (1) ☐ An Original (2) ☐ A Resubmission	Resubmission Date (Month, Day, Year)	Year of Report Dec 31, _____

SCHEDULE IV – INVESTMENTS

1. For other investments (Account 124), in a footnote state each investment separately, with description including the name of issuing company, number of shares held or principal investment amount.
2. For temporary cash investments (Account 136), list each investment separately in a footnote.
3. Investments less than $50,000 may be grouped, showing the number of items in each group.

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance At Close of Year (d)
1	123	Investment In Associate Companies		
2	124	Other Investments		
3	128	Other Special Funds		
4	136	Temporary Cash Investments		
5		(Total of Lines 1-4)		

Name of Respondent	This Report is: (1) ☐ An Original (2) ☐ A Resubmission	Resubmission Date *(Month, Day, Year)*	Year of Report Dec 31, _____

SCHEDULE V – ACCOUNTS RECEIVABLE FROM ASSOCIATE COMPANIES

1. List the accounts receivable from each associate company.
2. If the service company has provided accommodation or convenience payments for associate companies, provide in a separate footnote a listing of total payments for each associate company.

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance At Close of Year (d)
1	146	Accounts Receivable From Associate Companies		
2		Associate Company:		
3				
4				
5				
6				
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37		TOTAL		

Name of Respondent	This Report is: (1) ☐ An Original (2) ☐ A Resubmission	Resubmission Date (Month, Day, Year)	Year of Report Dec 31, _____

SCHEDULE VI – FUEL STOCK EXPENSES UNDISTRIBUTED

1. List the amount of labor in Column (c) and expenses in Column (d) incurred with respect to fuel stock expenses during the year and indicate amount attributable to each associate company.
2. In a separate footnote, describe in a narrative the fuel functions performed by the service company.

Line No.	Account Number (a)	Title of Account (b)	Labor (c)	Expenses (d)	Total (e)
1	152	Fuel Stock Expenses Undistributed			
2		Associate Company:			
3					
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39		TOTAL			

Name of Respondent	This Report is: (1) ☐ An Original (2) ☐ A Resubmission	Resubmission Date *(Month, Day, Year)*	Year of Report Dec 31, _____

SCHEDULE VII – STORES EXPENSE UNDISTRIBUTED

1. List the amount of labor in Column (c) and expenses in Column (d) incurred with respect to stores expense during the year and indicate amount attributable to each associate company.

Line No.	Account Number (a)	Title of Account (b)	Labor (c)	Expenses (d)	Total (e)
1	163	Stores Expense Undistributed			
2		Associate Company:			
3					
4					
5					
6					
7					
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9					
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37		TOTAL			

Name of Respondent	This Report is: (1) ☐ An Original (2) ☐ A Resubmission	Resubmission Date (Month, Day, Year)	Year of Report Dec 31, _____

SCHEDULE VIII – MISCELLANEOUS CURRENT AND ACCRUED ASSETS

1. Provide detail of items in this account. Items less than $50,000 may be grouped, showing the number of items in each group.

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance At Close of Year (d)
1	174	Miscellaneous Current and Accrued Assets		
2		Items List:		
3				
4				
5				
6				
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40		TOTAL		

Name of Respondent	This Report is: (1) ☐ An Original (2) ☐ A Resubmission	Resubmission Date *(Month, Day, Year)*	Year of Report Dec 31, _____

SCHEDULE IX – MISCELLANEOUS DEFERRED DEBITS

1. Provide detail of items in this account. Items less than $50,000 may be grouped, showing the number of items in each group.

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance At Close of Year (d)
1	186	Miscellaneous Deferred Debits		
2		Items List:		
3				
4				
5				
6				
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42		TOTAL		

Name of Respondent	This Report is: (1) ☐ An Original (2) ☐ A Resubmission	Resubmission Date (Month, Day, Year)	Year of Report Dec 31, _____

SCHEDULE X – RESEARCH, DEVELOPMENT OR DEMONSTRATION EXPENDITURES

1. Describe each material research, development, or demonstration project that incurred costs by the service corporation during the year. Items less than $50,000 may be grouped, showing the number of items in each group.

