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DOCKET NO. 970522-WS

CERTIFICATION OF

PUBLIC SERVICE COMMISSION ADMINISTRATIVE RULES

FILED WITH THE

DEPARTMENT OF STATE

I do hereby certify:

/X/ (1) That all statutory rulemaking requirements of Chapter 120, F.S., have been complied with; and

/X/ (2) There is no administrative determination under subsection 120.56(2), F.S., pending on any rule covered by this certification; and

/X/ (3) All rules covered by this certification are filed within the prescribed time limitations of paragraph 120.54(3)(e), F.S. They are filed not less than 28 days after the notice required by paragraph 120.54(3)(a), F.S., and;

/X/ (a) Are filed not more than 90 days after the notice; or

/ / (b) Are filed not more than 90 days after the notice not including days an administrative determination was pending; or

/ / (c) Are filed more than 90 days after the notice, but not less than 21 days from the date of publication of the notice of change; or

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/_/ (d) Are filed more than 90 days after the notice, but within 21 days after the adjournment of the final public hearing on the rule; or

/_/ (e) Are filed more than 90 days after the notice, but within 21 days after the date of receipt of all material authorized to be submitted at the hearing; or

/_/ (f) Are filed more than 90 days after the notice, but within 21 days after the date the transcript was received by this agency; or

/_/ (g) Are filed not more than 90 days after the notice, not including days the adoption of the rule was postponed following notification from the Joint Administrative Procedures Committee that an objection to the rule was being considered.

Attached are the original and two copies of each rule covered by this certification. The rules are hereby adopted by the undersigned agency by and upon their filing with the Department of State.

Rule No.

25-30.115

97 JUL 28 AM 11:22
TALLAHASSEE, FLORIDA

Under the provision of subparagraph 120.54(3)(e)6., F.S., the rules take effect 20 days from the date filed with the Department of State or a later date as set out below:

Effective: _____
(month) (day) , (year)

Kay Flynn for
BLANCA S. BAYÓ, Director
Division of Records & Reporting

_____
Number of Pages Certified

(S E A L)

25-30.115 Uniform System of Accounts for Water and Wastewater Utilities.

~~(1)~~ Water and wastewater utilities shall, effective January 1, 1998 ~~1986~~, maintain their ~~its~~ accounts and records in conformity with the 1996 ~~1984~~ NARUC Uniform Systems of Accounts adopted by the National Association of Regulatory Utility Commissioners. All inquiries related to the interpretation of these uniform systems of accounts shall be submitted to the Commission's Division of Water and Wastewater ~~Department~~ in writing. Note: The National Association of Regulatory Utility Commissioners published separate uniform systems of accounts for three classes of water and wastewater utilities: Class A (defined as those having annual water or wastewater operating revenues of $1,000,000 ~~$750,000~~ or more); Class B (defined as those having annual water or wastewater operating revenues of $200,000 ~~$150,000~~ or more but less than $1,000,000 ~~$750,000~~); Class C (defined as those having annual water or wastewater revenues of less than $200,000 ~~$150,000~~). Copies of these systems of accounts may be purchased from the office of said Association, Post Office Box 684, Washington, D.C. 20044.

~~(2) Accounts 469 and 530 Guaranteed Revenues for water and wastewater utilities respectively is created effective January 1, 1986. This account shall be credited with revenue collected through Guaranteed Revenues or the Allowance for Funds Prudently Invested.~~

Specific Authority: 367.121(1)(b)(f), F.S.

CODING: Words underlined are additions; words in ~~struck through~~ type are deletions from existing law.

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TALLAHASSEE, FLORIDA

Law Implemented: 367.121(1)(b), F.S.

History: Amended 2/3/70, 9/12/74, 1/2/79, 8/21/79, 9/6/85, formerly 25-10.04, Transferred from 25-10.004 11/9/86, _____.

CODING: Words underlined are additions; words in ~~struck through~~ type are deletions from existing law.

Rule 25-30.115
Docket No. 970522-WS

SUMMARY OF RULE

Water and wastewater utilities must maintain their accounts and records in conformity with the 1996 NARUC USOA.

SUMMARY OF HEARINGS ON THE RULE

No hearing was requested and none was held.

FACTS AND CIRCUMSTANCES JUSTIFYING THE RULE

Under section 367.121(1)(b), Florida Statutes, the Commission has the authority to prescribe, by rule, a uniform system and classification of accounts for all utilities. Rule 25-30.115, F.A.C., currently requires water and wastewater utilities to maintain their accounts according to the 1984 National Association of Regulatory Commissioners (NARUC) Uniform System of Accounts (USOA) applicable to Class A, B, or C utilities. The 1984 edition is now outdated. For example, it does not provide the accounting for reuse facilities, backflow prevention devices, or regulatory assets and liabilities. The 1996 edition includes these accounts, among others, and increases the revenue levels for Class A, B, and C utilities to account for inflation since the 1984 edition was adopted. Section (2) of the rule is deleted as unnecessary. The NARUC USOA now includes these accounts.

FLORIDA PUBLIC SERVICE COMMISSION
TALLAHASSEE, FLORIDA
97 JUL 28 AM 11:22

CERTIFICATION OF
PUBLIC SERVICE COMMISSION
OF MATERIAL INCORPORATED BY REFERENCE IN RULE 25-30.115
FILED WITH THE DEPARTMENT OF STATE

I hereby certify that attached is a true and complete copy of NARUC Uniform Systems of Accounts which is incorporated by reference by Rule 25-30.115, Florida Administrative Code.

Under the provision of subparagraph 120.54(3)(e)6., F.S., the incorporated material takes effect 20 days from the date filed with the Department of State or a later date as set out below:

Effective: _____
(month) (day) (year)

Kay Flynn for
BLANCA S. BAYÓ, Director
Division of Records & Reporting

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(S E A L)

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NATIONAL ASSOCIATION
OF
REGULATORY UTILITY
COMMISSIONERS

1996
Uniform System of Accounts
For
Class A
Water Utilities

Pursuant to action by the National Association of Regulatory Utility Commissioners, this System of Accounts is recommended to the Commissions represented in the membership of this Association for consideration and for adoption in their respective jurisdictions with such modifications only as they may deem necessary in the public interest.

PREFACE

The 1996 Water and Wastewater Uniform systems of Accounts were proposed by the Subcommittee on Accounts of the Committee on Finance and Technology of the National Association of Regulatory Utility Commissioners (NARUC). The NARUC Executive Committee unanimously approved these uniform systems of accounts at its Summer Committee Meeting held in Los Angeles, California, July 22-25, 1996. We would like to express our appreciation to Marshall Willis of the Florida Public Service Commission for his participation in this project and the many hours he spent rewriting these uniform systems of accounts.

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DEFINITIONS

When used in this system of accounts:

1. "Accounts" means the accounts prescribed in this system of accounts.

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

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. A. "Associated companies" means companies or persons that, directly or indirectly, through one or more intermediaries, control, or are controlled by, or are under common control with, the accounting company.

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

6. "Book cost" means the amount at which property is recorded in these accounts without deduction of related provisions for accrued depreciation, amortization, or for other purposes.

7. "Commission", unless otherwise indicated by the context, means the commission prescribing this system of accounts.

8. "Composite depreciation rate" is a percentage based on the weighted average service life of a number of units of plant, each of which may have a different individual life expectancy. Composite

depreciation rates may be determined for (a) a single depreciable plant account, (b) a single rate for several depreciable accounts or (c) a single composite rate may be determined for all depreciable plant of the utility.

9. "Cost" means the amount of money actually paid for property or service. When the consideration given is other than cash, the value of such consideration shall be determined on a cash basis.

10. "Cost of removal" means the cost of demolishing, dismantling, tearing down or otherwise removing utility plant, including the cost of transportation and handling incidental thereto.

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

12. "Depreciation", as applied to depreciable utility plant, means the loss in service value not restored by current maintenance, incurred in connection with the consumption or prospective retirement of utility plant in the course of providing service from causes which are known to be in current operation and against which the utility is not protected by insurance. Among the causes to be given consideration are wear and tear, decay, action of the elements, inadequacy, obsolescence, changes in the art, changes in demand, and requirements of public authorities.

13. "Discount", as applied to the securities issued or assumed by the utility, 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.

14. "Fire main" means any main forming part of an integrated system used exclusively for fire protection purposes.

15. "Gross-up of contributions in aid of construction" is the method by which a utility extracts, from developers or others, a sum of money sufficient to pay all or a portion of the tax obligation due to the change in the federal tax law in 1987 which resulted in contributions made to utilities in aid of construction (CIAC) being considered ordinary income instead of contributions of capital. Because the sum extracted to pay the tax is also considered income subject to tax, the term tax-on-tax has been used to describe the

additional sum of money that must be extracted in order to pay the tax on the initial amount.

Common gross-up methods include the full gross-up method and the net present value method. Under the full gross-up method, a sum sufficient to meet the full tax obligation, including the tax-on-tax, is extracted. Under the net present value method, the sum extracted is the net present value of the estimated future stream of tax benefits resulting from the depreciation deductions for the contributed asset to be taken on the tax returns of the utility.

16. "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 or debtor that they shall be settled by the issuance of securities or shall not be subject to current settlement.

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

18. "Multiple family dwelling" means a residential structure or group of structures which is capable of separately housing more than one family unit.

19. "Net salvage value" means the salvage value of property retired less the cost of removal.

20. "Nominally issued", as applied to securities issued or assumed by the utility 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 utility, but which have not been sold, or issued direct to trustees of sinking funds in accordance with contractual requirements.

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

22. "Original cost", as applied to utility plant, means the cost of such property to the person first devoting it to the public service.

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

24. "Premium", as applied to the securities issued or assumed by the utility, 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.

25. "Property retired", as applied to utility plant, means property which has been removed, sold, abandoned, destroyed, or which for any cause has been permanently withdrawn from service.

26. "Reclaimed water" means water that has received at least secondary treatment and basic disinfection and is reused after flowing out of a wastewater treatment plant.

27. "Regulatory Assets and Liabilities" are assets and liabilities that result from rate actions of regulatory agencies. Regulatory assets and liabilities arise from specific revenues, expenses, gains or losses that would have been included in determination of net income in one period under the general requirements of the Uniform System of Accounts but for it being probable that; 1) such items will be included in a different period(s) for purposes of developing the rates the utility is authorized to charge for its utility services; or 2) in the case of regulatory liabilities, that refunds to customers, not provided for in other accounts, will be required. Regulatory assets and liabilities can also be created in reconciling differences between the requirements of generally accepted accounting principles, regulatory practice and tax laws.

28. "Replacing" or "replacement", when not otherwise indicated in the context, means the construction or installation of utility plant in place of property of retired, together with the removal of the property retired.

29. "Research and development" means expenditures incurred by public utilities which represent research and development costs in the experimental or laboratory sense. The term includes generally all such costs incident to the development of an experimental or pilot model, a plant process, a product, a formula, an invention, or similar property, and the improvement of already existing property of the type mentioned.

30. "Retained earnings" means the accumulated net income of the utility less distributions to stockholders and transfers to other capital accounts, and other adjustments (See account 439 - Adjustments to Retained Earnings).

31. "Retirement units" means those items of utility plant which, when retired, with or without replacement, are accounted for by crediting the original costs.

32. "Reuse" means the deliberate application of reclaimed water, in compliance with Federal and State environmental rules and regulations, for a beneficial purpose.

33. "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.

34. "Service life" means the time between the date utility plant is includible in utility plant in service, or utility plant leased to others, and the date of its retirement. If depreciation is accounted for on a production basis rather than on a time basis, then service life should be measured in terms of the appropriate unit of production.

35. "Service value" means the difference between the original cost and net salvage value of utility plant.

36. "Straight-line remaining life method", as applied to depreciation accounting, means the plan under which the service value of property is charged to operating expenses (and to clearing accounts if used), and credited to the accumulated depreciation account through equal annual charges during its service life. "Remaining life" implies that estimates of future life and salvage will be reexamined periodically and that depreciation rates will be corrected to reflect any changes in these estimates.

37. "Straight-line method" as applied to depreciation accounting means the plan under which the service value of property is charged to operating expenses (and to clearing accounts if used), and credited to the accumulated depreciation account through equal annual charges during its service life. Estimates of the service life and salvage will be reexamined periodically and depreciation rates will be corrected to reflect any changes in these estimates.

38. "Supply main" means any main, pipe, aqueduct or canal the primary purpose of which is to convey water from one unit to another unit in the source of supply, water treatment or pumping plant and generally providing no service connections with customers.

39. "Transmission and distribution main" means any main the primary purpose of which is to convey water, requiring no further processing except incidental chlorination or pressure boosting, from a unit in the source of supply, water treatment or pumping plant and generally providing no service connection with customers.

40. "Utility", as used herein and when not otherwise indicated in the context, means any public utility to which this system of accounts is applicable.

1. General - Classification of Utilities

A. For the purpose of applying the system of accounts prescribed by the Commission, water utilities are divided into three classes, as follows:

Class A - Utilities having annual water operating revenues of $1,000,000 or more.

Class B - Utilities having annual water operating revenues of $200,000 or more but less than $1,000,000.

Class C - Utilities having annual water operating revenues of less than $200,000.

B. This system of accounts applies to Class A utilities. The system of accounts applicable to Class B and C utilities are issued separately.

C. The class to which any utility belongs shall originally be determined by the average of its annual water operating revenues for the last three consecutive years. Subsequent changes in classification shall be made when the average annual water operating revenues for the three immediately preceding years exceed the upper limit or are less than the lower limit, of the annual water operating revenues of the classification previously applicable to the utility. For a utility with both water and wastewater operations, the classification shall be based on the operation with the highest annual revenues.

2. General - Records

A. Each utility shall keep its books of account, and all other books, records, and memoranda which support the entries in such books of accounts so as to be able to furnish readily full information as to any item included in any account. Each entry shall be supported by such detailed information as will permit a ready identification, analysis, and verification of all facts relevant thereto.

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

C. No utility shall destroy any such books or records unless the destruction thereof is permitted by rules and regulations of the Commission.

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

E. All amounts included in the accounts prescribed herein for utility plant and operating expenses shall be just and reasonable and any payments or accruals by the utility in excess of just and reasonable charges shall be included in account 426 - Miscellaneous Nonutility Expenses.

F. The arrangement or sequence of the accounts prescribed herein shall not be controlling as to the arrangement or sequence in report forms which may prescribed by the Commission.

3. General - Numbering System

A. The account numbering scheme used herein consists of a system of three digit numbers as follows:

100-199	Assets and Other Debits
200-299	Equity, Liabilities and Other Credits
300-349	Water Plant Accounts
400-434	Income Accounts
435-439	Retained Earnings Accounts
460-489	Water Operating Revenue Accounts
600-699	Water Operation and Maintenance Expenses

B. The utility plant and operation and maintenance expense accounts are further subdivided using a suffix of one decimal place as explained in following instructions.

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

D. The numbers prefixed to account titles are solely for convenience of reference and are not a part of the titles. Each utility may adopt such scheme of account numbers as it deems appropriate; provided, however, that is shall keep readily available a list of the account numbers and subdivisions of accounts which it uses and a reconciliation of such numbers and subdivisions with the account numbers and titles provided herein. Further, the records must be kept to permit classification or summarization of each accounting period according to the prescribed accounts.

4. General - Accounting Period

Each utility shall keep its books on a monthly basis so that for each month all transactions applicable thereto, as nearly as may be ascertained, shall be entered in the books of the utility. Amounts applicable or assignable to specific utility departments shall be segregated monthly. Each utility shall close its books at the end of each calendar year unless otherwise authorized by the Commission.

5. General - Submittal of Questions

To maintain uniformity of accounting, utilities shall submit questions of doubtful interpretation to the Commission for consideration and decision.

6. General - "Item" Lists

List of "items" appearing in the texts of the accounts or elsewhere herein are for the purpose of more clearly indicating the application of the prescribed accounting. 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.

7. General - Extraordinary Items

It is the intent that net income shall reflect all items of profit and loss during the period with the sole exception of prior period adjustments as described in Accounting Instruction 8. Those items related to the effects of events and transactions which have occurred during the period and which are not typical or customary business activities of the company shall be considered extraordinary items. Commission approval must be obtained to treat an item as extraordinary. Such request must be accompanied by complete detailed information (See accounts 433 and 434).

8. General - Prior Period Items

A. All prior period adjustments to retained earnings shall be approved by the Commission. Generally the only type of transactions which will be considered as a prior period adjustment are:

(1) Correction of an error in the financial statements of a prior period; or

(2) Adjustments that result from realization of income tax benefits of preacquisition loss carry forwards of purchased subsidiaries.

B. Prior period adjustments, when approved, shall be charged or credited to account 439 - Adjustments to Retained Earnings, and are not considered in income of the period. Prior period adjustments shall be recorded net of all state and federal income tax effects.

C. Changes in depreciation or amortization estimates or methods are considered changes in accounting estimates rather than accounting errors; and therefore are not subject to prior period adjustments. Any adjustments made to the accumulated amortization or depreciation balances of the utility due to a change in estimate or method shall be offset by a charge or credit to either: an income account; account 186.2 - Other Deferred Debits; or account 253 - Other Deferred Credits, as directed by the Commission.

9. General - Unaudited Items

Whenever a financial statement is required by the Commission, if it is known that a transaction has occurred which affects the accounts but the amount involved in the transaction and its effect upon the accounts cannot be determined with absolute accuracy, then the amount shall be estimated and such estimated amount included in the proper accounts. A complete description of the transactions shall accompany the financial statement. Utilities are not required to anticipate minor items which would not appreciably affect the accounts.

10. General - Allocation of Salaries and Expenses of Employees

Charges to utility plant or to a salaries expense account shall be based upon the actual time engaged in either plant construction or providing operation services. In the event actual time spent in the various activities is not available or practicable, salaries should be allocated upon the basis of a study of the time engaged during a representative period. Charges should not be made to the accounts based upon estimates or in an arbitrary fashion.

11. General - Payroll Distribution

Underlying accounting data shall be maintained so that the distribution of the costs of labor charged to the various accounts will be available. The utility may utilize clearing accounts in its accounting process; however, the use of clearing accounts does

not relieve the utility from the responsibility of providing a distribution of the costs of labor or from being able to substantiate its labor charged with sufficient source documents.

12. General - Operating Reserves

Accretions to operating reserve accounts made by charges to operating expenses shall not exceed a reasonable provision for the expense. Material balances in such reserve accounts shall not be diverted from the purpose for which provided, unless the permission of the Commission is first obtained.

13. General - Records for Each Plant

Separate records shall be maintained by utility plant accounts of the book cost of each plant owned including additions by the utility to plant leased from others and of the cost of operating and maintaining each plant owned or operated.

14. General - Accounting for Other Departments

If the utility also operates other utility departments, such as electric, wastewater, gas, etc., it shall keep such accounts for the other departments as may be prescribed by proper authority and in the absence of prescribed accounts, it shall keep such accounts as are proper or necessary to reflect the results of operating each other department.

15. General - Transactions with Associated Companies

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

16. General - Contingent Assets and Liabilities

Contingent assets represent a possible source of value to the utility contingent upon the fulfillment of conditions regarded as uncertain. Contingent liabilities include items which may under certain conditions become obligations of the utility but which are

neither direct nor assumed liabilities at the date of the balance sheet. The utility shall be prepared to give a complete statement of material 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.

17. Utility Plant - Classification of Utility Plant at Effective Date of System of Accounts

A. The utility plant accounts provided herein are substantially the same in context as those contained in the prior system of accounts, except that some changes have been made in classification, rearrangement and regrouping of certain accounts. A few account titles have been changed. Subject to these changes, the balances in the various plant accounts, as determined under the prior system of accounts, shall be carried forward. Any remaining balance of plant which has not yet been classified, pursuant to the requirements of the prior system, shall be classified in accordance with the following instructions.

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

C. The detailed utility plant accounts (301 to 348, inclusive) shall be stated on the basis of cost to the utility of plant constructed by it and the original cost, estimated if not known, of plant acquired as an operating unit or system. The difference between the original cost, as above, and the cost to the utility of utility plant after giving effect to any accumulated depreciation or amortization, and contributions in aid of construction applicable to the property acquired, if recorded by the accounting utility at the time of acquisition, shall be recorded in account 114 - Utility Plant Acquisition Adjustments. The original cost utility plant shall be determined by analysis of the utility's records or those of predecessor vendor companies with respect to utility plant previously acquired as operating units or systems and the difference between the original cost so determined, less accumulated depreciation and amortization and contributions in aid of construction recorded by the accounting utility, and the cost to the utility, with necessary adjustments for retirements for date of acquisition, shall be entered in account 114 - Utility Plant Acquisition Adjustments. Any difference between the cost of utility plant and its book cost, when not properly includible in other accounts, shall be recorded in account 116 - Other Utility Plant Adjustments.

18. Utility Plant - To be Recorded at Cost

A. All amounts included in the accounts for utility plant acquired as an operating unit or system, shall be stated at the cost incurred by the person who first devoted the property to utility service. All other utility plant shall be included in the accounts at the cost incurred by the utility except as otherwise provided in the texts of the intangible plant accounts. Where the term "cost" is used in the detailed plant accounts, it shall have the meaning stated in this paragraph (See Definition 9).

B. When the consideration given for property is other than cash, the value of such consideration shall be determined on a cash basis. In the entry recording such transaction, the actual consideration shall be described with sufficient particularity to identify it. The utility shall 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 shall be made to the utility plant accounts for interest, insurance, or other expenditures occasioned solely by such form of payment.

D. Utility plant accounts shall be charged with construction costs (estimated, if not known) of the utility plant contributed by others or constructed by the utility using contributed cash or its equivalent. For contributed utility plant, the accumulated depreciation or amortization account shall be charged with the estimated amount of depreciation or amortization applicable to the property at the time it was contributed to the utility. Account 271 - Contributions in Aid of Construction shall be credited with the net of the amounts charged to the plant and the accumulated depreciation of amortization accounts. For plant constructed using contributed cash or its equivalent, account 271 - Contributions in Aid of Construction shall be credited with the amount of the cash or its equivalent contribution.

19. Utility Plant - Components of Construction Cost

The cost of construction properly includible in the utility plant accounts shall include, where applicable, the direct and overhead costs as listed and defined hereunder:

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

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

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

Note: -- The cost of individual items of equipment of less than $750 or of short life, including small portable tools and implements, shall not be charged to utility plant accounts unless the correctness of the accounting therefor is verified by current inventories. The cost shall be charged to the appropriate operating expense or clearing accounts, according to the use of such items, or, if such items are consumed directly in construction work, the cost shall be included as part of the cost of the construction unit.

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

(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 pile drivers, derricks, ditchers, scrapers, material unloaders, and other labor saving machines; also expenditures for rental, maintenance and operation of machines of others. It does not include the cost of small tools and other individual items of small value or short life which are included in the cost of materials and supplies (See item 3, above). When a particular construction job requires the use for an extended period of time of special machines, transportation or other equipment, the net book cost thereof, less the appraised or salvage value at time of release from the job, shall be included in the cost of construction.

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

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

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

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

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

(11) "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 utility to plan, design, prepare estimates, supervise, inspect, or give general advice and assistance in connection with construction work.

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

(15) "Legal expenditures" includes the general legal expenditures incurred in connection with construction and the court and legal costs directly related thereto, other than legal expenses included in protection, item 7, and in injuries and damages, item 8.

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

(17) "Allowance for funds used during construction" includes the net cost for the period of construction of borrowed funds used for construction purposes and a reasonable rate on other funds when so used. No allowance for funds used during construction shall be included in these accounts upon expenditures for construction projects which have been abandoned.

> Note:--When only a part of a plant or project is placed operation or is completed and ready for service but the construction work as a whole is incomplete, that part of the cost of the property placed in operation, or ready for service, shall be treated as "Utility Plant in Service" and allowance for funds used during construction thereon as a charge to construction shall cease. Allowance for funds used during construction on that part of the cost of the plant which is incomplete may be continued as a charge to construction until such time as it is placed in operation or is ready for service, except as limited in item 17, above.

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

> (a) The earnings shall include revenues received or earned for water produced by plants during the construction period and sold or used by the utility. Where such water is sold to an independent purchaser before intermingling with water from other plants, the credit shall consist of the selling price of the

water. Where the water from a plant under construction is delivered to the utility's water system for distribution and sale, or is delivered to an associated company, or is delivered to and used by the utility for purposes other than distribution and sale (for manufacturing or industrial use, for example), the credit shall be the fair value of the water so delivered. The revenues shall also include rentals for lands, buildings, etc., and miscellaneous receipts not properly includible in other accounts.

(b) The expenses shall consist of the cost of operating the water plant, and other costs incident to the production and delivery of water for which construction is credited under paragraph (a), above, including the cost of repairs and other expenses of operating and maintaining lands, buildings, and other property, and other miscellaneous and like expenses not properly includible in other accounts.

20. Utility Plant - 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 accounting utility, legal expenses, insurance, injuries and damages, relief and pensions, taxes and allowance for funds used during construction, shall be charged to particular jobs or units on the basis of the amounts of such overheads reasonably applicable thereto, so that each job or unit shall bear its equitable proportion of such costs and that the entire costs of the unit, both direct and overhead, shall be deducted from the plant accounts at the time the property is retired.

B. As far as practicable, the determination of payroll charges includible in construction overheads shall be based on time card distributions thereof. Where this procedure is impractical, special studies shall be made periodically of the time of supervisory employees devoted to construction activities so that only such overhead costs as have a definite relation to construction shall be capitalized. The addition to direct construction costs of arbitrary percentages or amounts to cover assumed overhead costs is not permitted.

C. The records supporting the entries for overhead construction costs shall be so kept as to show the total amount of each overhead for each year, the nature and amount of each overhead expenditure charged to each construction work order and to each utility plant account, and the basis of distribution of such costs.

21. Utility Plant - Purchased or Sold

A. When utility plant constituting an operating unit or system is acquired by purchase, merger, consolidation, liquidation, or otherwise, the costs of acquisition, including expenses incidental thereto properly includible in utility plant, shall be charged to account 104 - Utility Plant Purchased or Sold.

B. The accounting for the acquisition shall then be completed as follows:

(1) The original cost of plant, estimated if not known, shall be credited to account 104 - Utility Plant Purchased or Sold, and concurrently charged to the appropriate utility plant in service accounts and account 102 - Utility Plant Leased to Others and account 103 - Property Held for Future Use, and account 105 - Construction Work in Progress, as appropriate.

(2) The requirements for accumulated depreciation and amortization applicable to the original cost of the properties purchased, if required by the Commission to be recorded by the accounting utility determined with due regard to operating practices of the purchaser and his plans regarding such property, and giving consideration also to the effect on such requirements of any rehabilitation expenditures (see Paragraph C), shall be charged to account 104 - Utility Plant Purchased or Sold, and concurrently credited to the appropriate account for accumulated depreciation or amortization.

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

(4) The amount of contributions in aid of construction applicable to the property acquired, and which the purchaser may be required to record, shall be charged to account 104 - Utility Plant Purchased or Sold, and concurrently credited to account 271 - Contributions in Aid of Construction.

(5) The amount of accumulated amortization applicable to contributed property, and which the purchaser may be required to record, shall be credited to account 104 - Utility Plant Purchased or Sold and concurrently debited to account 272 - Accumulated Amortization of Contributions in Aid of Construction, according to the regulatory treatment of the Commission.

(6) The amount remaining in account 104 - Utility Plant Purchased or Sold, shall then be closed to account 114 - Utility Plant Acquisition Adjustments.

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

D. When any property acquired as an operating unit or system includes duplicate or other plant, which will be retired by the accounting utility in the reconstruction of the acquired property or its consolidation with previously owned property, the accounting for such property shall be presented to the Commission.

E. In connection with the acquisition of utility plant, the utility shall procure, if possible, all existing records relating to the property acquired, or certified copies thereof, and shall preserve such records in conformity with regulations or practices governing the preservation of records of its own construction.

F. When utility plant constituting an operating unit or system is sold, conveyed, or transferred to another by sale, merger, consolidation, or otherwise, the book cost of the property sold or transferred to another shall be credited to the appropriate utility plant accounts, including amounts carried in account 114 - Utility Plant Acquisition Adjustments, and the amounts (estimated if not known) carried with respect thereto in the accounts for accumulated depreciation and amortization and in account 252 - Advances for Construction, and account 271 - Contributions in Aid of Construction, shall be charged to such accounts and the contra entries made to account 104 - Utility Plant Purchased or Sold. Unless otherwise ordered by the Commission, the difference, if any between (a) the net amount of debits and credits and (b) the consideration received for the property (less commissions and other expenses of making the sale) shall be included in account 414 - Gains (Losses) From Disposition of Utility Property (See account 104 - Utility Plant Purchased or Sold).

Note:--In cases where existing utilities merge or consolidate because of financial or operating reasons or statutory requirements rather than as a means of transferring title of purchased properties to a new owner, the accounts of the constituent utilities, with the approval of the Commission, may be combined. In the event original cost has not been determined, the resulting utility shall proceed to determine such cost as outlined herein.

22. Utility Plant - Accounting for Capital and Operating Leases

A. For each lease entered into, the utility shall maintain sufficient documents and other background information as necessary to determine whether the lease is a capital or operating lease. This information includes but is not limited to:

(1) Evidence or documents of ownership;
(2) Signed copies of the lease agreement;
(3) Estimated life of the leased property;
(4) Evidence as to the value of the leased property;
(5) Evidence as to the lessor's implicit interest rate (if available);
(6) Evidence as to the lessee's borrowing rate; and
(7) The amount and disposition of executory costs (taxes, maintenance and insurance).

B. Leases shall be accounted for by the utility as described in Statement of Financial Accounting Standards Nos. 13 (as amended) and 71 published by the Financial Accounting Standards Board; however, the Commission may elect to approve the entries made to the utilities accounts in recording the effect of utility leases.

C. Capitalized leases shall be recorded in the appropriate plant in service account(s) which describe the type of asset leased. These records shall be maintained in sufficient detail such that the utility will be able to report the number, general nature, and residual balances of all capitalized leased assets as well as any related leasehold amortization balances and the balance of any leasehold obligations.

23. Utility Plant - Expenditures on Leased Property

A. The cost of substantial initial improvements (including repairs, rearrangements, additions and betterments) made in the course of preparing for utility property leased for a period of more than one year, and the cost of subsequent substantial additions, replacements, or betterments to such property, shall be charged to the utility plant account appropriate for the class of property leased. If the service life of the improvements is terminable by action of the lease, then the cost, less net salvage, of the improvements shall be spread over the life of the lease by charges to account 407.1 - Amortization of Limited Term Plant. However, if the service life is not terminated by action of the lease, but by depreciation proper, then the cost of the improvements, less net salvage, shall be accounted for as depreciable plant.

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 shall be charged to the account in which the rent is included either directly or by amortization thereof.

24. Utility Plant - Land and Land Rights

A. The accounts for land and land rights include the cost of land owned in fee by the utility and rights, interests, and privileges held by the utility in land owned by others, such as leaseholds, easements, water and water power rights, diversion rights, submersion rights, rights of way, and other like interests in land. Do not include in the accounts for land, land rights, and rights of way costs incurred in connection with first clearing and grading of land and rights of way and the damage costs associated with the construction and installation of plant. Such costs shall be included in the appropriate plant accounts directly benefited.

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

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

D. Any difference between the amount received from the sale of land or land rights, less agents' commissions and other costs incident to the sale, and the book cost of such land or rights, shall be included in account 414 - Gains (Losses) from Disposition of Utility Property, unless a reserve therefore has been authorized and provided or, less otherwise authorized or required by the Commission. Appropriate adjustments of the accounts shall be made with respect to any structures or improvements located on land sold.

E. The cost of buildings and other improvements (other than public improvements) shall not be included in the land accounts. If at the time of acquisition of any interest in land, such interest extends to buildings or other improvements (other than public improvements), which are then devoted to water operations,

the land and improvements shall be separately appraised and the cost allocated to land and buildings or improvements on the basis of the appraisals. If the improvements are removed or wrecked without being used in operations, the cost of removing or wrecking shall be charged and the salvage credited to the account in which the cost of the land is recorded.

F. When the purchase of land for utility operations requires the purchase of more land than needed for such purposes, the charge to the specific land account shall be based upon the cost of the land purchased, less the fair market value of that portion of the land which is not to be used in utility operations. The portion of the cost measured by the fair market value of the land not to be used shall be included in account 103 - Property Held for Future Use, or account 121 - Nonutility Property, as appropriate.

G. Provision shall 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 110.1 - Accumulated Amortization of Utility Plant in Service, and account 407.1 - Amortization of Limited Term Plant).

25. Utility Plant - Structures and Improvements

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

B. The cost of specially provided foundation, not intended to outlast the machinery for apparatus for which provided, and the cost of angle irons, castings, etc., installed at the base of any item of equipment, shall be charged to the same account as the cost of the machinery, apparatus, or equipment.

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

D. Where furnaces and boilers are used primarily for furnishing steam for some particular department and only incidentally for furnishing steam for heating a building and operating the equipment therein, the entire cost of such furnaces and boilers shall be charged to the appropriate plant account, and no part to the building account.

E. Where the structure of a dam forms also the foundation of a building, such foundation shall be considered a part of the dam.

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

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

26. Utility Plant - Equipment

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

B. Exclude from equipment accounts hand and other portable tools, which are likely to be lost or stolen or which have a value of less than $750 or short life, unless the correctness of the accounting therefor as utility plant is verified by current inventories. Special tools acquired and included in the purchase price of equipment shall be included in the appropriate plant account. Portable drills and similar tool equipment when used in connection with the operation and maintenance of a particular plant or department, such as pumping, transmission and distribution, etc.,

or in "stores", shall be charged to the plant account appropriate for their use.

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

D. The equipment accounts shall include the necessary costs of testing or running a plant or part thereof during an experimental or test period prior to becoming available for service. The utility shall furnish the Commission with full particulars of and justification for any test or experimental run extending beyond a period of thirty days.

E. The cost of efficiency or other tests made subsequent to the date equipment becomes available for service shall be charged to the appropriate expense accounts, except that tests to determine whether equipment meets the specifications and requirements as to efficiency, performance, etc., 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 utility plant account.

27. Utility Plant - Additions and Retirements

A. For the purpose of avoiding undue refinement in accounting for additions to and retirements and replacements of utility plant, all property shall be considered as consisting of (1) retirement units and (2) minor items of property. Each utility shall use such list of retirement units as is in use by it at the effective date hereof or as may be prescribed by the Commission, with the option, however, of using smaller units, provided the utility's practice in this respect is consistent.

B. The addition and retirement of retirement units shall be accounted for as follows:

(1) When a retirement unit is added to the utility plant, the cost thereof shall be added to the appropriate utility plant account, except that when units are acquired in the acquisition of any utility plant constituting an operating system, they shall be accounted for as provided in Instruction 21.

(2) When a retirement unit is retired from utility plant, with or without replacement, the book cost thereof shall be credited to the utility plant account in which it is included, determined in the manner set forth in paragraph D, below. If the retirement unit is of a depreciable class, the book cost of the unit retired and credited to utility plant shall be charged to the accumulated depreciation applicable to such property. The cost of removal and the salvage shall be charged or credited, as appropriate, to such depreciation account.

C. The addition and retirement of minor items of property shall be accounted for as follows:

(1) When a minor item of property which did not previously exist is added to plant and a substantial addition results, the cost thereof shall be accounted for in the same manner as for the addition of a retirement unit, as set forth in paragraph B(1), above, otherwise the charge shall be to the appropriate maintenance expense account.

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

(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 shall be charged to the maintenance expense account appropriate for the item, except that if the replacement effects a substantial betterment (the primary aim of which is to make the property affected more useful, more efficient, of greater durability, or of greater capacity), the excess cost of the replacement over the estimated cost at current prices of replacing without betterment shall be charged to the appropriate utility plant account.

D. The book cost of the utility plant retired shall be the amount at which such property is included in the utility plant accounts, including all components of construction costs. The book cost shall be determined from the utility's records and if this cannot be done, it shall be estimated. When it is impracticable to

determine the book cost of each unit, due to the relatively large number or small cost thereof, an appropriate average book cost of the units, with due allowance for any differences in size and character, shall be used as the book cost of the units retired.

E. The book cost of land retired shall be credited to the appropriate land account. If the land is sold, the difference between the book cost and the sale price of the land (less commissions and other expenses of making the sale) shall be included in account 414 - Gains (Losses) from Disposition of Utility Property, unless otherwise authorized or required by the Commission. If the land is not used in utility service but is retained by the utility, the book cost shall be charged to account 103 - Property Held for Future Use, or account 121 - Nonutility Property, as appropriate.

F. The book cost less net salvage of depreciable utility plant retired shall be charged in its entirety to account 108.1 - Accumulated Depreciation of Utility Plant in Service. Any amounts which, by approval or order of the Commission, are charged to account 182 - Extraordinary Property Losses, shall be credited to account 108.1 - Accumulated Depreciated of Utility Plant in Service.

G. The accounting for the retirement of amounts included in account 302 - Franchises and the items of limited term interest in land included in the accounts for land and land rights shall be as provided for in the text of account 110.1 - Accumulated Amortization of Utility Plant in Service, account 407.1 - Amortization of Limited Term Plant and account 407.3 - Amortization of Other Utility Plant.

H. In some instances the unexpected early retirement of a major unit of property, which would eliminate or seriously deplete the existing depreciation reserve, may require accounting treatment which differs from that described in paragraph B above. In such instances the Commission may authorize or order the loss on retirement (less any tax savings) to be charged to income in the current year or transferred to account 186 - Miscellaneous Deferred Debits, and amortized in future periods. Such accounting treatment shall be used only when specifically authorized or directed by the Commission.

28. Utility Plant - Work Order and Property Record System Required

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

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

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

29. Utility Plant - Transfers of Property

A. When property is transferred from one utility plant account to another, from one utility department to another, such as from water to wastewater, from one operating division or area to another, to or from accounts 101 - Utility Plant in Service, 102 - Utility Plant Leased to Others and 103 - Property Held for Future Use, the transfer shall be recorded by transferring the original cost thereof from the one account, department, or location to the other. Any related amounts carried in the accounts for accumulated depreciation or amortization shall be transferred in accordance with the segregation of such accounts.