Line No.	Account Number (a)	Title of Account (b)	Amount (c)
1	188	Research, Development, or Demonstration Expenditures	
2		Project Description:	
3			
4			
5			
6			
7			
8			
9			
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11			
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40		TOTAL	

Name of Respondent	This Report is: (1) ☐ An Original (2) ☐ A Resubmission	Resubmission Date (Month, Day, Year)	Year of Report Dec 31, _____

SCHEDULE XI – PROPRIETARY CAPITAL

1. For miscellaneous paid-in capital (Account 211) and appropriate retained earnings (Account 215), classify amounts in each account, with a brief explanation, disclosing the general nature of transactions which give rise to the reported amounts.
2. For the unappropriated retained earnings (Account 216), in a footnote, give particulars concerning net income or (loss) during the year, distinguishing between compensation for the use of capital owed or net loss remaining from servicing non-associates per the General Instructions of the Uniform System of Accounts. For dividends paid during the year in cash or otherwise, provide rate percentages, amount of dividend, date declared and date paid.

Line No.	Account Number (a)	Title of Account (b)	Description (c)	Amount (d)
1	201	Common Stock Issued	Number of Shares Authorized	
2			Par or Stated Value per Share	
3			Outstanding Number of Shares	
4			Close of Period Amount	
5	204	Preferred Stock Issued	Number of Shares Authorized	
6			Par or Stated Value per Share	
7			Outstanding Number of Shares	
8			Close of Period Amount	
9	211	Miscellaneous Paid-In Capital		
10	215	Appropriated Retained Earnings		
11	219	Accumulated Other Comprehensive Income		
12	216	Unappropriated Retained Earnings	Balance at Beginning of Year	
13			Net Income or (Loss)	
14			Dividend Paid	
15			Balance at Close of Year	

Name of Respondent	This Report is: (1) ☐ An Original (2) ☐ A Resubmission	Resubmission Date *(Month, Day, Year)*	Year of Report Dec 31, _____

SCHEDULE XII – LONG-TERM DEBT

1. Advances from associate companies should be reported separately for advances on notes, and advances on open accounts. Names of associate companies from which advances were received shall be shown under the class and series of obligation in Column (c).
2. For the deductions in Column (h), please give an explanation in a footnote.
3. For other long-term debt (Account 224), list the name of the creditor company or organization in Column (b).

Line No.	Account Number (a)	Title of Account (b)	Term of Obligation Class & Series of Obligation (c)	Date of Maturity (d)	Interest Rate (e)	Amount Authorized (f)	Balance at Beginning of Year (g)	Additions Deductions (h)	Balance at Close of Year (i)
1	223	Advances from Associate Companies							
2		Associate Company:							
3									
4									
5									
6									
7									
8									
9									
10									
11									
12									
13		TOTAL							
14	224	Other Long-Term Debt							
15		List Creditor:							
16									
17									
18									
19									
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21									
22									
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25									
26									
27									
28		TOTAL							

Name of Respondent	This Report is: (1) ☐ An Original (2) ☐ A Resubmission	Resubmission Date *(Month, Day, Year)*	Year of Report Dec 31, _____

SCHEDULE XIII – CURRENT AND ACCRUED LIABILITIES

1. Provide the balance of notes and accounts payable to each associate company (Accounts 233 and 234).
2. Give description and amount of miscellaneous current and accrued liabilities (Account 242). Items less than $50,000 may be grouped, showing the number of items in each group.

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	233	Notes Payable to Associates Companies:		
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24	234	Accounts Payable to Associate Companies:		
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51	242	Miscellaneous Current and Accrued Liabilities:		
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59				

Name of Respondent	This Report is: (1) ☐ An Original (2) ☐ A Resubmission	Resubmission Date *(Month, Day, Year)*	Year of Report Dec 31, _____

SCHEDULE XIV – NOTES TO FINANCIAL STATEMENTS

1. Use the space below for important notes regarding the financial statements or any account thereof.
2. Furnish particulars as to any significant contingent assets or liabilities existing at the end of the year.
3. Furnish particulars as to any significant increase in services rendered or expenses incurred during the year.
4. Furnish particulars as to any amounts recorded in Account 434, Extraordinary Income, or Account 435, Extraordinary Deductions.
5. Notes relating to financial statements shown elsewhere in this report may be indicated here by reference.

Name of Respondent	This Report is: (1) ☐ An Original (2) ☐ A Resubmission	Resubmission Date *(Month, Day, Year)*	Year of Report Dec 31, _____

SCHEDULE XV – COMPARATIVE INCOME STATEMENT

Line No.	Account Number (a)	Title of Account (b)	Current Year (c)	Prior Year (d)
1		**SERVICE COMPANY OPERATING REVENUES**		
2	400	Service Company Operating Revenues		
3		**SERVICE COMPANY OPERATING EXPENSES**		
4	401	Operation Expenses		
5	402	Maintenance Expenses		
6	403	Depreciation Expenses		
7	403.1	Depreciation Expense for Asset Retirement Costs		
8	404	Amortization of Limited-Term Property		
9	405	Amortization of Other Property		
10	407..3	Regulatory Debits		
11	407.4	Regulatory Credits		
12	408.1	Taxes Other Than Income Taxes, Operating Income		
13	409.1	Income Taxes, Operating Income		
14	410.1	Provision for Deferred Income Taxes, Operating Income		
15	411.1	Provision for Deferred Income Taxes – Credit , Operating Income		
16	411.4	Investment Tax Credit, Service Company Property		
17	411.6	Gains from Disposition of Service Company Plant		
18	411.7	Losses from Disposition of Service Company Plant		
19	411.10	Accretion Expense		
20	412	Costs and Expenses of Construction or Other Services		
21	416	Costs and Expenses of Merchandising, Jobbing, and Contract Work		
22		TOTAL SERVICE COMPANY OPERATING EXPENSES (Total of Lines 4-21)		
23		NET SERVICE COMPANY OPERATING INCOME (Total of Lines 2 less 22)		
24		**OTHER INCOME**		
25	418.1	Equity in Earnings of Subsidiary Companies		
26	419	Interest and Dividend Income		
27	419.1	Allowance for Other Funds Used During Construction		
28	421	Miscellaneous Income or Loss		
29	421.1	Gain on Disposition of Property		
30		TOTAL OTHER INCOME (Total of Lines 25-29)		
31		**OTHER INCOME DEDUCTIONS**		
32	421.2	Loss on Disposition of Property		
33	425	Miscellaneous Amortization		
34	426.1	Donations		
35	426.2	Life Insurance		
36	426.3	Penalties		
37	426.4	Expenditures for Certain Civic, Political and Related Activities		
38	426.5	Other Deductions		
39		TOTAL OTHER INCOME DEDUCTIONS (Total of Lines 32-38)		

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SCHEDULE XV – COMPARATIVE INCOME STATEMENT

Line No.	Account Number (a)	Title of Account (b)	Current Year (c)	Prior Year (d)
40		**TAXES APPLICABLE TO OTHER INCOME AND DEDUCTIONS**		
41	408.2	Taxes Other Than Income Taxes, Other Income and Deductions		
42	409.2	Income Taxes, Other Income and Deductions		
43	410.2	Provision for Deferred Income Taxes, Other Income and Deductions		
44	411.2	Provision for Deferred Income Taxes – Credit, Other Income and Deductions		
45	411.5	Investment Tax Credit, Other Income Deductions		
46		TOTAL TAXES APPLICABLE TO OTHER INCOME AND DEDUCTIONS (Total of Lines 41-45)		
47		**INTEREST CHARGES**		
48	427	Interest on Long-Term Debt		
49	428	Amortization of Debt Discount and Expense		
50	429	(less) Amortization of Premium on Debt- Credit		
51	430	Interest on Debt to Associate Companies		
52	431	Other Interest Expense		
53	432	(less) Allowance for Borrowed Funds Used During Construction-Credit		
54		TOTAL INTEREST CHARGES (Total of Lines 48-53)		
55		NET INCOME BEFORE EXTRAORDINARY ITEMS (Total of Lines 21, 28, 37, 44, and 52)		
56		**EXTRAORDINARY ITEMS**		
57	434	Extraordinary Income		
58	435	(less) Extraordinary Deductions		
59		Net Extraordinary Items (Line 57 less Line 58)		
60	409.4	(less) Income Taxes, Extraordinary		
61		Extraordinary Items After Taxes (Line 59 less Line 60)		
62		NET INCOME OR LOSS/COST OF SERVICE (Total of Lines 55-61)		

Name of Respondent	This Report is: (1) ☐ An Original (2) ☐ A Resubmission	Resubmission Date *(Month, Day, Year)*	Year of Report Dec 31, _____