B. When depreciable property is transferred from the utility plant accounts to account 121 - Nonutility Property, the transfer shall be accomplished by crediting the utility plant accounts and charging the accumulated depreciation with the book cost of the item transferred; the accumulated depreciation shall then be credited and account 121 - Nonutility Property, concurrently charged with the market value of the property transferred. If the property is sold within a relatively short time, a debit or credit shall be made to the accumulated depreciation to adjust the estimated salvage to the amount actually realized.

30. Utility Plant - Common Plant

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

B. Utility plant designated as common utility plant shall be classified according to the detailed utility plant accounts appropriate for the property.

C. The utility shall be prepared to show at any time and to report to the Commission annually, or more frequently, if required, and by utility plant accounts (301 to 348) the following: (1) the book cost of common utility plant (2) the allocation of such cost to the respective departments using the common utility plant and (3) the basis of the allocation.

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

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

31. Utility Plant - Multiple Use

Land, rights of way and structures used jointly for several functions, such as supply, and transmission and distribution purposes, shall be classified according to the major use thereof.

32. Utility Plant - Plant Account Matrix

A. Class A utilities (as defined in Instruction 1) are required to subdivide the plant accounts into "functional" operations. Each object account shall be subdivided as shown in the plant account matrix shown on page 94. The subaccounts are to be designated by adding a suffix of one decimal place to the three digit account number.

B. The "functional" operations for the water system are listed below along with the designated suffix:

.1 Intangible plant
.2 Source of supply and pumping plant
.3 Water treatment plant
.4 Transmission and distribution plant
.5 General Plant

33. Operating Income - Depreciation Expense

A. Depreciation charges shall be computed using either the straight-line remaining life method (See definition 36) or the straight-line method (See definition 37), according to which method has been approved by the Commission. Composite depreciation rates (See definition 8) may be used with prior Commission approval. When at all possible, separate depreciation charges shall be computed for both contributed plant and for plant generating investment tax credits including progress payment investment tax credits.

B. When the straight-line remaining life method is used, the rates shall be reviewed periodically and adjusted as required, so that the depreciation accrual will bear a reasonable relationship to the remaining life, the estimated net future salvage, cost of plant in service and to the balance of accumulated depreciation accrued in prior periods.

C. When the straight-line method is used, the rates shall be reviewed periodically and adjusted as required, so that the depreciation accrual will bear a reasonable relationship to the service life, the estimated net salvage, and the cost of plant in service.

D. Amortization of contributions in aid of construction (CIAC), if recognized by the Commission, shall be credited to account 403 - Depreciation Expense. The concurrent debit is to account 272 - Accumulated Amortization of CIAC. The resulting balance in the depreciation expense account will be net of CIAC amortization. CIAC shall be amortized over a period equal to the estimated service life of the related contributed asset. A group composite or overall composite rate, which ever is applicable, may be used for CIAC that can not be directly related to a particular plant asset.

34. Operating Income - Income Taxes

A. Current income tax provision:

(1) The utility shall initially debit account 409 - Income Taxes, and credit account 236 - Accrued Taxes, to record its estimated current income tax liability. As the exact amounts of taxes become known, the current tax accruals shall be adjusted by debits or credits to these accounts unless such adjustments are properly includible in

account 214 - Appropriated Retained Earnings or account 215 - Unappropriated Retained Earnings, so that these accounts as nearly as can be ascertained shall include the actual taxes payable by the utility.

(2) The accruals for income taxes shall be apportioned among utility departments and to Other Income and Deductions so that, as nearly as practicable, each tax shall be included in the expenses of the utility department or Other Income and Deductions, and shall be related to the income which gave rise to the tax. Adjustments to account 214 - Appropriated Retained Earnings or account 215 - Unappropriated Retained Earnings, shall be recorded net of tax.

B. Interperiod Tax Allocation - Depreciation:

(1) The Federal Economic Recovery Tax Act of 1981 (ERTA).

ERTA provides that a utility claiming accelerated depreciation (Accelerated Cost Recovery System (ACRS)) must use a normalized method of accounting for federal income taxes on its regulated books of account and for ratemaking purposes. A utility must use the same depreciation method and service lives in computing federal income tax expense when establishing cost of service for ratemaking purposes as is used in its regulated books of account, or if it uses a different method, it must make adjustments to a reserve to reflect the deferral of taxes resulting from such differences. Similarly, in order to claim investment tax credits, a utility must defer the entire balance of investment tax credits on its books of account and amortize the balance over the life of the related property.

C. Comprehensive Interperiod Income Tax Allocation - Other Than Depreciation.

(1) Certain regulatory bodies have required comprehensive interperiod income tax allocation of all material book-tax timing differences other than depreciation differences. They have reasoned that where there are timing differences between the period 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 period in which the differences reverse using the deferred tax method. In general, comprehensive interperiod tax allocation should be followed whenever transactions enter into the

determination of pretax accounting income for the period even though some transactions may affect the determination of taxes payable in a different period, as further qualified below.

(2) Utilities are not required to utilize comprehensive interperiod income tax allocation until the deferred income taxes are included as an expense in the rate level by the regulatory authority having rate jurisdiction over the utility. Where comprehensive interperiod tax allocation accounting is not practiced, the utility shall include as a note to each financial statement, prepared for public use, a footnote explanation setting forth the utility's accounting policies with respect to interperiod tax allocation and describing the treatment by regulatory authorities having rate jurisdiction for ratemaking purposes of the tax timing differences.

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

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

EXAMPLE

The following example shows how the various transactions are recorded:

a. A utility purchases depreciable plant at a cost of $10,000. The plant has a 10 year life with no salvage.

b. The utility's federal taxable income from utility operations, before the effect of depreciation is $30,000 (46% tax rate).

c. ACRS depreciation for each year is $800, $1400, $1200, $1000, $1000, $1000, $900, $900, $900, $900.

d. Book depreciation for each year using half year convention in year placed in service is: $500, $1000, $1000, $1000, $1000, $1000, $1000, $1000, $1000, $1000, $500.

e. Investment tax credit is $800 ($10,000 x 8%) in order to use 100% of the $10,000 cost for ACRS depreciation.

f. Deferred taxes are calculated by subtracting tax depreciation from book depreciation and multiplying by the tax rate. If tax depreciation is greater than book, debit Account 410 and credit Account 282. If book depreciation is greater than tax, debit Account 282 and credit Account 410.

	Account Number	Account Title	Debit	Credit
Year 1				
1-a	409.10	Income Taxes, Utility Operating Income	$12,632	
	236.1	Accrued Taxes, Utility Operating Income		$12,632
		To record taxes estimated be payable for period (.46($30,000 - $800)) - $800		
1-b	410.10	Deferred Income Taxes	138	
	282	Accumulated Deferred Income Taxes - Liberalized Depreciation		138
		To record deferral of a portion of taxes based on the difference between straight-line depreciation		

	Account Number	Account Title	Debit	Credit
		and ACRS depreciation (.46($500-$800). NOTE:--The deferred tax balance of $138 would either be deducted from rate base or be included in capital structure at zero cost.		
1-c	412.10	Investment Tax Credits Deferred to Future Periods, Utility Operations	800	
	255.1	Accumulated Deferred Investment Tax Credits, Utility Operations		800
		To record the investment tax credits realized and deferred to future years in accordance with provisions of either the "General Rule"/Option 1 Treatment or the "Special Rule for Ratable Flow - through"/Option 2 Treatment ($10,000 x 8%).		
1-d	255.1	Accumulated Deferred Investment Tax Credits, Utility Operations	40	
	412.30	Investment Tax Credits Restored to Nonoperating Income, Utility Operations		40
		To record ratable amortization over the book depreciable life of the investment tax credits deferred to future periods (.50 ($800 (1/10))). NOTE:--The net balance of deferred investment tax credits ($800 - $40) would be either deducted from rate base or included in capital structure at zero cost. This treatment is followed by utilities subject to the "General Rule"/Option 1 Treatment.		
1-e	255.1	Accumulated Deferred Investment Tax Credits, Utility Operations	40	
	412.11	Investment Tax Credits Restored to Operating Income, Utility Operations.		40
		To record ratable flow-through over the asset's book depreciable life of investment tax credits deferred		

	Account Number	Account Title	Debit	Credit
		to future periods (.50($800 (1/10))). NOTE:--The net balance of deferred ITC ($800-$40) would earn the overall rate of return. This treatment is followed by utilities subject to "Special Rule for Ratable Flow-through"/Option 2 Treatment.		
Year 2				
2-a	409.10	Income Taxes, Utility Operating Income	$13,156	
	236.1	Accrued Taxes, Utility Operating Income		$13,156
		To record taxes estimated to be payable for period .46($30,000 - $1,400).		
2-b	410.10	Deferred Income Taxes	184	
	282	Accumulated Deferred Income Taxes-Liberalized Depreciation		184
		To record deferral of a portion of taxes based on the difference between straight-line depreciation and ACRS depreciation (.46($1000-$1400)). NOTE:--The cumulative balance of deferred taxes ($138 + $184) would be either deducted from rate base or included in capital structure at zero cost.		
2-c	255.1	Accumulated Deferred Investment Tax Credits, Utility Operations	80	
	412.30	Investment Tax Credits Restored to Nonoperating Income, Utility Operations		80

	Account Number	Account Title	Debit	Credit
		To record ratable amortization over the asset's book depreciable life of the ITC deferred to future periods ($800 (1/10)). NOTE:--The net balance of deferred ITC ($800 - ($40 + $80)) would be either deducted from rate base or included in capital structure at zero cost. This treatment is followed by utilities subject to the "General Rule"/Option 1 Treatment.		
2-d	255.1	Accumulated Deferred Investment Tax Credits, Utility Operations	80	
	412.11	Investment Tax Credits Restored to Operating Income, Utility Operations		80
		To record ratable flow-through over the asset's book depreciable life of investment tax credits deferred to future period ($800(1/10)). NOTE:--The net balance of deferred ITC ($800-($40 + $80)) would earn the overall rate of return. This treatment is followed by utilities subject to the "Special Rule for Ratable Flow-Through"/Option 2 Treatment.		
Year 3				
3-a	409.10	Income Taxes, Utility Operating Income	13,248	
	236.1	Accrued Taxes, Utility Operation Income		13,248
		To record taxes estimated to be payable for the period (.46($30,000-$1,200)).		
3-b	410.10	Deferred Income Taxes	92	
	282	Accumulated Deferred Income Taxes - Liberalized Depreciation		92
		To record deferral of a portion of taxes based on the difference between straight-line depreciation and		

	Account Number	Account Title	Debit	Credit
		ACRS depreciation (($1,000-$1,200).46). The cumulative balance of deferred taxes ($138 + $184 + $92) would be either deducted from rate base or included in capital structure at zero cost.		
3-c	255.1 412.30	"General Rule"/Option 1 Treatment utilities would record the same entry as in Year 2 for amortization of ITC. The net balance deducted from rate base or included in capital structure at zero cost would be ($800-($40 + 2 ($80))).	80	80
3-d	255.1 412.11	"Special Rule for Ratable Flow-Through"/Option 2 Treatment utilities would record the same entries recorded in Year 2 for ratable flow-through of ITC. The net ITC balance earning the overall rate of return would be $600.	80	80
Year 4				
4-a	409.10 236.1	Income Taxes, Utility Operating Income Accrued Taxes, Utility Operating Income To record taxes estimated to be payable for the period (.46($30,000-$1,000)).	13,340	13,340
4-b	410.10 282	No entry would be made related to deferred taxes because book and tax depreciation are equal. The cumulative balance of $414 would continue to be deducted from rate base or included in capital structure at zero cost.		
4-c	255.1 412.30	"General Rule"/Option 1 Treatment utilities. Same entry as Year 2 Net deferred balance either deducted	80	80

	Account Number	Account Title	Debit	Credit
		from rate base or included in capital structure at zero cost would be ($800-($40+3($80))).		
4-d	255.1 412.11	"Special Rule for Ratable Flow-Through"/Option 2 Treatment utilities. Same entry as Year 2. Net balance earning the overall rate of return would be $520.	80	80
Year 5				
5-a	409.10 236.1	Same entry as Year 4.	13,340	13,340
5-b	410.10 282	See Year 4.		
5-c	255.1 412.30	"General Rule"/Option 1 Treatment utilities. Same entry as Year 2. Net ITC balance deducted from rate base or included in capital structure is $440.	80	80
5-d	255.1 412.11	"Special Rule for Ratable Flow-Through"/Option 2 Treatment utilities. Same entry as Year 2. Net ITC balance earning overall rate of return is $440.	80	80
Year 6				
6-a	409.10 236.1	Same entry as Year 4.	13,340	13,340
6-b	410.10 282	See Year 4.		
6-c	255.1 412.30	"General Rule"/Option 1 Treatment utilities same entry as Year 2. Net ITC balance deducted from rate base or included in capital structure at zero cost is $360.	80	80

ACCOUNTING INSTRUCTIONS

	Account Number	Account Title	Debit	Credit
6-d	255.1	"Special Rule for Ratable Flow-Through"/Option 2 Treatment	80	
	412.11	utilities. Same entry as Year 2. Net ITC balance earning the overall rate of return is $360.		80
Year 7				
7-a	409.10	Income Taxes, Utility Operating Income	13,386	
	236.1	Accrued Taxes, Utility Operating Income		13,386
		To record taxes estimated to be payable for the period (.46($30,000 - $900)).		
7-b	282	Accumulated Deferred Income Taxes - Liberalized Depreciation	46	
	410.10	Deferred Income Taxes To record reversal of taxes deferred in prior years ($1000 - $900).46). NOTE:--The net deferred tax balance deducted from rate base or included in capital structure at zero cost is $368.		46
7-c	255.1	"General Rule"/Option 1 Treatment	80	
	412.30	utilities. Same entries as Year 2. Net ITC balance deducted from rate base or included in capital structure at zero cost is $280.		80
7-d	255.1	"Special Rule for Ratable Flow-Through"/Option 2 Treatment	80	
	412.11	utilities. Same entry as Year 2. NOTE:--Net ITC balance earning the overall rate of return is $280.		80
Year 8				
8-a	409.10	Same entry as Year 7.	13,386	
	236.1			13,386

ACCOUNTING INSTRUCTIONS

	Account Number	Account Title	Debit	Credit
8-b	282 410.10	Same entry as Year 7. NOTE:--Net balance deducted from rate base or included in capital structure at zero cost is $322.	46	46
8-c	255.1 412.30	"General Rule"/Option 1 Treatment utilities. Same entry as Year 2. NOTE:--Net ITC balance deducted from rate base or included in capital structure at zero cost is $200.	80	80
8-d	255.1 412.11	"Special Rule for Ratable Flow-Through"/Option 2 Treatment utilities. Same entry as Year 2. NOTE:--Net ITC balance earning the overall rate of return is $200.	80	80
Year 9				
9-a	409.10 236.1	Same entry as Year 7.	13,386	13,386
9-b	282 410.10	Same entry as Year 7. NOTE:--Net balance of deferred taxes deducted from rate base or included in capital structure at zero cost is $276.	46	46
9-c	255.1 412.30	"General Rule"/Option 1 Treatment utilities. Same entry as Year 2. NOTE:--Net balance ITC deducted from rate base or included in capital structure at zero cost is $120.	80	80
9-d	255.1 412.11	"Special Rule for Ratable Flow-Through"/Option 2 Treatment utilities. Same entry as Year 2. NOTE:--Net balance ITC earning overall rate of return is $120.	80	80

ACCOUNTING INSTRUCTIONS

	Account Number	Account Title	Debit	Credit
Year 10				
10-a	409.10	Same entry as Year 7.	13,386	
	236.1			13,386
10-b	282	Same entry as Year 7. NOTE:--	46	
	410.10	Net balance deferred taxes deducted from rate base or included in capital structure at zero cost is $230.		46
10-c	255.1	"General Rule"/Option 1 Treatment	80	
	412.30	utilities. Same entry as Year 2. NOTE:--Net balance ITC deducted from rate base or included in capital structure at zero cost is $40.		80
10-d	255.1	"Special Rule for Ratable Flow-	80	
	412.11	Through"/Option 2 Treatment utilities. Same entry as Year 2. NOTE:--Net balance ITC earning overall rate of return is $40.		80
Year 11				
11-a	409.10	Income Taxes, Utility Operating Income	13,800	
	236.1	Accrued Taxes, Utility Operating Income		13,800
		To record taxes estimated to be payable for period (.46($30,000)).		
11-b	282	Accumulated Deferred Income Taxes Liberalized Depreciation	230	
	410.10	Deferred Income Taxes		230
		To record reversal of taxes deferred in prior years (($500 - 0).46). NOTE:--There is no longer a deferred tax balance to be deducted from rate base or included in capital structure at zero cost.		

	Account Number	Account Title	Debit	Credit
11-c	255.1 412.30	"General Rule"/Option 1 Treatment utilities. Same entry as Year 1. NOTE:--There is no longer an ITC balance to be deducted from rate base or included in capital structure at zero cost.	40	40
11-d	255.1 412.11	"Special Rate for Ratable Flow-Through"/Option 2 Treatment utilities. Same entry as Year 1. NOTE:--There is no longer an ITC balance to earn the overall rate of return.	40	40

35. Operating Income - Clearing Accounts

The purpose of a clearing account is to temporarily accumulate in one account costs of a specific type which affect more than a single account, and which subsequently will be apportioned among utility plant accounts, operating expense accounts and other appropriate accounts.

The use of clearing accounts is optional. In addition to the payroll clearing account, a utility may use such additional clearing accounts as it finds useful. However, all operation expenses must be recorded in the accounts prescribed by this manual and the utility remains responsible for providing the underlying source documents as if all entries were made directly without the use of a clearing account.

36. Operating Income - Accrual Accounting

Monthly accounting using the accrual method is required. During the accounting period, certain amounts may have been earned although collection is not to be made until the subsequent period, and certain expenses may have been incurred, although payment is not to be made until a subsequent period. At the end of the accounting period the revenues and expenses shall be recognized by charging the appropriate expense account and corresponding liability or receivable account.

A reversing entry will be necessary at the beginning of the subsequent period.

37. Operating Income - Operation and Maintenance Expense Account Matrix

A. Class A utilities (as defined in general instruction 1) are required to subdivide the operation and maintenance expenses into functions. Each object account shall be subdivided by the functions as shown in the matrix schedule which proceeds the Operation and Maintenance Expense Accounts (page 138). The function will be designated by adding an additional one digit suffix to the basic object account.