SCHEDULE XVI - ANALYSIS OF CHARGES FOR SERVICE – ASSOCIATE AND NON-ASSOCIATE COMPANIES

Line No.	Acct	Description	Associate Company			Non-associate Company			Total Charges For Services		
			Direct Cost	Indirect Cost	Total Cost	Direct Cost	Indirect Cost	Total Cost	Direct Cost	Indirect Cost	Total Cost
1	403-403.1	Depreciation Expense									
2	404-405	Amortization Expense									
3	407.3-407.4	Regulatory Debits/Credits – Net									
4	408.1-408.2	Taxes Other Than Income Taxes									
5	409.1-409.3	Income Taxes									
6	410.1-411.2	Provision for Deferred Taxes									
7	411.1-411.2	Provision for Deferred Taxes – Credit									
8	411.6	Gain from Disposition of Service Company Plant									
9	411.7	Losses from Disposition of Service Company Plant									
10	411.4-411.5	Investment Tax Credit Adjustment									
11	411.10	Accretion Expense									
12	412	Costs and Expenses of Construction or Other Services									
13	416	Costs and Expenses of Merchandising, Jobbing, and Contract Work for Associated Companies									
11	418	Non-operating Rental Income									
12	418.1	Interest and Dividend Income									
13	419.1	Allowance for Other Funds Used During Construction									
14	421	Miscellaneous Income or Loss									
15	421.1	Gain on Disposition of Property									
16	421.2	Loss on Disposition Of Property									
17	425	Miscellaneous Amortization									
18	426.1	Donations									
19	426.2	Life Insurance									
20	426.3	Penalties									
21	426.4	Expenditures for Certain Civic, Political and Related Activities									
22	426.5	Other Deductions									
23	427	Interest On Long-Term Debt									
24	428	Amortization of Debt Discount and Expense									
25	429	Amortization of Premium on Debt – Credit									
26	430	Interest on Debt to Associate Companies									
27	431	Other Interest Expense									
28	500-509	Total Steam Power Generation Operation Expenses									
29	510-515	Total Steam Power Generation Maintenance Expenses									
30	517-525	Total Nuclear Power Generation Operation Expenses									
31	528-532	Total Nuclear Power Generation Maintenance Expenses									
32	535-540.1	Total Hydraulic Power Generation Operation Expenses									
33	541-545.1	Total Hydraulic Power Generation Maintenance Expenses									

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SCHEDULE XVI - ANALYSIS OF CHARGES FOR SERVICE – ASSOCIATE AND NON-ASSOCIATE COMPANIES

Line No.	Acct	Description	Associate Company			Non-associate Company			Total Charges For Services		
			Direct Cost	Indirect Cost	Total Cost	Direct Cost	Indirect Cost	Total Cost	Direct Cost	Indirect Cost	Total Cost
34	546-550.1	Total Other Power Generation Operation Expenses									
35	551-554.1	Total Other Power Generation Maintenance Expenses									
36	555-557	Total Other Power Supply Operation Expenses									
37	560	Operation Supervision and Engineering									
38	561.1	Load Dispatch-Reliability									
39	561.2	Load Dispatch-Monitor and Operate Transmission System.									
40	561.3	Load Dispatch-Transmission Service and Scheduling									
41	561.4	Scheduling, System Control and Dispatch Services									
42	561.5	Reliability Planning and Standards Development									
43	561.6	Transmission Service Studies									
44	561.7	Generation Interconnection Studies									
45	561.8	Reliability Planning and Standards Development Services									
46	562	Station Expenses (Major Only)									
47	563	Overhead Line Expenses (Major Only)									
48	564	Underground Line Expenses (Major Only)									
49	565	Transmission of Electricity by Others (Major Only)									
50	566	Miscellaneous Transmission Expenses (Major Only)									
51	567	Rents									
52	567.1	Operation Supplies and Expenses (Nonmajor Only)									
53		Total Transmission Operation Expenses									
54	568	Maintenance Supervision and Engineering (Major Only)									
55	569	Maintenance of Structures (Major Only)									
56	569.1	Maintenance of Computer Hardware									
57	569.2	Maintenance of Computer Software									
58	569.3	Maintenance of Communication Equipment									
59	569.4	Maintenance of Miscellaneous Regional Transmission Plant									
60	570	Maintenance of Station Equipment (Major Only)									
61	571	Maintenance of Overhead Lines (Major Only)									
62	572	Maintenance of Underground Lines (Major Only)									
63	573	Maintenance of Miscellaneous Transmission Plant (Major Only)									
64	574	Maintenance of Transmission Plant (Nonmajor Only)									
65		Total Transmission Maintenance Expenses									
66	575.1-575.8	Total Regional Market Operation Expenses									
67	576.1-576.5	Total Regional Market Maintenance Expenses									
68	580-589	Total Distribution Operation Expenses									
69	590-598	Total Distribution Maintenance Expenses									
70		Total Electric Operation and Maintenance Expenses									

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SCHEDULE XVI - ANALYSIS OF CHARGES FOR SERVICE – ASSOCIATE AND NON-ASSOCIATE COMPANIES

Line No.	Acct	Description	Associate Company			Non-associate Company			Total Charges For Services		
			Direct Cost	Indirect Cost	Total Cost	Direct Cost	Indirect Cost	Total Cost	Direct Cost	Indirect Cost	Total Cost
71	800-812	Total Other Gas Supply Operation Expenses									
72	814-826	Total Underground Storage Operation Expenses									
73	830-837	Total Underground Storage Maintenance Expenses									
74	840-842.3	Total Other Storage Operation Expenses									
75	843.1-843.9	Total Other Storage Maintenance Expenses									
76	844.1-846.2	Total Liquefied Natural Gas Terminaling and Processing Operation Expenses									
77	847.1-847.8	Total Liquefied Natural Gas Terminaling and Processing Maintenance Expenses									
78	850	Operation Supervision and Engineering									
79	851	System Control and Load Dispatching.									
80	852	Communication System Expenses									
81	853	Compressor Station Labor and Expenses									
82	854	Gas for Compressor Station Fuel									
83	855	Other Fuel and Power for Compressor Stations									
84	856	Mains Expenses									
85	857	Measuring and Regulating Station Expenses									
86	858	Transmission and Compression of Gas By Others									
87	859	Other Expenses									
88	860	Rents									
89		Total Gas Transmission Operation Expenses									
90	861	Maintenance Supervision and Engineering									
91	862	Maintenance of Structures and Improvements									
92	863	Maintenance of Mains									
93	864	Maintenance of Compressor Station Equipment									
94	865	Maintenance of Measuring And Regulating Station Equipment									
95	866	Maintenance of Communication Equipment									
96	867	Maintenance of Other Equipment									
97		Total Gas Transmission Maintenance Expenses									
98	871-881	Total Distribution Operation Expenses									
99	885-894	Total Distribution Maintenance Expenses									
100		Total Natural Gas Operation and Maintenance Expenses									
101	901	Supervision									
102	902	Meter reading expenses									
103	903	Customer records and collection expenses									
104	904	Uncollectible accounts									
105	905	Miscellaneous customer accounts expenses									
106	906	Total Customer Accounts Operation Expenses									
107	907	Supervision									

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SCHEDULE XVI - ANALYSIS OF CHARGES FOR SERVICE – ASSOCIATE AND NON-ASSOCIATE COMPANIES

Line No.	Acct	Description	Associate Company			Non-associate Company			Total Charges For Services		
			Direct Cost	Indirect Cost	Total Cost	Direct Cost	Indirect Cost	Total Cost	Direct Cost	Indirect Cost	Total Cost
108	908	Customer assistance expenses									
109	909	Informational And Instructional Advertising Expenses									
110	910	Miscellaneous Customer Service And Informational Expenses									
111		Total Service and Informational Operation Accounts									
112	911	Supervision									
113	912	Demonstrating and Selling Expenses									
114	913	Advertising Expenses									
115	916	Miscellaneous Sales Expenses									
116		Total Sales Operation Expenses									
117	920	Administrative and General Salaries									
118	921	Office Supplies and Expenses									
119	923	Outside Services Employed									
120	924	Property Insurance									
121	925	Injuries and Damages									
122	926	Employee Pensions and Benefits									
123	928	Regulatory Commission Expenses									
124	930.1	General Advertising Expenses									
125	930.2	Miscellaneous General Expenses									
126	931	Rents									
127		Total Administrative and General Operation Expenses									
128	935	Maintenance of Structures and Equipment									
129		Total Administrative and General Maintenance Expenses									
130		Total Cost of Service									

Name of Respondent	This Report is: (1) ☐ An Original (2) ☐ A Resubmission	Resubmission Date *(Month, Day, Year)*	Year of Report Dec 31, _____

SCHEDULE XVII - ANALYSIS OF BILLING - ASSOCIATE COMPANIES (ACCOUNT 457)

Report in a footnote the basis of how the amounts of compensation for use capital are assigned to the associate and non-associate companies. If amounts are allocated differently for certain companies, please provide all details regarding the difference.