B. The "functional" operations for the water system are listed with the designated suffix:

.1 Source of supply and pumping expenses - operations
.2 Source of supply and pumping expenses - maintenance
.3 Water treatment expenses - operations
.4 Water treatment expenses - maintenance
.5 Transmission and distribution expenses - operations
.6 Transmission and distribution expenses - maintenance
.7 Customer accounts expense
.8 Administrative and general expenses

38. Operating Income - Regulatory Assets and Liabilities

Regulatory debits and credits will often be used to reconcile differences between the requirements of Generally Accepted Accounting Principles, regulatory practice and federal, state, and local tax laws. For example, when there is a change in a federal, state or local income tax rate, Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes, (SFAS 109) requires that adjustments be made to existing debit and credit deferred tax balances through the income statement in the year in which the change is known or can be reasonably estimated. However, the Tax Reform Act of 1986 requires the effect of a federal income tax rate change to be recognized over a different period. Some state tax codes piggy-back the provisions of the federal tax code. Regulatory agencies may require that SFAS 109 be implemented in a revenue neutral method or they may accept the period of time and method required by tax law for the adjustment of deferred income tax balances. These different requirements can be accommodated through the use of Account 186.3 - Regulatory Assets, Account 253.1, Regulatory Liabilities, Account 407.4 - Amortization of Regulatory Assets and Account 407.5 - Amortization of Regulatory Liabilities. By debiting and crediting these accounts, as appropriate, the difference between the existing deferred tax balances and the re-stated deferred tax balances can be flowed through the income statement as required by SFAS 109, without affecting the revenue requirement or violating the normalization requirements of the Internal Revenue Code. Further, the differences can be retained on the balance sheet so there is also no effect on either rate base or the utility's allowed rate of return.

BALANCE SHEET ACCOUNTS

Assets and Other Debits

Utility Plant

101. Utility Plant in Service
102. Utility Plant Leased to Others
103. Property Held for Future Use
104. Utility Plant Purchased or Sold
105. Construction Work in Progress
106. Completed Construction not Classified
108. Accumulated Depreciation
     - 108.1 Accumulated Depreciation of Utility Plant in Service
     - 108.2 Accumulated Depreciation of Utility Plant Leased to Others
     - 108.3 Accumulated Depreciation of Property Held for Future Use
110. Accumulated Amortization
     - 110.1 Accumulated Amortization of Utility Plant in Service
     - 110.2 Accumulated Amortization of Utility Plant Leased to Others
114. Utility Plant Acquisition Adjustments
115. Accumulated Amortization of Utility Plant Acquisition Adjustments
116. Other Utility Plant Adjustments

Other Property and Investments

121. Nonutility Property
122. Accumulated Depreciation and Amortization of Nonutility Property
123. Investment in Associated Companies
124. Utility Investments
125. Other Investments
126. Sinking Funds
127. Other Special Funds

Current and Accrued Assets

131. Cash
     - 131.1 Cash on Hand
     - 131.2 Cash in Bank
132. Special Deposits
133. Other Special Deposits
134. Working Funds
135. Temporary Cash Investments
141. Customer Accounts Receivable
142. Other Accounts Receivable
143. Accumulated Provision for Uncollectible Accounts--Cr.
144. Notes Receivable
145. Accounts Receivable from Associated Companies
146. Notes Receivable from Associated Companies
151. Plant Material and Supplies
152. Merchandise
153. Other Material and Supplies
161. Stores Expense
162. Prepayments

BALANCE SHEET ACCOUNTS

171. Accrued Interest and Dividends Receivable
172. Rents Receivable
173. Accrued Utility Revenues
174. Miscellaneous Current and Accrued Assets

Deferred Debits

181. Unamortized Debt Discount and Expense
182. Extraordinary Property Losses
183. Preliminary Survey and Investigation Charges
184. Clearing Accounts
185. Temporary Facilities
186. Miscellaneous Deferred Debits
    186.1 Deferred Rate Case Expense
    186.2 Other Deferred Debits
    186.3 Regulatory Assets
187. Research and Development Expenditures
190. Accumulated Deferred Income Taxes
    190.1 Federal
    190.2 State
    190.3 Local

Equity Capital and Liabilities

Equity Capital

201. Common Stock Issued
202. Common Stock Subscribed
203. Common Stock Liability for Conversion
204. Preferred Stock Issued
205. Preferred Stock Subscribed
206. Preferred Stock Liability for Conversion
207. Premium on Capital Stock
209. Reduction in Par or Stated Value of Capital Stock
210. Gain or Resale or Cancellation of Reacquired Capital Stock
211. Other Paid-In Capital
212. Discount on Capital Stock
213. Capital Stock Expense
214. Appropriated Retained Earnings
215. Unappropriated Retained Earnings
216. Reacquired Capital Stock
218. Proprietary Capital (for proprietorships and partnerships only)

Long-Term Debt

221. Bonds
222. Reacquired Bonds

223. Advances from Associated Companies
224. Other Long-Term Debt

BALANCE SHEET ACCOUNTS

Current and Accrued Liabilities

231. Accounts Payable
232. Notes Payable
233. Accounts Payable to Associated Companies
234. Notes Payable to Associated Companies
235. Customer Deposits
236. Accrued Taxes
    - 236.1 Accrued Taxes, Utility Operating Income
        - 236.11 Accrued Taxes, Taxes Other Than Income
        - 236.12 Accrued Taxes, Income Taxes
    - 236.2 Accrued Taxes, Other Income and Deductions
237. Accrued Interest
    - 237.1 Accrued Interest on Long-Term Debt
    - 237.2 Accrued Interest on Other Liabilities
238. Accrued Dividends
239. Matured Long-Term Debt
240. Matured Interest
241. Miscellaneous Current and Accrued Liabilities

Deferred Credits

251. Unamortized Premium on Debt
252. Advances for Construction
253. Other Deferred Credits
    - 253.1 Regulatory Liabilities
    - 253.2 Other Deferred Liabilities
255. Accumulated Deferred Investment Tax Credits
    - 255.1 Accumulated Deferred Investment Tax Credits, Utility Operations
    - 255.2 Accumulated Deferred Investment Tax Credits, Nonutility Operations

Operating Reserves

261. Property Insurance Reserve
262. Injuries and Damages Reserve
263. Pensions and Benefits Reserve
265. Miscellaneous Operating Reserves

Contributions in Aid of Construction

271. Contributions in Aid of Construction
272. Accumulated Amortization of Contributions in Aid of Construction

Accumulated Deferred Income Taxes

281. Accumulated Deferred Income Taxes - Accelerated Amortization
282. Accumulated Deferred Income Taxes - Liberalized Depreciation
283. Accumulated Deferred Income Taxes - Other

BALANCE SHEET ACCOUNTS

Utility Plant

101. Utility Plant in Service

A. This account is the control account for plant accounts 301 through 348.

B. This account shall include the original cost of utility plant, included in the plant accounts prescribed herein and in similar accounts for other utility departments, owned and used by the utility in its utility operations, and having an expected life in service of more than one year from date of installation, including such property owned by the utility but held by nominees. Separate subaccounts shall be maintained hereunder for each utility department and/or division.

C. The cost of additions to and betterments of property leased from others, which are includible in this account, shall be recorded in subdivisions separate and distinct from those relating to owned property (See Accounting Instruction 22).

102. Utility Plant Leased to Others

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

B. The property included in this account shall be classified according to the detailed accounts prescribed for utility plant in service and this account shall be maintained in such detail as though the property were used by the owner in its utility operations.

103. Property Held for Future Uses

A. This account shall include the original cost of property owned and held for future use in utility service under a definite plan for such use. There shall be included herein property acquired but never used by the utility in utility service, but held for such service in the future under a definite plan, and property previously used by the utility in utility service, but retired from such service and held pending its reuse in the future, under a definite plan, in utility service.

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

C. Gains or losses from the sale of land and land rights or other disposition of such property previously recorded in this account and not placed in utility service shall, unless otherwise authorized or required by the Commission, be recorded directly in account 414 - Gains (Losses) from Disposition of Utility Property. However, when determined to be significant by the Commission the gain or loss shall be transferred to account 253 - Other Deferred Credits, or account 186 - Miscellaneous Deferred Debits. Such deferred amounts shall then be amortized to account 414 - Gains (Losses) from Disposition of Utility Property, unless otherwise authorized or required by the Commission.

D. The property included in this account shall be classified according to the detailed accounts prescribed for utility plant in service and the account shall be maintained in such detail as though the property were in service. Separate subaccounts shall be maintained hereunder for each utility department for which plant is held for future use.

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

104. Utility Plant Purchased or Sold

A. This account shall be charged with the cost of utility plant acquired as an operating unit or system by purchase, merger, consolidation, liquidation, or otherwise, and shall be credited with the selling price of like property transferred to others pending the distribution to appropriate accounts in accordance with Accounting Instruction 21.

B. Within six months from the date of acquisition or transfer of property recorded herein, the utility shall file with the Commission the proposed journal entries to clear from this account the amounts recorded herein.

C. When an existing water system or operating unit is acquired the utility shall be obligated to obtain, from the party acquired from, all existing records, including records of plant construction dates and costs, and records of accumulated depreciation applicable to such properties.

105. Construction Work in Progress

A. This account shall include the total of balances of work orders for utility plant in process of construction but not ready for service at the date of the balance sheet.

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

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

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 shall include the total of the balances of work orders for utility plant which has been completed and placed in service but which work orders have not been classified for transfer to the detailed utility plant accounts.

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

108. Accumulated Depreciation

A. This account shall reflect the depreciation accumulated on plant used in water utility service.

B. The utility shall maintain separate subaccounts corresponding with the depreciable plant accounts, in which the accumulated depreciation total is segregated.

C. The following subaccounts shall be maintained:

108.1 Accumulated Depreciation of Utility Plant in Service

A. This account shall be credited with the following:

(1) Amounts charged to account 403 - Depreciation Expense, to account 416 - Costs and Expenses of Merchandising, Jobbing and Contract Work, or to clearing accounts for current depreciation expense (excludes contributed plant).

(2) Amounts of depreciation applicable to utility properties acquired as operating units or systems (See Accounting Instruction 21).

(3) Amounts charged to account 182 - Extraordinary Property Losses, when authorized by the Commission.

(4) Amounts equal to those concurrently charged to account 272 - Accumulated Amortization of Contributions in Aid of Construction, if such amortization is recognized by the Commission.

Note:--See Accounting Instruction 8 and account 439 regarding adjustments for past accrued depreciation.

B. At the time of retirement of depreciable utility plant in service, this account shall be charged with the book cost of the property retired plus the cost of removal, and shall be credited with the salvage value and any other amounts recovered, such as insurance. When retirement, cost of removal and salvage are entered originally in retirement work orders, the net total of such work orders may be included in a separate sub-account hereunder. Upon completion of the work order, the proper distribution to subdivisions of this account shall be made as provided in the following paragraph.

C. When transfers of plant are made from one utility plant account to another, or from or to another utility department, or from or to nonutility property, the accounting for the related accumulated depreciation shall be as provided in Accounting Instruction 29.

D. The utility is restricted in its use of this accumulated depreciation account to the purposes set forth above. It shall not divert any portion of this account or make any other use thereof without authorization by the Commission.

108.2 Accumulated Depreciation of Utility Plant Leased to Others

A. This account shall be credited with amounts charged to account 413 - Income from Utility Plant Leased to Others, for current depreciation expense of property included in account 102 - Utility Plant Leased to Others. Include, also, credits for depreciation applicable to leased plant acquired as operating units or systems, to leased plant donated to the utility or for losses transferred to account 182 - Extraordinary Property Losses.

B. The requirements of account 108.1 - Accumulated Depreciation of Utility Plant in Service, regarding retirements chargeable thereto and of subsidiary data to be maintained shall be applicable likewise to this account.

C. The utility is restricted in its use of this accumulated depreciation account to the purposes set forth above. It shall not divert any portion of this account or make any other use thereof without authorization by the Commission.

Note:--See Accounting Instruction 8 and account 439 regarding adjustments for past accrued depreciation.

108.3 Accumulated Depreciation or Property Held for Future Use

A. This account shall be credited with amounts charged to account 426 - Miscellaneous Nonutility Expenses, for depreciation expense on property included in account 103 - Property Held for Future Use. Include, also, the balance of accumulated depreciation on property which may be transferred to account 103 - Property Held for Future Use, from other property accounts.

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

Note:--Normally, this account will not be used for current depreciation provisions because, as provided herein, the service life during which depreciation is computed commences with the date property is includible in utility plant in service. However, if special circumstances indicate the

propriety of current accruals for depreciation, such charges shall be made to account 426 - Miscellaneous Nonutility Expenses.

110. Accumulated Amortization

A. This account shall reflect the amortization accumulated on plant used in water utility service.

B. The utility shall maintain separate subaccounts corresponding with the amortizable plant accounts, in which the accumulated amortization total is segregated.

C. The following subaccounts shall be maintained:

110.1 Accumulated Amortization of Utility Plant in Service

A. This account shall be credited with amounts charged to account 407.1 - Amortization of Limited Term Plant, for the current amortization of limited term utility investments. It shall be credited also with amounts which may be charged to account 407.3 - Amortization of Other Utility Plant, or to account 426 - Miscellaneous Nonutility Expenses, to amortize intangible or other utility plant which does not have a definite or terminable life and is not subject to charges for depreciation expense.

B. When any property to which this account applies is sold, relinquished, or otherwise retired from service, this account shall be charged with the amount previously credited in respect to such property. The book cost of the property so retired less the amount chargeable to this account and less the net proceeds realized at retirement shall be included in account 414 - Gains (Losses) from Disposition of Utility Property, unless otherwise authorized or required by the Commission.

C. The utility is restricted in its use of accumulated amortization to the purposes set forth above. It shall not divert any portion of this account or make any other use thereof without authorization of the Commission.

Note:--See Accounting Instruction 8 and account 439 regarding adjustments for past accrued amortization.

110.2 Accumulated Amortization of Utility Plant Leased to Others

A. This account shall be credited with amounts charged to account 413 - Income from Utility Plant Leased to Others, for the current amortization of limited-term or other investments subject to amortization included in account 102 - Utility Plant Leased to Others.

B. When any property to which this account applies is sold, relinquished or otherwise retired from service, this account shall be charged with the amount previously credited in respect to such property. The book cost of the property so retired less the amount chargeable to this account and less the net proceeds realized at retirement shall be included in account 414 - Gains (Losses) from Disposition of Utility Property, unless otherwise authorized or required by the Commission.

C. Records shall be maintained so as to show separately the balance applicable to each class of property which is being amortized.

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

Note:--See Accounting Instruction 8 and account 439 regarding adjustments for past accrued amortization.

114. Utility Plant Acquisition Adjustments

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

B. This account shall be subdivided so as to show the amounts included herein for each property acquisition and the amounts applicable to each utility department and to utility plant in service and utility plant leased to others (See Accounting Instruction 21).

C. The amounts recorded in this account with respect to each property acquisition shall be amortized, or otherwise disposed of, as the Commission may approve or direct.

115. Accumulated Amortization of Utility Plant Acquisition Adjustments

This account shall be credited or debited with amounts which are includible in account 406 - Amortization of Utility Plant Acquisition Adjustments, or account 426 - Miscellaneous Nonutility Expenses, for the purpose of providing for the extinguishment of amounts in account 114 - Utility Plant Acquisition Adjustments.

116. Other Utility Plant Adjustments

A. This account shall include the difference between the original cost, estimated if not known, and the book cost of utility plant to the extent that such difference is not properly includible in account 114 - Utility Plant Acquisition Adjustments (See Accounting Instruction 17C).

B. Amounts included in this account shall be classified in such manner as to show the origin of each amount and shall be disposed of as the Commission may approve or direct.

Note:--The provisions of this account shall not be construed as approving or authorizing the recording of appreciation of utility plant.

Other Property and Investments

121. Nonutility Property

A. This account shall include the book cost of land, structures, equipment or other tangible or intangible property owned by the utility, but not used in utility service and not properly includible in account 103 - Property Held for Future Use.

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

Note:--For transfers from utility plant accounts (see Accounting Instruction 29B).

122. Accumulated Depreciation and Amortization of Nonutility Property

This account shall included the accumulated depreciation and amortization applicable to property other than utility plant.

123. Investment in Associated Companies

A. This account shall include the book cost of investments in securities issued or assumed by associated companies (See definition 5) and investment advances to such companies, including interest accrued thereon when such interest is not subject to current settlement. Include also the offsetting entry to the recording of amortization of discount or premium on interest bearing investments (See account 419 - Interest and Dividend Income).

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

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

Note B:--Securities of associated companies held as temporary cash investments are includible in account 135 - Temporary Cash Investments.

Note C:--Balances in open accounts with associated companies, which are subject to current settlement, are includible in account 145 - Accounts Receivable from Associated Companies.

Note D:--The utility may write down the cost of any security in recognition of a decline in the value thereof. Securities shall be written off or written down to a nominal value if there is no reasonable prospect of substantial value. Fluctuations in market value shall not be recorded but a permanent impairment in the value of securities shall be recognized in the accounts. When securities are written off or written down, the amount of the adjustment shall be charged to account 426 - Miscellaneous Nonutility Expenses, or to an appropriate account for provisions for loss in value established as a separate subdivision of this account.

124. Utility Investments

This account shall include book cost of investments in securities issued or assumed by nonassociated companies for the purpose of insuring adequate water service (i.e., source of water supply).

125. Other Investments

A. This account shall include the book cost of investments in securities issued or assumed by nonassociated companies, investment advances to such companies, and any investments not accounted for elsewhere. Include also the offsetting entry to the recording of amortization of discount or premium on interest bearing investments (See account 419 - Interest and Dividend Income).

B. The cost of capital stock of the utility reacquired by it under a definite plan for resale pursuant to authorization by the Board of Directors may, if permitted by statutes, be included in a separate subdivision of this account (see also account 210 - Gain on Resale or Cancellation of Reacquired Capital Stock, and account 216 - Reacquired Capital Stock).

C. The records shall be maintained in such manner as to show the amount of each investment and the investment advances to each person.

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

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

Note C:--See Note D of account 123.

126. Sinking Funds

This account shall include the amount of cash and book cost of investments held in sinking funds. A separate account, with appropriate title, shall be kept for each sinking fund. Transfers from this account to account 133 - Other Special Deposits, may be made as necessary for the purpose of paying matured sinking-fund obligations, or obligations called for redemption but not presented, or the interest thereon.

127. Other Special Funds

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

Note:--Amounts deposited with a trustee under the terms of an irrevocable trust agreement for pensions or other employee benefits shall not be included in this account.

Current and Accrued Assets

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

131. Cash

A. This account shall include the amount of cash on hand or on deposit in banks.

B. The following subaccounts shall be maintained:

131.1 Cash on hand.
131.2 Cash in bank.

132. Special Deposits

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

133. Other Special Deposits

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

securities and deposited with trustees to be held until invested in property of the utility. Entries to this account shall specify the purpose for which the deposit is made.

Note:--Assets available for general corporate purposes shall not be included in this account. Further, deposits for more than one year, which are not offset by current liabilities, shall not be charged to this account but to account 127 - Other Special Funds.

134. Working Funds

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

135. Temporary Cash Investments

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

B. This account shall be so maintained as to show separately temporary cash investments in securities of associated companies and of others. Records shall be kept of any pledged investments.

141. Customer Accounts Receivable

A. This account shall include amounts due from customers for utility service. This account shall not include amounts due from associated companies.

B. This account shall be maintained so as to show separately amounts due from each type of utility service.

142. Other Accounts Receivable

A. This account shall include amounts due the utility upon open accounts, plus merchandising, jobbing and contract work, other than amounts due from associated companies and from customers for utility services.

B. This account shall be maintained so as to show separately amounts due on subscriptions to capital stock and from officers and employees, but the amount shall not include amounts advanced to officers or others as working funds (See account 134 - Working Funds).

143. Accumulated Provision for Uncollectible Accounts--Cr

A. This account shall be credited with amounts provided for losses on accounts receivable which may become uncollectible, and also with collections on accounts previously charged hereto. Concurrent charges shall be made to account 670 - Bad Debt Expense, for amounts applicable to utility operations, and to corresponding accounts for other operations. Records shall be maintained so as to show the write-offs of accounts receivable for each utility department.

B. This account shall be subdivided to show the provision applicable to the following classes of accounts receivable:

Utility Customers
Merchandising, Jobbing and Contract Work
Officers and Employees
Other

Note A:--Accretions to this account shall not be made in excess of a reasonable provision against losses of the character provided for.

Note B:--If provisions for uncollectible notes receivable or for uncollectible receivables from associated companies are necessary, separate subaccounts therefor shall be established under the account in which the receivable is carried.

144. Notes Receivable

This account shall include the book cost, not includible elsewhere, or all collectible obligations in the form of notes receivable and similar evidences (except interest coupons) of money due on demand or within one year from the date of issue, except, however, notes receivable from associated companies (See account 135 - Temporary Cash Investments, and account 146 - Notes Receivable from Associated Companies).

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

145. Accounts Receivable from Associated Companies

See account 146.

146. Notes Receivable from Associated Companies

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

Note A:--On the balance sheet, accounts receivable from an associated company may be set off against accounts payable to the same company.

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

151. Plant Material and Supplies

A. This account shall include the cost of fuel on hand and materials purchased primarily for use in the utility business for construction, operation and maintenance purposes. It shall include also the book cost of materials recovered in connection with construction, maintenance or the retirement of property, such as materials being credited to construction maintenance or accumulated depreciation, respectively, and included herein as follows:

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

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

(3) Scrap and nonusable materials included in this account shall be carried at the estimated net amount realizable therefrom. The difference between the amounts realized for scrap and nonusable materials sold and the net amount at which

the materials were carried in this account, as far as practicable, shall be adjusted to the accounts credited when the materials were charged to this account.

B. Materials and supplies issued shall be credited hereto and charged to the appropriate construction, operating expense, or other account on the basis of a unit price determined by the use of cumulative average, first-in-first-out, or such other method of inventory accounting as conforms with accepted accounting standards consistently applied.

Items

(1) Invoice price of materials less cash or other discounts.
(2) Freight, switching or other transportation charges when practicable to include as part of the cost of particular materials to which they relate.
(3) Customs, duties and excise taxes.
(4) Costs of inspection and special tests prior to acceptance.
(5) Insurance and other directly assignable charges.

Note:--Where expenses applicable to materials purchased cannot be directly assigned to a particular purchase, they shall be charged to account 161 - Stores Expense.

C. If the utility desires to maintain a separate account for fuel, it should be handled as a separate subaccount of this account.

152. Merchandise

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

153. Other Materials and Supplies

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

161. Stores Expense

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

B. This account shall be cleared by adding to the cost of materials and supplies issued a suitable loading charge which will distribute the expense equitably over stores issues. The balance in the account at the close of the year shall not exceed the amount of stores expenses reasonably attributable to the inventory of materials and supplies.

Items

Labor:

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 materials 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 also 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.

Supplies and Expenses:

11. Adjustments of inventories of materials and supplies but not including large differences which can readily be assigned to important classes of materials and can be equitably distributed among the accounts to which such classes of materials have been charged since the previous inventory.
12. Cash and other discounts not practically assignable to specific materials.
13. Freight, express, etc., when not assignable to specific items.
14. Heat, light and power for storerooms and stores offices.
15. Brooms, brushes, sweeping compounds and other supplies used in cleaning and tidying storerooms and stores offices.
16. Injuries and damages.
17. Insurance on materials and supplies and on stores equipment.
18. Losses due to breakage, leakage, evaporation, fire or other causes, less credits for amounts received from insurance, transportation companies or others in compensation of such losses.

19. Postage, printing, stationery and office supplies.
20. Rent of storage space and facilities.
21. Communication service.
22. Excise and other similar taxes not assignable to specific materials.
23. Transportation expense on inward movement of stores and on transfer between storerooms but not including charges on materials recovered from retirements which shall be accounted for as part of cost of removal.

Note:--A physical inventory of each class of materials and supplies shall be made every year.

162. Prepayments

A. This account shall include the amounts representing prepayments of insurance, rents, interest and miscellaneous items,

and shall be kept or supported in such manner as to disclose the amount of each class of prepayment.

B. This account shall include the amounts of taxes paid in advance of the period in which they are chargeable to income, except amounts chargeable to water plant under construction and minor amounts which may be charged direct to the final accounts. As the term expires for which the taxes are paid, this account shall be credited at monthly intervals and the appropriate account charged (Note also 408.10, 408.11, 408.12, 408.13, 409.10, 409.11, 409.12, 408.20, 409.20, 409.30).

171. Accrued Interest and Dividends Receivable

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

Note A:--Interest which is not subject to current settlement shall not be included herein but in the account in which is carried the principal on which the interest is accrued.

Note B:--Interest and dividends receivable from associated companies shall be included in account 145 - Accounts Receivable from Associated Companies.

172. Rents Receivable

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

Note:--Rents receivable from associated companies shall be included in account 145 - Accounts Receivable from Associated Companies.

173. Accrued Utility Revenues

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

174. Miscellaneous Current and Accrued Assets

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

Deferred Debits

181. Unamortized Debt Discount and Expense

A. This account shall include the total of the debit balances in the discount, expense, and premium accounts for all classes of long-term debt, determined as provided in the following paragraphs of this account.

B. A discount, expense, and premium account shall be maintained for each class and series of long-term debt (including receivers' certificates) issued or assumed by the utility, in which shall be recorded the discount, expense, and premium associated with the issuance and sale of each such class and series of debt. In stating the balance sheet, the total of the debit balances remaining in those accounts having debit balances shall be reported under this account and the total of the credit balances remaining in those accounts having credit balances shall be reported under account 251 - Unamortized Premium on Debt. Accounts with debit balances shall not be set off against accounts with credit balances.

C. The discount, expense, and premium shall be amortized over the life of the respective issues under a plan which will distribute the amounts equitably over the life of the securities. The amortization shall be on a monthly basis, and the amounts thereof shall be charged to account 428 - Amortization of Debt Discount and Expense, or credited to account 429 - Amortization of Premium on Debt, as may be appropriate. The utility may, however, accelerate the writing off of discount and expense where the amounts are insignificant unless otherwise ordered by the Commission.

D. When any long-term debt is reacquired or redeemed without being converted into another form of long-term debt and when the transaction is not in connection with a refunding operation, the difference between the amount paid upon reacquirement and the face value plus the unamortized premium or less the unamortized discount and expense, as the case may be, applicable to the debt redeemed, retired and cancelled, shall be included in account 421 - Nonutility Income, or account 426 - Miscellaneous Nonutility Expenses, as appropriate unless otherwise ordered by the Commission.

E. When the redemption of one issue or series of bonds or other long-term obligations is financed by another issue or series before the maturity date of the first issue, account 421 - Nonutility Income, or account 426 - Miscellaneous Nonutility Expenses, shall be credited or debited, as appropriate, with any unamortized discount, expense, or premium on the first issue and any premium paid or discount earned on the redemption. If the utility desires to amortize any of the discount, expense, or premium associated with the issuance or redemption of the first issue over a period subsequent to the date of redemption, the permission of the Commission must be obtained; provided, however, that special permission of the Commission shall not be necessary, if the utility proceeds with a plan of disposition of the discount, expense, and redemption premiums associated with the refunded bonds, as follows:

(1) A special charge is recorded in the year of refunding in account 428 - Amortization of Debt Discount and Expense, equal to the saving in income taxes arising from the refunding transactions;

(2) There is charged to account 426 - Miscellaneous Nonutility Expenses, in the year of refunding, any amounts of unamortized discount and expenses or redemption premiums relating to bonds or other long-term obligations previously refunded by the refunded bonds under immediate consideration, such amounts, sometimes being referred to as "grandfather items"; and,

(3) The utility proceeds to amortize by equal monthly charges, from the date of refunding, the remainder of the charges associated with the refunded bonds, over a period not longer than that in which the saving in net annual interest and amortization charges equals the remainder of charges to be amortized, after taking into consideration the estimated additional taxes on income attributable to the saving in net annual interest and amortization charges.

F. Discount, expense, or premium on debt shall not be included as part of the cost of constructing or acquiring any property, tangible or intangible, except under the provisions of account 420 - Allowance for Funds Used During Construction.

182. Extraordinary Property Losses

A. When authorized or directed by the Commission, this account shall include extraordinary losses, net of income taxes, on property abandoned or otherwise retired from service which are not provided for by accumulated depreciation or amortization and which could not reasonably have been foreseen and provided for, and extraordinary losses, such as unforeseen damages to property, which could not reasonably have been anticipated and which are not covered by insurance or other provisions.

B. The entire cost, less net salvage, of depreciable property retired shall be charged to accumulated depreciation. If all, or a portion, of the loss is to be included in this account, accumulated depreciation shall then be credited and this account charged with the amount properly chargeable hereto.

183. Preliminary Survey and Investigation Charges

A. This account shall be charged with all expenditures for preliminary surveys, plans, investigations, etc., made for the purpose of determining the feasibility of projects under contemplation. If construction results, this account shall be credited and the appropriate utility plant account charged. If the work is abandoned, the charge shall be to account 426 - Miscellaneous Nonutility Expenses, or to the appropriate operating expense account unless otherwise ordered by the Commission (See account 675 - Miscellaneous Expenses).

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

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

184. Clearing Accounts

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

B. Use of the following subaccounts is recommended. This list is intended to be representative but not exhaustive.

184.1 Building Service Expenses--Clearing
184.2 Electronic Data Processing Expenses--Clearing
184.3 Laboratory Expenses--Clearing
184.4 Payroll--Clearing
184.5 Shop Expenses--Clearing
184.6 Tools and Work Equipment Expenses--Clearing
184.7 Transportation Expenses--Clearing
184.8 Charges by Associated Companies--Clearing

185. Temporary Facilities

This account shall include amounts shown by work orders for plant installed for temporary use in utility service for periods of less than one year. Such work orders shall be charged with the cost of temporary facilities and credited with payments received from customers and net salvage realized on removal of the temporary facilities. Any net credit or debit resulting shall be cleared to account 471 - Miscellaneous Service Revenues.

186. Miscellaneous Deferred Debits

A. This account shall include all debits not elsewhere provided for, such as miscellaneous work in progress, losses on disposition of property net of income taxes, deferred by authorization of the Commission, unusual or extraordinary expenses and regulatory assets resulting from rate making actions, not included in other accounts, which are in process of amortization, and items the proper final disposition of which is uncertain.

B. The records supporting the entries to this account shall be so kept that the utility can furnish full information as to each deferred debit, including justification for inclusion of such amounts in this account.

C. The following subaccounts shall be maintained as a minimum unless otherwise authorized by the Commission. The utility may add additional subaccounts, if desired (such as deferred tank painting expense).

186.1 Deferred Rate Case Expense
186.2 Other Deferred Debits
186.3 Regulatory Assets

186.1 Deferred Rate Case Expense

This account shall include all deferred debits associated with the cost of conducting rate cases before the commission.

186.2 Other Deferred Debits

This account shall include all deferred debits not properly includable in any other subaccount of account 186.

186.3 Regulatory Assets

A. This account shall include the amounts of regulatory-created assets, not included in other accounts, resulting from the ratemaking actions of regulatory agencies. (See Definition 27.)

B. The amounts included in this account are to be established by those charges which would have been included in net income determination in the current period under the general requirements of the Uniform System of Accounts but for it being probable that such items will be included in a different period(s) for purposes of developing the rates that the utility is authorized to charge for its utility services. When specific identification of the particular source of a regulatory asset cannot be made, such as in plant phase-ins, rate moderation plans or rate levelization plans, Account 407.5 - Amortization of Regulatory Liabilities shall be credited. The amounts recorded in this account are generally to be charged, concurrently with the recording of the amount 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 407.5 shall be charged to Account 407.4 - Amortization of Regulatory Assets, concurrent with the recovery of the amounts in rates.

C. If rate recovery of all or part of an amount included in this account is disallowed, the disallowed amount shall be charged to Account 426 - Miscellaneous Nonutility Expenses, or Account 434 - Extraordinary Deductions, in the year of the disallowance.

187. Research and Development Expenditures

A. This account shall include the cost of all expenditures coming within the meaning of Definition 29 of the Uniform System of

Accounts, except those properly includible in account 105 - Construction Work in Progress.

B. Costs that are minor or of a general or recurring nature shall be transferred from this account to account 675 - Miscellaneous Expenses.

C. In certain instances a utility may incur large and significant research expenditures which are nonrecurring and which would distort the annual research and development charges for the period. In such a case the portion, net of income taxes, of such amounts that cause the distortion may be amortized to account 675 - Miscellaneous Expenses, over a period not to exceed five years unless otherwise authorized by the Commission.

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

190. Accumulated Deferred Income Taxes

A. This account shall be debited and account 411.10 - Provision for Deferred Income Taxes - Credit, Utility Operating Income, or account 411.20 - Provision for Deferred Income Taxes - Credit, Other Income and Deductions, as appropriate, shall be credited with an amount equal to that by which income taxes payable for the year are higher because of the inclusion of certain items in income for tax purposes, which items for general accounting purposes will not be fully reflected in the utility's determination of annual net income until subsequent years.

B. This account shall be credited and account 410.10, 410.11, 410.12 - Deferred Federal, State or Local Income Taxes, or account 410.20 - Provision for Deferred Income Taxes, Other Income and Deductions, as appropriate, shall be debited with an amount equal to that by which income taxes payable for the year are lower because of prior payment of taxes as provided by paragraph A above, because of differences in timing for tax purposes of particular items of income or income deductions from that recognized by the utility for general accounting purposes. Such credit to this account and debit to account 410.10, 410.11, 410.12, or 410.20 shall, in general, represent the effect on taxes payable in the current year of the smaller amount of book income recognized for tax purposes as compared to the amount recognized in the utility's current accounts with respect to the item or class of items for which deferred tax accounting by utility was authorized by the Commission.

C. Vintage year records with respect to entries to this account, as described above, and the account balance, shall be so maintained

as to show the factor of calculation with respect to each annual amount of the item or class of items for which deferred tax accounting by the utility is utilized.

D. The utility is restricted in its use of this account to the purpose set forth above. It shall not make use of the balance in this account or any portion thereof except as provided in the text of this account, without prior approval of 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 utility's income accounts has been completed, or other disposition made shall be debited to account 410.1, 410.11, 410.12 Deferred Federal, State or Local Income Taxes, Other Income and Deductions, as appropriate, or otherwise disposed of as the Commission may authorize or direct (See Accounting Instruction 34).

E. The following subaccounts shall be maintained:

190.1 Accumulated Deferred Federal Income Taxes
190.2 Accumulated Deferred State Income Taxes
190.3 Accumulated Deferred Local Income Taxes

Equity Capital

201. Common Stock Issued

A. This account shall include the par value or the stated value of stock without par value if such stock has a stated value, and, if not, the cash value of the consideration received for such nonpar stock, of each class of capital stock actually issued, including the par or stated value of capital stock in account 125 - Other Investments, and account 216 - Reacquired Capital Stock.

B. When the actual cash value of the consideration received is more or less than the par or stated value of any stock having a par or stated value, the difference shall be credited or debited, as the case may be, to the premium or discount account for the particular class and series.

C. When capital stock is retired, this account shall be charged with the amount at which such stock is carried herein.

D. A separate ledger account, with a descriptive title, shall be maintained for each class and series of stock. The supporting records shall show the shares nominally issued, actually issued, and nominally outstanding.

Note:--When a levy or assessment, except a call for payment on subscriptions, is made against holders of capital stock, the amount collected upon such levy or assessment shall be credited to account

207 - Premium on Capital Stock; provided, however, that the credit shall be made to account 212 - Discount on Capital Stock, to the extent of any remaining balance of discounts on the issue of stock.

202. Common Stock Subscribed

A. This account shall include the amount of legally enforceable subscriptions to capital stock of the utility. They shall be credited with the par or stated value of the stock subscribed, exclusive of accrued dividends, if any. Concurrently, a debit shall be made to subscriptions to capital stock, included as a separate subdivision of account 142 - Other Accounts Receivable, for the agreed price and any premium shall be credited to the appropriate premium account. When property executed stock certificates have been issued representing the shares subscribed, this account shall be debited, and the appropriate capital stock account credited, with the par or stated value of such stock.

B. The records shall be kept in such manner as to show the amount of subscriptions to each class and series of stock.

203. Common Stock Liability for Conversion

A. This account shall include the par value or stated value, as appropriate, of capital stock which the utility has agreed to exchange for outstanding securities of other companies in connection with the acquisition of properties of such companies under terms which allow the holders of the securities of the other companies to surrender such securities and receive in return therefor capital stock of the accounting utility.

B. When the securities of the other companies have been surrendered and capital stock issued in accordance with the terms of the exchange, this account shall be charged and accounts 201 - Common Stock Issued, or 204 - Preferred Stock Issued, as the case may be, shall be credited.

C. The records shall be kept so as to show separately the stocks of each class and series for which a conversion liability exists.

204. Preferred Stock Issued

See account 201 for the description of this account.

205. Preferred Stock Subscribed

See account 202 for the description of this account.

206. Preferred Stock Liability for Conversion

See account 203 for the description of this account.

207. Premium on Capital Stock

A. This account shall include in a separate subdivision for each class and series of stock, the excess of the actual cash value of the consideration received on original issues of capital stock over the par or stated value and accrued dividends of such stock, together with assessments against stockholders representing payments required in excess of par or stated values.

B. Premium on capital stock shall not be set off against expenses. Further, a premium received on an issue of a certain class or series of stock shall not be set off against expenses of another issue of the same class or series.

C. When capital stock which has been actually issued is retired, the amount in this account applicable to the shares retired shall be transferred to account 210 - Gain on Resale or Cancellation of Reacquired Capital Stock.

209. Reduction in Par or Stated Value of Capital Stock

This account shall include the balance of credits arising from a reduction in the par or stated value of capital stock.

210. Gain on Resale or Cancellation of Reacquired Capital Stock

This account shall include the balance of credits arising from the resale or cancellation of reacquired capital stock (See account 216 - Reacquired Capital Stock).

211. Other Paid-In Capital

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

212. Discount on Capital Stock

A. This account shall include in a separate subdivision for each class and series of capital stock all discount on the original issuance and sale of capital stock, including additional capital stock of a particular class or series as well as first issues.

B. When capital stock which has been actually issued is retired, the amount in this account applicable to the shares retired shall be written off to account 210 - Gain on Resale or Cancellation of Reacquired Capital Stock, provided, however, that the amount shall be charged to account 439 - Adjustments to Retained Earnings, to the extent that it exceeds the balance in account 210.