Line No.	Name of Associate Company	Direct Costs Charged	Indirect Costs Charged	Compensation For Use Of Capital	Total Amount Billed
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
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Name of Respondent	This Report is: (1) ☐ An Original (2) ☐ A Resubmission	Resubmission Date *(Month, Day, Year)*	Year of Report Dec 31, _____

SCHEDULE XVIII - ANALYSIS OF BILLING - NON-ASSOCIATE COMPANIES (ACCOUNT 458)

1. Provide a brief description of the services rendered to each non-associate company in a footnote.
2. Report in a footnote the basis of how the amounts of compensation for use capital are assigned to the associate and non-associate companies. If amounts are allocated differently for certain companies, please provide all details regarding the difference.

Line No.	Name of Non-associate Company	Direct Costs Charged	Indirect Costs Charged	Compensation For Use Of Capital	Excess or Deficiency on Servicing Non-associate Utility Companies	Total Amount Billed
1						
2						
3						
4						
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Name of Respondent	This Report is: (1) ☐ An Original (2) ☐ A Resubmission	Resubmission Date *(Month, Day, Year)*	Year of Report Dec 31, _____

SCHEDULE XIX - MISCELLANEOUS GENERAL EXPENSES - ACCOUNT 930.2

1. Provide a listing of the amount included in Account 930.2, "Miscellaneous General Expenses" classifying such expenses according to their nature. Amounts less than $50,000 may be grouped showing the number of items and the total for the group.
2. Payments and expenses permitted by Section 321 (b)(2) of the Federal Election Campaign Act, as amended by Public Law 94-283 in 1976 (2 U.S.C. 441(b)(2)) shall be separately classified.

Line No.	Description (a)	Amount (b)
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Name of Respondent	This Report is: (1) ☐ An Original (2) ☐ A Resubmission	Resubmission Date *(Month, Day, Year)*	Year of Report Dec 31, _____

SCHEDULE XX - ORGANIZATION CHART

1. Provide a graphical presentation of the relationships and inter relationships within the service company that identifies lines of authority and responsibility in the organization.

Name of Respondent	This Report is: (1) ☐ An Original (2) ☐ A Resubmission	Resubmission Date *(Month, Day, Year)*	Year of Report Dec 31, _____

SCHEDULE XXI - METHODS OF ALLOCATION

1. Indicate the service department or function and the basis for allocation used when employees render services to more than one department or functional group. If a ratio, include the numerator and denominator.
2. Include any other allocation methods used to allocate costs.

Service Department or Function	Basis of Allocation

Appendix B

List of Commenters

1. American Public Power Association and the Florida Municipal Power Agency jointly filed Comments (APPA)
2. Edison Electric Institute (EEI)
3. National Association of Regulatory Utility Commissioners (NARUC)
4. National Grid USA (National Grid)
5. NiSource, Inc. (NiSource)
6. Progress Energy, Inc. (Progress Energy)
7. Public Service Enterprise Group Incorporated (PSEG Companies)
8. Southern Company Services and Southern Nuclear Operating Company (Southern)
9. Xcel Energy Services, Inc. (XES)

List of Supplemental Commenters

1. CMS Energy Corporation and Consumers Energy Company jointly filed Supplemental Comments (CMS)
2. Edison Electric Institute (EEI)
3. FirstEnergy Service Company (FirstEnergy)
4. National Association of Regulatory Utility Commissioners (NARUC)
5. National Rural Electric Cooperative Association (NRECA)
6. NiSource, Inc. (NiSource)
7. Pepco Holdings and PHI Service Company jointly filed Supplemental Comments (PHI Companies)
8. Seminole Electric Cooperative, Inc. (Seminole)
9. Southern Company Services and Southern Nuclear Operating Company (Southern)
10. Xcel Energy Services, Inc. (XES)

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