C. The utility may amortize the balance in this account by systematic charges to account 426 - Miscellaneous Nonutility Expenses.

213. Capital Stock Expense

A. This account shall include in a separate subdivision for each class and series of stock all commissions and expenses incurred in connection with the original issuance and sale of capital stock, including additional capital stock of a particular class or series as well as first issues. Expense applicable to capital stock shall not be deducted from premium on capital stock.

B. When capital stock which has been actually issued by the utility is retired, the amount in this account applicable to the shares retired shall be written-off to account 210 - Gain on Resale or Cancellation of Reacquired Capital Stock.

C. The utility may amortize the balance carried in this account by systematic charges to account 426 - Miscellaneous Nonutility Expenses.

Note:--Expenses in connection with the reacquisition or resale of the utility's capital stock shall not be included herein.

214. Appropriated Retained Earnings

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

215. Unappropriated Retained Earnings

This account shall include the balance, either debit or credit, of unappropriated retained earnings. It shall not include items includible in any of the accounts for paid-in capital.

216. Reacquired Capital Stock

A. This account shall include in a separate subdivision for each class and series of capital stock the cost of capital stock actually issued by the utility and reacquired by it and not retired or cancelled, except, however, stock which is held by trustees in sinking or other funds.

B. When reacquired capital stock is retired or cancelled, the difference between its cost, including commissions and expenses paid in connection with the reacquisition, and its par or stated value plus any premium and less any discount and expenses applicable to the shares retired, shall be debited or credited, as

appropriate, to account 210 - Gain on Resale or Cancellation of Reacquired Capital Stock.

C. When reacquired capital stock is resold by the utility, the difference between the amount received on the resale of the stock, less expenses incurred in the resale, and the cost of the stock included in this account shall be accounted for as outlined in paragraph B.

Note A:--See account 125 - Other Investments, for permissive accounting treatment of stock reacquired under a definite plan for resale.

Note B:--The accounting for reacquired stock shall be as prescribed herein unless otherwise specifically required by statute.

218. Proprietary Capital (for proprietorships and partnerships only)

A. This account shall be credited with the investment of a sole proprietor, or partners, in an unincorporated water utility.

B. At the end of each calendar year the net income or loss for the year shall be entered in this account.

C. Accounting adjustments not properly attributable to operations of the current period shall be charged or credited to this account.

Note A:--When the utility is owned by a partnership, a separate account shall be kept to show the net equity of each member therein and the transactions affecting the interest of each such partner.

Note B:--This account may be restricted to the amount considered by the proprietor to be the permanent investment in the business, subject to change only by additional investment by the proprietor or the withdrawal of portions thereof not representing net income. When this option is taken, earned surplus accounts shall be maintained.

Long-Term Debt

221. Bonds

This account shall include, in a separate subdivision for each class and series of bonds, the face value of the actually issued and unmatured bonds which have not been retired or canceled; also, the face value of such bonds issued by others the payment of which has been assumed by the utility.

222. Reacquired Bonds

A. This account shall include the face value of bonds actually issued or assumed by the utility and reacquired by it and not paid, retired, or cancelled. The account for reacquired debt shall not include securities which are held by trustees in sinking or other funds.

B. When bonds are reacquired, the difference between face value, adjusted for unamortized discount, expense or premium and the amount paid upon reacquisition, shall be debited or credited as appropriate, to account 421 - Nonutility Income, or account 426 - Miscellaneous Nonutility Expenses (See, however, account 181, paragraph E, as to refunding operations).

223. Advances from Associated Companies

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

B. The records supporting the entries to these accounts shall be so kept that the utility can furnish complete information concerning each note and open account.

224. Other Long-Term Debt

A. This account shall include, until maturity, all long-term debt not otherwise provided for. This covers such items as receiver's certificates, real estate mortgages executed or assumed, assessments for public improvements, notes and unsecured certificates of indebtedness not owned by associated companies, receipts outstanding for long-term debt, and other obligations maturing more than one year from date of issuance and assumption.

B. Separate subaccounts shall be maintained for each class of obligation, and records shall be maintained to show separately for each class all details as to date of obligation, date of maturity, interest dates and rates, security for the obligation, etc.

Note:--Miscellaneous long-term debt reacquired shall be accounted for in accordance with the procedure set forth in account 222 - Reacquired Bonds.

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

231. Accounts Payable

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

232. Notes Payable

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

233. Accounts Payable to Associated Companies

This account shall include all amounts payable by the utility to associated companies which are not provided for in other accounts.

Note:--Exclude from this account amounts which are includible in account 223 - Advances from Associated Companies.

234. Notes Payable to Associated Companies

This account shall include amounts owing to associated companies on notes, drafts, acceptance, or other similar evidences of indebtedness, payable on demand or within a time not exceeding one year from date of issue or creation.

Note:--Exclude from this account notes which are includible in account 223 - Advances from Associated Companies.

235. Customer Deposits

This account shall include all amounts deposited with the utility by customers as security for the payment of bills.

236. Accrued Taxes

A. This account shall be credited with the amount of taxes accrued during the accounting period with corresponding debits being made to the appropriate accounts for tax charges. Such credits may be based upon estimates, but from time to time during the year as the facts become known, the amount of the periodic credits shall be adjusted so as to include as nearly as can be determined in each year the taxes applicable thereto. Any amount representing a prepayment of taxes applicable to a period subsequent to the date of the balance sheet, shall be shown under account 162 - Prepayments.

B. If accruals for taxes are found to be insufficient or excessive, correction therefor shall be made through current tax accruals. However, if such corrections are so large as to seriously distort current expenses, see Accounting Instruction 8.

C. Accruals for taxes shall be based upon the net amounts payable after credit for any discounts, but shall not include any amounts for interest on tax deficiencies or refunds. Interest received on refund shall be credited to account 419 - Interest and Dividend Income, and interest paid on deficiencies shall be charged to account 427.5 - Interest Expense - Other.

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

E. The following subaccounts may be maintained:

236.1 Accrued Taxes, Utility Operating Income
236.11 Accrued Taxes, Taxes Other Than
236.12 Accrued Taxes, Income Taxes
236.2 Accrued Taxes, Other Income and Deductions

237. Accrued Interest

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

B. The following subaccounts may be maintained:

237.1 Accrued Interest on Long-Term Debt
237.2 Accrued Interest on Other Liabilities

238. Accrued Dividends

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

239. Matured Long-Term Debt

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

240. Matured Interest

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

241. Miscellaneous Current and Accrued Liabilities

This account shall include the amount of all other current and accrued liabilities not provided for elsewhere appropriately designated and supported so as to show the nature of each liability.

Deferred Credits

251. Unamortized Premium on Debt

This account shall include the total of the credit balances in the discount, expense and premium accounts, for all classes of long-term debt, including receivers' certificates (See account 181 - Unamortized Debt Discount and Expense).

252. Advances for Construction

This account shall include advances by or in behalf of customers for construction which are to be refunded either wholly or in part. When a person is refunded the entire amount to which he is entitled according to the agreement or rule under which the advance was made, the balance, if any, remaining in this account shall be credited to account 271 - Contributions in Aid of Construction.

253. Other Deferred Credits

A. This account shall include, gains on disposition of property, net of income taxes, deferred by authorization of the Commission, advance billings and receipts and other deferred credit items, not provided elsewhere, including amounts which cannot be entirely cleared or disposed of until additional information has been received.

B. The following subaccounts shall be maintained as a minimum unless otherwise authorized by the Commission. The utility may add additional subaccounts, if desired.

253.1 Regulatory Liabilities
253.2 Other Deferred Liabilities

253.1 Regulatory Liabilities

A. This account shall include the amounts of regulatory liabilities, not included in other accounts, imposed on the utility by the ratemaking actions of regulatory agencies. (See Definition 27.) The amounts to be included in this account are to be established by those credits which would have been included in net income determinations in the current period under the general requirements of the Uniform System of Accounts but for it being probable that: 1) such items will be included in a different period(s) for purposes of developing rates that the utility is authorized to charge for its utility services; or 2) refunds to customers, not provided for in other accounts, will be required. When specific identification of the particular source of the regulatory liability cannot be made or when the liability arises from revenues collected pursuant to tariffs on file with a regulatory agency, account 407.4 - Amortization of Regulatory Assets, shall be debited. The amounts recorded in this account generally are to be credited to the same account that would have been credited if included in income when earned except: 1) all regulatory liabilities established through the use of account 407.4 shall be credited to account 407.5 - Amortization of Regulatory Liabilities; and 2) in the case of refunds, a cash account or other appropriate account should be credited when the obligation is satisfied.

B. If it is later determined that the amounts recorded in this account will not be returned to customers through rates or refunds, such amounts shall be credited to Account 421 - Nonutility Income, in the year such determination is made.

C. The records supporting the entries to this account shall be so kept that the utility can furnish full information as to the nature and amount of each regulatory liability included in

this account, including justification for inclusion of such amounts in this account.

253.2 Other Deferred Liabilities

This account shall include all deferred liabilities not properly includable in any other subaccount of account 253.

255. Accumulated Deferred Investment Tax Credits

A. This account shall be credited with all investment tax credits deferred by companies which have elected to follow deferral accounting, partial or full, rather than recognizing in the income statement the total benefits of the tax credit as realized. After such election, a company may not transfer amounts from this account, except as authorized herein and in accounts 412.11 Investment Tax Credits Restored to Operating Income, 412.20 Investment Tax Credits - Net, Nonutility Operations, and 412.30 - Investment Tax Credits Restored to Nonoperating Income, Utility Operations, or with approval of the Commission.

B. Where the company's accounting provides that investment tax credits are to be passed on to customers, this account shall be debited and account 412.11 credited with a proportionate amount determined in relation to the book depreciable life of all utility property or utility property to which the tax credits are related or such lesser period of time as allowed by a regulatory agency having rate jurisdiction. If, however, the deferral procedure provides that investment tax credits are not to be passed on to customers, the proportionate restorations to income shall be credited to account 412.30.

C. Subdivisions of this account by department shall be maintained for deferred investment tax credits that are related to nonutility or other operations. Contra entries affecting such account subdivisions shall be appropriately recorded. Use of deferral or nondeferral accounting procedures adopted for nonutility or other operations are to be followed on a consistent basis.

D. Separate records for each utility department, and nonutility or other operations shall be maintained identifying the properties giving rise to the investment tax credits for each year with the appropriate service life of such properties and any unused balances of such credits. Such records are not necessary unless the tax credits are deferred.

E. The following subaccounts shall be maintained:

255.1 Accumulated Deferred Investment Tax Credits, Utility Operations

255.2 Accumulated Deferred Investment Tax Credits, Nonutility Operations

Operating Reserves

261. Property Insurance Reserve

A. This account shall include amounts reserved by the utility for self-insurance against losses through accident, fire, flood, or other hazards to its own property or property leased from others. The accruals to this account are to be charged to account 657 - Insurance-General Liability, or other appropriate account to cover such risks credited to this account. A schedule of risks covered by this reserve shall be maintained, giving a description of the property involved, the character of the risks covered and the rates used.

B. Charges shall be made to this account for losses covered by self-insurance. Details of these charges shall be maintained according to the year the casualty occurred which gave rise to the loss.

262. Injuries and Damages Reserve

A. This account shall be credited with amounts to be charged to account 658 - Insurance - Workman's Compensation, or other appropriate accounts, to meet the probable liability, not covered by insurance, for deaths or injuries to employees and others, and for damages to property neither owned nor held under lease by the utility.

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

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

263. Pensions and Benefits Reserve

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

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

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

Note:--If employee pension or benefit plan funds are not included among the assets of the utility but are held by outside trustees, payments into such funds, or accruals therefor shall not be included in this account unless required payments are made on a periodic and timely basis to the outside trustees of the various funds.

265. Miscellaneous Operating Reserves

A. This account shall include all operating reserves maintained by the utility which are not provided for elsewhere.

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

Note:--This account includes only such reserves as may be created for operating purposes and does not include any reservations of income the credits for which should be carried in account 214 - Appropriated Retained Earnings.

Contributions in Aid of Construction

271. Contributions in Aid of Construction

A. This account shall include:

1. Any amount or item of money, services or property received by a utility, from any person or governmental agency, any portion of which is provided at no cost to the utility, which represents an addition or transfer to the capital of the utility, and which is utilized to offset the acquisition, improvement or construction costs of the utility's property, facilities, or equipment used to provide utility services to the public.

2. Amounts transferred from account 252 - Advances for Construction, representing unrefunded balances of expired contracts or discounts resulting from termination of contracts in accordance with the Commission's rules and regulations.

3. Compensation received from governmental agencies and others for relocation of water mains or other plants.

4) Any amount of money received by a utility, any portion of which is provided at no cost to the utility, which represents an addition or transfer to the capital of the utility and which is utilized to offset the federal, state or local income tax effect of taxable contributions in aid of construction, taxable amounts transferred from Account 252 - Advances for Construction, and taxable compensation received from governmental agencies and others for relocation of water mains or other plants shall be reflected in a sub-account of this account.

B. The credits to this account shall not be transferred to any other account without the approval of the Commission.

C. The records supporting the entries to this account shall be so kept that the utility can furnish information as to the purpose of each donation, the conditions, if any, upon which it was made, the amount of donations from (a) states, (b) municipalities, (c) customers, and (d) others, and the amount applicable to each utility department.

Note:--There shall not be included in this account advances for construction which are ultimately to be repaid wholly or in part (See account 252 - Advances for Construction).

272. Accumulated Amortization of Contributions in Aid of Construction

A. This account shall reflect the amortization accumulated on account 271 - Contributions in Aid of Construction, if recognized by the Commission.

B. Specifically, balances in account 271 which represent contributions of depreciable plant shall be amortized by charges to this account over a period equal to the estimated service life of the related contributed asset. A group or overall composite rate may be used for contributed balances that cannot be directly related to a plant asset.

C. The concurrent credit for the amortization recorded in this account shall be made to account 403 - Depreciation Expense.

D. If a regulatory body allows the amortization of any portion of the monies collected to pay the tax obligation caused by the receipt of CIAC, such amortization shall also be reflected in a sub-account of this account. Specifically, balances in account 271 which represent monies collected for the gross-up of CIAC (See Definition 15.) shall be amortized by charges to this account over a period determined by the regulatory body.

BALANCE SHEET ACCOUNTS

Accumulated Deferred Income Taxes

Before using the deferred tax accounts provided below, refer to Accounting Instruction 34 (B) and (C). Interperiod Income Tax Allocation - Depreciation and Comprehensive Interperiod Income Tax Allocation - Other.

Public utilities shall use the accounts provided below for prior accumulations of deferred taxes on income for additional provisions. Prior to any use of these accounts, the utility must file with the Commission, for the purpose of obtaining authorization, its proposed plan of accounting for deferred taxes on income. The utility shall not use these accounts unless such use has been authorized by the Commission. If deferred tax accounting is initiated with respect to any property such accounting shall not be discontinued on that property without prior approval of the Commission.

The utility is restricted in its use of these accounts to the purposes set forth therein. It shall not make any transfers from these accounts or make any use thereof except as provided in the text of the accounts without prior approval of the Commission. It shall not transfer the balance in these accounts or any portion thereof to retained earnings 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 plant on which there is a related balance in these accounts, the deferred tax account shall be debited with an amount equal to the related income tax expense, if any, arising from such disposition and account 411 - Provision for Deferred Income Taxes-Credit, shall be credited. When the remaining balance, after consideration of any related income tax expenses, is not significant, the deferred tax account shall be debited and account 411 credited with such balance. If after consideration of any related income tax expense, and the remaining amount is significant, then the Commission shall authorize or direct how such amount shall be accounted for at the time approval for the disposition of accounting is granted. When plant is disposed of by transfer to a wholly owned subsidiary, the related balance in the deferred tax account shall also be transferred. When the disposition relates to retirement of an item or items under a group method of depreciation where there is no tax effect in the year of retirement, no entries are required in the deferred tax account if it can be determined that the related balances would be necessary to be retained to offset future group item tax deficiencies.

Note:--Public utilities having more than one utility department and/or nonutility property and which have deferred taxes on income with respect thereto shall classify such deferrals in the accounts

provided elsewhere so as to allow ready identification of items relating to each utility department and to Other Income and Deductions.

281. Accumulated Deferred Income Taxes - Accelerated Amortization

A. This account shall include tax deferral resulting from adoption of the principles of Comprehensive Interperiod Income Tax Allocation - Other described in Accounting Instruction 34 (c) of this system of accounts that relate to property for which the utility have availed itself of the use of accelerated (5-year) amortization of (1) certified defense facilities as permitted by Section 168 of the Internal Revenue Code and (2) certified pollution control facilities as permitted by Section 169 of the Internal Revenue Code.

B. This account shall be credited and accounts 410.10, 410.11, 410.12 - Deferred Federal, State or Local Income Taxes, and 410.20 - Other Income and Deductions, as appropriate, shall be debited with tax effects related to property described in paragraph A above where taxable income is lower than pretax accounting income due to differences between the periods in which revenues and expense transactions affect taxable income and the periods in which they enter into the determination of pretax accounting income.

C. This account shall be debited and accounts 411.10 - Provision for Deferred Income Taxes - Credit, Utility Operating Income, or 411.20 - Provision for Deferred Income Taxes-Credit, Other Income and Deductions, as appropriate, shall be credited with tax effects related to property described in paragraph A above where taxable income is higher than pretax accounting income due to differences between the periods in which revenues and expenses transactions affect taxable income and the periods in which they enter into the determination of pretax accounting income.

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

282. Accumulated Deferred Income Taxes - Liberalized Depreciation

A. This account shall include the tax deferrals resulting from adoption of the principle of comprehensive interperiod income tax allocation described in Accounting Instruction 34 of this system of accounts which are related to all property other than accelerated amortization property.

B. This account shall be credited and accounts 410.10, 410.11, 410.12 - Deferred Federal, State and Local Income Taxes, or 410.20 -Provision for Deferred Income Taxes, Other Income and Deductions, as appropriate, shall be debited with tax effects related to property described in paragraph A above where taxable income is lower than pretax accounting income due to differences between the periods in which revenue and expense transactions affect taxable income and the periods in which they enter into the determination of pretax accounting income.

C. This account shall be debited and accounts 411.10 - Provision for Deferred Income Taxes - Credit, Utility Operating Income, or 411.20 - Provision for Deferred Income Taxes - Credit, Other Income and Deductions, as appropriate, shall be credited with tax effects related to property described in paragraph A above where taxable income is higher than pretax accounting income due to differences between the periods in which revenue and expense transactions affect taxable income and the periods in which they enter into the determination of pretax accounting income.

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

283. Accumulated Deferred Income Taxes - Other

A. This account shall include all credit tax deferrals resulting from the adoption of the principles of comprehensive interperiod income tax allocation described in Accounting Instruction 34 of this system of accounts other than those deferrals which are includible in accounts 281 - Accumulated Deferred Income Taxes - Accelerated Amortization, and 282 - Accumulated Deferred Income Taxes - Liberalized Depreciation.

B. This account shall be credited and the subaccounts of account 410 - Provision for Deferred Income Taxes, as appropriate, shall be debited with tax effects related to items described in paragraph A above where taxable income is lower than pretax accounting income due to differences between the periods in which revenue and expense transactions affect taxable income and the periods in which they enter into the determination of pretax accounting income.

C. This account shall be debited and accounts 411.10 - Provision for Deferred Income Taxes - Credit, Utility Operating Income or 411.20 - Provision for Deferred Income Taxes - Credit, Other Income and Deductions, as appropriate, shall be credited with tax effects

related to items described in paragraph A above where taxable income is higher than pretax accounting income due to differences between the periods in which revenues and expense transactions affect taxable income and the periods in which they enter into the determination of pretax accounting income.

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

E. For ratemaking purposes, the balance in accounts 281, 282, and 283 - Accumulated Deferred Income Taxes - Accelerated Amortization, Liberalized Depreciation, and Other, net of any balance in account 190 - Accumulated Deferred Income Taxes, shall either be deducted from rate base by all companies having a net credit balance of deferred taxes or shall be included in capital structure as zero cost funds. The treatment shall be determined by the regulatory body having jurisdiction over the regulated operations of the utility. Where regulated operations are subject to the jurisdiction of more than one regulatory body, each regulatory body shall establish the ratemaking treatment of those deferrals related to operations under its jurisdiction.

WATER UTILITY PLANT ACCOUNTS

		.1
		Intangible Plant
301.	Organization	301.1
302.	Franchises	302.1
303.	Land and Land Rights	XXXXXXXXXXX
304.	Structures and Improvements	XXXXXXXXXXX
305.	Collecting and Impounding Reservoirs	XXXXXXXXXXX
306.	Lake, River and Other Intakes	XXXXXXXXXXX
307.	Wells and Springs	XXXXXXXXXXX
308.	Infiltration Galleries and Tunnels	XXXXXXXXXXX
309.	Supply Mains	XXXXXXXXXXX
310.	Power Generation Equipment	XXXXXXXXXXX
311.	Pumping Equipment	XXXXXXXXXXX
320.	Water Treatment Equipment	XXXXXXXXXXX
330.	Distribution Reservoirs and Standpipes	XXXXXXXXXXX
331.	Transmission and Distribution Mains	XXXXXXXXXXX
333.	Services	XXXXXXXXXXX
334.	Meters and Meter Installations	XXXXXXXXXXX
335.	Hydrants	XXXXXXXXXXX
336.	Backflow Prevention Devices	XXXXXXXXXXX
339.	Other Plant and Miscellaneous Equipment	339.1
340.	Office Furniture and Equipment	XXXXXXXXXXX
341.	Transportation Equipment	XXXXXXXXXXX
342.	Stores Equipment	XXXXXXXXXXX
343.	Tools, Shop and Garage Equipment	XXXXXXXXXXX
344.	Laboratory Equipment	XXXXXXXXXXX
345.	Power Operated Equipment	XXXXXXXXXXX
346.	Communication Equipment	XXXXXXXXXXX
347.	Miscellaneous Equipment	XXXXXXXXXXX
348.	Other Tangible Plant	XXXXXXXXXXX

WATER UTILITY PLANT ACCOUNTS

.2 Source of Supply and Pumping Plant	.3 Water Treatment Plant	.4 Transmission and Distribution Plant	.5 General Plant
XXXXXXXXXXXXXX	XXXXXXXXXXXX	XXXXXXXXXXXX	XXXXXXXXXXXX
XXXXXXXXXXXXXX	XXXXXXXXXXXX	XXXXXXXXXXXX	XXXXXXXXXXXX
303.2	303.3	303.4	303.5
304.2	304.3	304.4	304.5
305.2	XXXXXXXXXXXX	XXXXXXXXXXXX	XXXXXXXXXXXX
306.2	XXXXXXXXXXXX	XXXXXXXXXXXX	XXXXXXXXXXXX
307.2	XXXXXXXXXXXX	XXXXXXXXXXXX	XXXXXXXXXXXX
308.2	XXXXXXXXXXXX	XXXXXXXXXXXX	XXXXXXXXXXXX
309.2	XXXXXXXXXXXX	XXXXXXXXXXXX	XXXXXXXXXXXX
310.2	XXXXXXXXXXXX	XXXXXXXXXXXX	XXXXXXXXXXXX
311.2	311.3	311.4	XXXXXXXXXXXX
XXXXXXXXXXXXXX	320.3	XXXXXXXXXXXX	XXXXXXXXXXXX
XXXXXXXXXXXXXX	XXXXXXXXXXXX	330.4	XXXXXXXXXXXX
XXXXXXXXXXXXXX	XXXXXXXXXXXX	331.4	XXXXXXXXXXXX
XXXXXXXXXXXXXX	XXXXXXXXXXXX	333.4	XXXXXXXXXXXX
XXXXXXXXXXXXXX	XXXXXXXXXXXX	334.4	XXXXXXXXXXXX
XXXXXXXXXXXXXX	XXXXXXXXXXXX	335.4	XXXXXXXXXXXX
XXXXXXXXXXXXXX	XXXXXXXXXXXX	336.4	XXXXXXXXXXXX
339.2	339.3	339.4	XXXXXXXXXXXX
XXXXXXXXXXXXXX	XXXXXXXXXXXX	XXXXXXXXXXXX	340.5
XXXXXXXXXXXXXX	XXXXXXXXXXXX	XXXXXXXXXXXX	341.5
XXXXXXXXXXXXXX	XXXXXXXXXXXX	XXXXXXXXXXXX	342.5
XXXXXXXXXXXXXX	XXXXXXXXXXXX	XXXXXXXXXXXX	343.5
XXXXXXXXXXXXXX	XXXXXXXXXXXX	XXXXXXXXXXXX	344.5
XXXXXXXXXXXXXX	XXXXXXXXXXXX	XXXXXXXXXXXX	345.5
XXXXXXXXXXXXXX	XXXXXXXXXXXX	XXXXXXXXXXXX	346.5
XXXXXXXXXXXXXX	XXXXXXXXXXXX	XXXXXXXXXXXX	347.5
XXXXXXXXXXXXXX	XXXXXXXXXXXX	XXXXXXXXXXXX	348.5

WATER UTILITY PLANT ACCOUNTS

The water utility plant accounts have been designed utilizing an account matrix. The matrix employs a list of object accounts which in effect act as control accounts. The object accounts are further segregated by the matrix into classifications by functions or subaccounts. The instructions for segregating the object accounts to the function subaccounts are contained in Accounting Instruction 31. Listed below are the object account descriptions.

301. Organization

This account shall include all fees paid to federal or state governments for the privilege of incorporation and expenditures incident to organizing the corporation, partnership or other enterprise and putting it into readiness to do business. A sample of items to be included in this account are listed below.

1. Actual cost of obtaining certificates authorizing an enterprise to engage in the public utility business.
2. Fees and expenses for incorporation.
3. Fees and expenses for mergers or consolidations.
4. Office expenses incident to organizing the utility.
5. Stock and minute books and corporate seal.

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

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

302. Franchises

A. This account shall include amounts paid to the federal government, to a state or to a political subdivision thereof in consideration for franchises, consents or certificates, running in perpetuity or for a specified term of more than one year, together with necessary and reasonable expenses incident to procuring such franchises, consents or certificates of permission and approval, including expenses of organizing and merging separate corporations, where statutes require solely for the purpose of acquiring franchise.

B. If a franchise or certificate is acquired by assignment, the charge to this account in respect thereof shall not exceed the amount paid therefor by the utility to the assignor, nor shall it exceed the amount paid by the original grantee, plus the expense of acquisition to such grantee. Any excess of the amount actually paid by the utility over the amount above specified shall be charged to account 426 - Miscellaneous Nonutility Expenses.

C. When any franchise has expired, the book cost thereof shall be credited hereto and charged to account 426 - Miscellaneous Nonutility Expenses, or to account 110.1 - Accumulated Amortization of Utility Plant in Service, as appropriate.

D. Records supporting this account shall be kept so as to show separately the book cost of each franchise.

Note:--Annual or other periodic payments under franchises shall not be included herein but in the appropriate expense account.

303. Land and Land Rights

This account shall include the cost of land and land rights used in connection with source of supply, pumping, water treatment plant, transmission and distribution, and general plant operations (See Accounting Instruction 24). A sample of items to be included in this account are listed below:

1. Bulkheads buried, not requiring maintenance or replacement.
2. Cost, first, of acquisition including mortgages and other liens assumed (but not subsequent interest thereon).
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, etc., 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 such costs are attributable to structures or plant equipment erected or to be erected or installed on such 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 utility on public property.
22. Labor and expenses in connection with securing rights of way, where performed by company employees and company agents.

304. Structures and Improvements

This account shall include cost in place of structures and improvements used in connection with source of supply, pumping, water treatment, transmission and distribution and general plant (See Accounting Instruction 25). A sample of items to be included in this account are listed below:

1. Architects' plans and specifications including supervision.

2. Boilers, furnaces, piping, wiring, fixtures and machinery for heating, lighting, signaling, ventilating and air conditioning systems, plumbing, vacuum cleaning systems, incinerator and smoke pipe, flues, etc.
3. Bulkheads, including dredging, riprap fill, piling, decking, concrete, fenders, etc., when exposed and subject to maintenance and replacement.
4. Commissions and fees to brokers, agents, architects and others.
5. Conduit (not to be removed) with its contents.
6. Damages to abutting property during construction.
7. Drainage systems.
8. Elevators, cranes, hoists, etc., and the machinery for operating them.
9. Excavation, including shoring, bracing, bridging, refill and disposal of excess excavated material, cofferdams around foundations, pumping water from cofferdam during construction, test borings.
10. Fences and fence curbs (not including protective fences isolating items of equipment, which should be charged to the appropriate equipment account).
11. Fire protection systems when forming a part of a structure.
12. Flagpole.
13. Floor covering (permanently attached).
14. Foundations and piers for machinery, constructed as a permanent part of a building or other item listed herein.
15. Grading and clearing when directly occasioned by the building of a structure.
16. Intrasite communication system, poles, pole fixtures, wires and cables.
17. Landscaping, lawns, shrubbery, etc.
18. Leases, voiding upon purchase, to secure possession of structures.
19. Leased property, expenditures on.
20. Lighting fixtures and outside lighting systems.
21. Marquee, permanently attached to building.
22. Painting, first cost.
23. Permanent paving, concrete, brick, flagstone, asphalt, etc., within the property lines.
24. Partitions, including movable.
25. Permits and privileges.
26. Water and wastewater systems, for general use.
27. Power boards for services to a building.
28. Retaining walls except when identified with land.
29. Roadways.
30. Roofs.

31. Scales, connected to and forming a part of a structure.
32. Sidewalks, culverts, curbs and streets constructed by the utility on its property.
33. Sprinkling systems.
34. Sump pumps and pits.
35. Stacks -- brick, steel, or concrete, when set on foundation forming part of general foundation and steelwork of a building.
36. Steel inspection during construction.
37. Storage facilities constituting a part of a building.
38. Storm doors and windows.
39. Tanks, constructed as part of a building or as distinct structural units.
40. Temporary heating during construction (net cost).
41. Temporary water connection during construction (net cost).
42. Temporary shanties and other facilities used during construction (net cost).
43. Topographical maps.
44. Tunnels, intake and discharge, when constructed as part of a structure, including sluice gates and those constructed to house mains.
45. Vaults constructed as part of a building.
46. Watchmen's sheds and clock systems (net cost when used during construction only).
47. Water basins or reservoirs.
48. Water front improvements.
49. Water supply piping, hydrants and wells.
50. Water meters and supply system for a building or for general company purposes.
51. Yard surfacing, gravel, concrete, or oil (First cost only).
52. Plant metering.

305. Collecting and Impounding Reservoirs

This account shall include the cost in place of structures and improvements used for impounding, collecting and storing water in the source of supply system. A sample of items to be included in this account are listed below:

1. Aerators (when installed as an integral part of collecting and impounding reservoirs).
2. Bridges and culverts.
3. Clearing land.
4. Dams.
5. Drainage conduits.
6. Embankments.
7. Fish ladders and elevators.

8. Fences.
9. Gate houses and equipment.
10. Landscaping.
11. Lighting systems.
12. Retaining walls.
13. Roads and paths.
14. Sewers.
15. Spillways and channels.
16. Any other permanent improvement to collecting and impounding reservoirs.

306. Lake, River and Other Intakes

This account shall include the cost installed of lake, river and other intakes used as a source of water supply. A sample of items to be included in this account are listed below:

1. Clearing land.
2. Conduits.
3. Cribs.
4. Fences.
5. Gate houses and equipment.
6. Intake pipes (up to suction header).
7. Intake wells.
8. Lighting systems.
9. Screens and racks.

307. Wells and Springs

This account shall include the cost installed of wells and springs used as a source of water supply. A sample of items to be included in this account are listed below:

1. Clearing land.
2. Collecting basins.
3. Collecting pipes.
4. Fences.
5. Landscaping.
6. Lighting systems.
7. Overflow spillways and channels.
8. Sewers.
9. Springs and appurtenances.
10. Wells, casings and appurtenances, including cost of test wells and nonproductive wells drilled as part of a project resulting in a source of water within the same supply area.

308. Infiltration Galleries and Tunnels

This account shall include the cost installed of infiltration galleries and tunnels used as a source of water supply. A sample of items to be included in this account are listed below:

1. Conduits.
2. Gate houses and equipment.
3. Piping.

309. Supply Mains

This account shall include the cost installed of supply mains, pipes, aqueducts and canals and their appurtenances. A sample of items to be included in this account are listed below:

1. Air chambers.
2. Blow-offs and overflows.
3. Bridges and culverts.
4. Canals.
5. Electrolysis control equipment.
6. Manholes.
7. Municipal inspection or permits.
8. Pavement disturbed, including cutting and replacing pavement, pavement base and sidewalks.
9. Pipes, aqueducts or conduits.
10. Placing mains and accessories.
11. Special castings.
12. Sterilizing new mains.
13. Surge tanks.
14. Trenching, including shoring, bracing, bridging, pumping, backfill and disposal of excess excavated material.
15. Tunnels.
16. Valves, valve vaults and appurtenances.

310. Power Generation Equipment

A. This account shall include the cost installed of any equipment used for the production of power principally used in pumping operations.

B. Subaccounts shall be maintained hereunder for the cost of equipment used for each type of power generating equipment.

311. Pumping Equipment

This account shall include the cost of pumping equipment driven by electric power, diesel engines, steam engines and hydraulic water wheels and turbines. A sample of items to be included in this account are listed below:

1. Engines, motors, water wheels and turbines for driving pumps.
2. Pumps, including setting, gearing, shafting and belting.
3. Water piping within station, including valves.
4. Auxiliary equipment for engines and pumps such as oiling systems, cooling systems, condensers, etc.
5. Oil supply lines and accessories.
6. Regulating, recording and measuring devices.
7. Foundations, frames and bed plates.
8. Ladders, stairs and platforms if a part of pumping unit.

320. Water Treatment Equipment

This account shall include the cost installed of apparatus, equipment and other facilities used for the treatment of water. A sample of items to be included in this account are listed below:

1. Aerators (when installed as an integral part of the water treatment plant).
2. Chemical treating plant.
3. Clear water basin.
4. Disinfection equipment.
5. Filter plant.
6. Mixing chambers.
7. Reverse osmosis membranes.
8. Sedimentation or coagulation basin.
9. Softening plant.

Note:--Protecting superstructures shall be included in account 304 - Structures and Improvements.

330. Distribution Reservoirs and Standpipes

This account shall include the cost in place of reservoirs, tanks, standpipes, and appurtenances used in storing water for distribution (See Accounting Instruction 24). A sample of items to be included in this account are listed below:

1. Aerators (when installed as an integral part of distribution reservoirs).
2. Bridges and culverts.

3. Clearing land.
4. Dams.
5. Embankments.
6. Fences.
7. Foundations.
8. Gates and gate houses.
9. Landscaping.
10. Lighting systems.
11. Piping system within reservoirs.
12. Retaining walls.
13. Roads and paths.
14. Rust-proofing apparatus.
15. Sewer drain or storm sewer.
16. Spillways and channels.
17. Standpipes.
18. Tanks.
19. Towers.
20. Valves.

331. Transmission and Distribution Mains

A. This account shall include the cost installed of transmission and distribution mains and appurtenances. A sample of items to be included in this account are listed below:

1. Air chambers.
2. Blow-offs and overflows.
3. Bridges and culverts.
4. Electrolysis control equipment.
5. Gauges and recorders.
6. Jointing and jointing material.
7. Manholes.
8. Meters and appurtenances.
9. Municipal inspection or permits.
10. Pavement disturbed, including cutting and replacing pavement, pavement base and sidewalks.
11. Pipes.
12. Fire mains.

B. Records supporting this account shall be so kept as to show separately the cost of mains of different sizes and types and of each tunnel, bridge, or river crossing.

333. Services

A. This account shall include the cost installed of service pipes and accessories leading to the customers' premises.

B. A complete service begins with the connection on the main and extends to but does not include the connection with the customer's meter. A stub service extends from the main to the property line, or the curb stop (curb stop cock).

C. Services which have been used but have become inactive shall be retired from utility plant in service immediately if there is no prospect for reuse, and, in any event, shall be retired by the end of the second year following that during which the service became inactive unless reused in the interim.

Items

1. Corporation stops or tees.
2. Gate valves and boxes.
3. Goose necks.
4. Jointing and jointing material.
5. Municipal inspection or permits.
6. Pavements disturbed, including cutting and replacing pavement, pavement base and sidewalks.
7. Pipes.
8. Placing pipes and accessories.
9. Protection of street openings.
10. Service or curb boxes.
11. Service or curb stops (curb stop cocks).
12. Tapping main.
13. Tapping saddle.

Note:--When a customer pays all or a part of the cost of the service and such cost is properly includible in this account, the amount borne or contributed by the customer shall be credited to account 271 - Contributions in Aid of Construction.

334. Meters and Meter Installations

A. This account shall include the cost of meters, devices and appurtenances attached thereto, used for measuring the quantity of water delivered to users, whether actually in service or held in reserve. It shall also include the cost of labor employed, materials used and expenses incurred in connection with the original installation of a customer's meters and devices and appurtenances attached thereto.

B. When a meter and/or meter installation is permanently retired from service, the amount at which it is included herein shall be credited to this account.

C. The records covering meters shall be so kept that the utility can furnish information as to the number of meters of each type and size in service and in reserve as well as the location of each meter included in this account.

D. A sample of items to be included in this account are listed below:

1. Meters, including badging and initial testing.
2. Remote meter registers.
3. Installation labor (first installation only).
4. Meter coupling.
5. Meter bars.
6. Meter yokes.
7. Meter fittings, connections and shelves.
8. Meter vaults or boxes.
9. Stops.

Note A:--This account shall not include meters for recording the output of a supply or treatment plant, or those located on mains. It includes only those meters to record water delivered to customers, including company use and for those used elsewhere in the system if a type available for general use.

Note B:--The utility shall maintain a statistical record to show separately the number of each type and size of meter or group of types and sizes as carried in the continuing property record. Underlying records shall be kept so that the utility can determine readily for each such classification the number of company-owned meters in service (subdivided between active and inactive) and the number of meters carried herein but not in service, the latter to include meters undergoing repairs; and the number of meters in service owned by customers.

Note C:--When a customer pays all or a part of the cost of the meter and such cost is properly includible in this account, the amount borne or contributed by the customer shall be credited to account 271 - Contributions in Aid of Construction.

335. Hydrants

A. This account shall include the cost installed of hydrants in service owned by the utility. A sample of items to be included in this account are listed below:

1. Connections to main.
2. Excavation, backfill, and disposal of excess excavated material.
3. Hydrants and fittings, including barrel and shoe.
4. Manholes.
5. Pavement disturbed, including cutting and replacing pavement, pavement base and sidewalks.
6. Pipe including leads and drains.
7. Tee at main.
8. Valves and valve boxes.

336. Backflow Prevention Devices

A. This account shall include the cost of backflow prevention devices, and appurtenances attached thereto, used for preventing the backflow of water, whether actually in service or held in reserve. It shall also include the cost of labor employed, materials used and expenses incurred in connection with the original installation of a customer's backflow prevention device and appurtenances attached thereto unless done in conjunction with a meter installation.

B. When a backflow prevention device is permanently retired from service, the amount at which it is included herein shall be credited to this account.

C. The records covering backflow prevention devices shall be so kept that the utility can furnish information as to the number of backflow prevention devices of each type and size in service and in reserve as well as the location of each backflow prevention device included in this account.

339. Other Plant and Miscellaneous Equipment

This account shall include the cost installed of all other intangible, source of supply and pumping, water treatment and transmission and distribution plant not provided for in the foregoing accounts.

340. Office Furniture and Equipment

A. This account shall include the cost of office furniture and equipment owned by the utility and devoted to utility service, and not permanently attached to buildings, except the cost of such furniture and equipment which the utility elects to assign to other plant accounts on a functional basis. A sample of items to be included in this account are listed below:

1. Book cases and shelves.
2. Desk, chairs, and desk equipment.
3. Drafting room equipment.
4. Electronic data processing equipment.
5. Filing, storage and other cabinets.
6. Floor covering.
7. Library and library equipment.
8. Mechanical office equipment such as accounting machines, typewriters, etc.
9. Safes.
10. Tables.

B. If the utility has equipment includible in this account at more than one location, separate records shall be maintained for each location.

341. Transportation Equipment

This account shall include the cost of transportation vehicles used for utility purposes. A sample of items to be included in this account are listed below:

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.

342. Stores Equipment

A. This account shall include the cost of equipment used for the receiving, shipping, handling and storage of materials and supplies.

B. If the utility has equipment includible in this account at more than one location, separate records shall be maintained for each location. A sample of items to be included in this account are listed below:

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.

343. Tools, Shop and Garage Equipment

This account shall include the cost of tools, implements, and equipment used in construction, repair work, general shops and garages and not specifically provided for or includible in other accounts. A sample of items to be included in this account are listed below:

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

30. Tool racks.
31. Vises.
32. Welding apparatus.
33. Work benches.

344. Laboratory Equipment

A. This account shall include the cost installed of laboratory equipment used for general laboratory purposes and not specifically provided for or includible in other departmental or functional plant accounts. A sample of items to be included in this account are listed below:

1. Autoclaves.
2. Barometers.
3. Cameras.
4. Centrifuge.
5. Distilling apparatus.
6. Furnaces.
7. Microscopes.
8. Ovens.
9. Pitometers.
10. Rain gauges.
11. Refrigerators.
12. Scales.
13. Sterilizers.
14. Stop watches.
15. Testing machines.
16. Thermometers.
17. Voltmeters.
18. Other bacteriological, electric, chemical hydraulic or research equipment.

B. If the utility has equipment includible in this account at more than one location, separate records shall be maintained for each location.

345. Power Operated Equipment

This account shall include the cost of power operated equipment used in construction of repair work exclusive of equipment includible in other accounts. Include, also, the tools and accessories acquired for use with such equipment and the vehicle on which such equipment is mounted. A sample of items to be included in this account are listed below:

1. Air compressors, including driving unit and vehicle.
2. Back filling machines.
3. Boring machines.
4. Bulldozers.
5. Cranes and joists.

6. Diggers.
7. Engines.
8. Pile drivers.
9. Pipe cleaning machines.
10. Pipe coating or wrapping machines.
11. Tractors -- Crawler type.
12. Trenchers.
13. Other power operated equipment.

Note:--It is intended that this account include only such large units as are generally self-propelled or mounted on moveable equipment.

346. Communication Equipment

This account shall include the cost installed of telephone, telegraph and wireless equipment for general use in connection with utility operations. A sample of items to be included in this account are listed below:

1. Antennae.
2. Booths.
3. Cables.
4. Distribution boards.
5. Extension cords.
6. Gongs.
7. Handsets, manual and dial.
8. Insulators.
9. Intercommunicating sets.
10. Loading coils.
11. Operators desks.
12. Poles and fixtures used wholly for telephone and telegraph wires.
13. Radio transmitting and receiving sets.
14. Remote control equipment and lines.
15. Sending keys.
16. Storage batteries.
17. Switchboards.
18. Teleautograph circuit connections.
19. Telegraph receiving sets.
20. Telephone and telegraph circuits.
21. Testing instruments.
22. Towers.
23. Underground conduit used wholly for telephone or telegraph wires and cable wires.

347. Miscellaneous Equipment

This account shall include the cost of equipment, apparatus, etc., used in utility operations, and which is not includible in any other account. A sample of items to be included in this account are listed below:

1. Hospital and infirmary equipment.
2. Kitchen equipment.
3. Recreation equipment.
4. Radios.
5. Restaurant equipment.
6. Soda fountains.
7. Operator's cottage furnishings.
8. Electric signs advertising the corporate name or symbol, plant or facility name, or otherwise serving only the general purpose of acquainting the public with the facilities and services of the utility.
9. Other miscellaneous equipment.

Note:--Miscellaneous equipment of the nature indicated above wherever practicable shall be included in the utility plant accounts on a functional basis.

348. Other Tangible Plant

This account shall include the cost of tangible utility plant not provided for elsewhere.

INCOME ACCOUNTS

Utility Operating Income

400. Operating Revenues
401. Operating Expenses
403. Depreciation Expense
406. Amortization of Utility Plant Acquisition Adjustment
407. Amortization Expense
    - 407.1 Amortization of Limited Term Plant
    - 407.2 Amortization of Property Losses
    - 407.3 Amortization of Other Utility Plant
    - 407.4 Amortization of Regulatory Assets
    - 407.5 Amortization of Regulatory Liabilities
408. Taxes Other Than Income
    - 408.10 Utility Regulatory Assessment Fees
    - 408.11 Property Taxes
    - 408.12 Payroll Taxes
    - 408.13 Other Taxes and Licenses
409. Income Taxes
    - 409.10 Federal Income Taxes, Utility Operating Income
    - 409.11 State Income Taxes, Utility Operating Income
    - 409.12 Local Income Taxes, Utility Operating Income
410. Provision for Deferred Income Taxes
    - 410.10 Deferred Federal Income Taxes
    - 410.11 Deferred State Income Taxes
    - 410.12 Deferred Local Income Taxes
411. Provision for Deferred Income Taxes - Credit
    - 411.10 Provision for Deferred Income Taxes - Credit, Utility Operating Income
412. Investment Tax Credits
    - 412.10 Investment Tax Credits Deferred to Future Periods, Utility Operations
    - 412.11 Investment Tax Credits Restored to Operating Income, Utility Operations
413. Income From Utility Plant Leased to Others
414. Gains (Losses) From Disposition of Utility Property

Other Income and Deductions

415. Revenues From Merchandising, Jobbing and Contract Work
416. Costs and Expenses of Merchandising, Jobbing and Contract Work
419. Interest and Dividend Income
420. Allowance for Funds Used During Construction
421. Nonutility Income
426. Miscellaneous Nonutility Expenses

Taxes Applicable to Other Income and Deductions

408. Taxes Other Than Income
    - 408.20 Taxes Other Than Income, Other Income and Deductions
409. Income Taxes
    - 409.20 Income Taxes, Other Income and Deductions
410. Provision for Deferred Income Taxes

410.20 Provision for Deferred Income Taxes, Other Income and Deductions

411. Provision For Deferred Income Taxes - Credit
411.20 Provision for Deferred Income Taxes - Credit, Other Income and Deductions
412. Investment Tax Credits
412.20 Investment Tax Credits - Net, Nonutility Operations
412.30 Investment Tax Credits Restored to Nonoperating Income, Utility Operations

Interest Expense

427. Interest Expense
427.1 Interest on Debt to Associated Companies
427.2 Interest on Short-Term Debt
427.3 Interest on Long-Term Debt
427.4 Interest on Customer Deposits
427.5 Interest - Other
428. Amortization of Debt Discount and Expense
429. Amortization of Premium on Debt

Extraordinary Items

433. Extraordinary Income
434. Extraordinary Deductions
409. Income Taxes
409.30 Income Taxes, Extraordinary Items

INCOME ACCOUNTS

Operating Income

400. Operating Revenues

This is the revenue control account which totals the accounts recorded in water revenue accounts 460 through 474.

401. Operating Expenses

This is the operating expense control account which totals the amounts recorded in operating expense accounts 601 through 675 for water systems.

403. Depreciation Expenses

A. This account shall be charged with depreciation credited to account 108 - Accumulated Depreciation of Water Plant and credited with amortization debited to account 272 - Accumulated Amortization of Contributions in Aid of Construction. Depreciation shall be accrued on a straight-line remaining life basis or straight-line basis, as required by the Commission. A single composite depreciation rate may be used if approval from the Commission is obtained.

Note A:--See Accounting Instruction 33, for more detailed instructions on depreciation accounting.

B. Depreciation for property not used in water operations is charged to account 426 - Miscellaneous Nonutility Expenses, and is credited to account 122 - Accumulated Depreciation and Amortization of Nonutility Property.

406. Amortization of Utility Plant Acquisition Adjustments

This account shall be debited or credited, as the case may be, only upon the approval of the Commission, for the purpose of providing for the extinguishment of the amount in account 114 - Utility Plant Acquisition Adjustments.

407. Amortization Expense

This account shall be the control account for amortization accounts totaling the amounts in accounts 407.1 to 407.3.

407.1 Amortization of Limited Term Plant

This account shall include amortization charges applicable to amounts included in the utility plant accounts for limited

term franchises, licenses, patent rights, limited term interests in land, and expenditures on leased property where the service life of the improvements is terminable by action of the lease. The charges to this account shall be such as to distribute the book cost of each investment evenly over the period of benefit to the utility (See account 110.1 - Accumulated Amortization of Utility Plant in Service).

407.2 Amortization of Property Losses

This account shall be charged with amounts credited to account 182, Extraordinary Property Losses, when the Commission has authorized the amount in the latter account to be amortized by charges to operating expenses.

407.3 Amortization of Other Utility Plant

A. When authorized by he Commission, this account shall include charges for amortization of intangible or other utility plant in service which does not have a definite or terminable life and which is not subject to depreciation expense.

B. This account shall be supported in such detail as to show the amortization applicable to each investment being amortized, together with the book cost of the investment and the period of the amortization.

407.4 Amortization of Regulatory Assets

This account shall be debited, when appropriate, with the amounts credited to Account 253.1 - Regulatory Liabilities, to record regulatory liabilities imposed on the utility by the ratemaking actions of regulatory agencies. This account shall also be debited, when appropriate, with the amounts credited to Account 186.3 - Regulatory Assets, concurrent with the recovery of such amounts in rates.

407.5 Amortization of Regulatory Liabilities

This account shall be credited, when appropriate, with amounts debited to Account 186.3 - Regulatory Assets, to establish regulatory assets. This account shall also be credited, when appropriate, with the amounts debited to Account 253.1 - Regulatory Liabilities, concurrent with the return of such amount to customers through rates.

408. Taxes Other Than Income

A. These accounts shall include the amount of ad valorem, gross revenue or gross receipts taxes, regulatory agency general assessments for purposes of public utility regulation, state unemployment insurance, franchise taxes, federal excise taxes, social security taxes, and all other taxes assessed by federal state, county, municipal, or other local governmental authorities, except income taxes.

B. These accounts shall be charged in each accounting period with the amounts of taxes which are applicable thereto, with concurrent credits to account 236 - Accrued Taxes, or account 162 - Prepayments, as appropriate. When it is not possible to determine the exact amounts of taxes, the amounts shall be estimated and adjustments made in current accruals as the actual tax levies become known.

C. The charges to these accounts shall be made or supported so as to show the amount of each tax and the basis upon which each charge is made. In the case of a utility rendering more than one utility service, taxes of the kind includible in these accounts shall be assigned directly to the utility department the operation of which gave rise to the tax in so far as practicable. Where the tax is not attributable to a specific utility department, it shall be distributed among the utility departments or nonutility operations on an equitable basis after appropriate study to determine such basis.

Note A:--Special assessments for street and similar improvements shall be included in the appropriate utility plant or nonutility property account.

Note B:--Taxes specifically applicable to construction shall be included in the cost of construction.

Note C:--Gasoline and other sales taxes shall be charged as far as practicable to the same account as the materials on which the tax is levied.

Note D:--Social security and other forms of payroll taxes shall be distributed to utility departments and to nonutility functions on a basis related to payroll. Amounts applicable to construction shall be charged to the appropriate plant account.

Note E:--Interest on tax refunds or deficiencies shall not be included in these accounts but in account 419 - Interest and Dividend Income, or 427.5 - Interest - Other, as appropriate.

408.10 Utility Regulatory Assessment Fees

This account shall include those general fees assessed by regulatory agencies for the purpose of public utility regulation.

408.11 Property Taxes

This account shall include ad valorem taxes related to utility property.

408.12 Payroll Taxes

This account shall include all types of taxes related to payroll and associated with utility operating income not properly accounted for elsewhere.

408.13 Other Taxes and Licenses

This account shall include all other taxes and licenses relating to utility operating income not properly accounted for elsewhere.

408.20 Taxes Other Than Income, Other Income and Deductions

This account shall include those taxes recorded in account 408 - Taxes Other Than Income, which relate to Other Income and Deductions.

409. Income Taxes

A. These accounts shall 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 shall be made to account 236 - Accrued Taxes, and as the exact amounts of taxes become known, the current tax accruals shall be adjusted by charges or credits to these accounts unless such adjustments are properly included in account 439 - Adjustments to Retained Earnings, so that these accounts as nearly as can be ascertained shall include the actual taxes payable by the utility (See Accounting Instruction 8 for prior period adjustments).

B. The accruals for local, state and federal income taxes shall be apportioned to Utility Operating Income (by department/division), Other Income and Deductions and Extraordinary Items so that, as nearly as practicable, each tax included in the expenses of the utility department, Other Income and Deductions or Extraordinary Items, shall be related to the income which gave rise to the tax. The income tax effect of the amounts recorded in account 439 - Adjustments to Retained Earnings, shall be recorded

in that account. The tax effects relating to interest charges, other than interest specifically applicable to indebtedness on property in account 121 shall be included in account 409.10 - Income Taxes, Utility Operating Income.

C. This account shall be maintained according to the subaccounts 409.10, 409.11, 409.12, 409.13, 409.20 and 409.30 inclusive, as shown below.

Note A:--Taxes assumed by the utility on interest shall be charged to account 427.5 - Interest Other.

Note B:--Interest on tax refunds or deficiencies shall not be included in this account but in account 419 - Interest and Dividend Income, or account 427.5 - Interest - Other, as appropriate.

Note C:--See Accounting Instruction 34.

409.10 Federal Income Taxes, Utility Operating Income

This account shall include the amount of those federal income taxes reflected in account 409 - Income Taxes, which relate to utility operating income after interest charges and other tax adjustments. This account shall be maintained so as to allow ready identification of tax effects (both positive and negative) relating to Utility Operating Income (by department/division), Utility Plant Leased to Others and Other Utility Operating Income.

409.11 State Income Taxes, Utility Operating Income

This account shall include the amount of those state income taxes reflected in account 409 - Income Taxes, which relate to utility operating income after interest charges and other tax adjustments. This account shall be maintained so as to allow ready identification of tax effects (both positive and negative) relating to Utility Operating Income (by department/division), Utility Plant Leased to Others and Other Utility Operating Income.

409.12 Local Income Taxes, Utility Operating Income

This account shall include the amount of those local income taxes reflected in account 409 - Income Taxes, which relate to utility operating income after interest charges and other tax adjustments. This account shall be maintained so as to allow ready identification of tax effects (both positive and negative) relating to Utility Operating Income (by department/division), Utility Plant Leased to Others and Other Utility Operating Income.

409.20 Income Taxes, Other Income and Deductions

This account shall include those local, state, and federal income taxes reflected in account 409 - Income Taxes, (both positive and negative), which relate to Other Income and Deductions.

409.30 Income Taxes, Extraordinary Items

This account shall include those local, state and federal income taxes (both positive and negative) which relate to Extraordinary Items.

410. Provision for Deferred Income Taxes

A. Accounts 410.10, 410.11, 410.12 and 410.20 shall be debited and accounts 281, 282, or 283 Accumulated Deferred Income Taxes - Accelerated Amortization, Liberalized Depreciation, or Other, shall be credited with amounts equal to any current deferrals of taxes on income or any allocations of deferred taxes originating in prior periods, as provided by the texts of accounts 190, 281, 282, and 283. No credit amounts appropriately includible in account 411.10 or 411.20 shall be netted against entries required to be made to these accounts.

B. This account shall be maintained according to the subaccounts 410.10, 410.11, 410.12 and 410.20 inclusive, as shown below.

Note:--See Accounting Instruction 34.

410.10 Deferred Federal Income Taxes

This account shall include the amounts of those deferrals of federal income taxes and allocations of deferred federal income taxes which relate to Utility Operating Income (by department/division).

410.11 Deferred State Income Taxes

This account shall include the amounts of those deferrals of state income taxes and allocations of deferred state income taxes which relate to Utility Operating Income (by department/division).

410.12 Deferred Local Income Taxes

This account shall include the amounts of those deferrals of local income taxes and allocations of deferred local income taxes which relate to Utility Operating Income (by department/division).

410.20 Provision for Deferred Income Taxes, Other Income and Deductions

This account shall include the amount of those deferred federal, state and local income taxes reflected in account 410 - Provision for Deferred Income Taxes, which relate to Other Income and Deductions.

411. Provision for Deferred Income Taxes - Credit

A. Accounts 411.10 and 412.20 shall be credited, and accounts 281, 282, or 283, Accumulated Deferred Income Taxes - Accelerated Amortization, Liberalized Depreciation or Other, shall be debited, with amounts equal to any allocations of deferred taxes originating in prior periods or any current deferrals of taxes on income, as provided by the texts of accounts 190, 281, 282, and 283. No debit amounts appropriately includible in account 410.10, 410.11, 410.12, or 410.20 shall be netted against entries required to be made to these accounts.

411.10 Provision For Deferred Income Taxes - Credit, Utility, Operating Income

This account shall include the amounts of those allocations of deferred federal, state and local income taxes and deferrals of federal, state and local income taxes, credit which relate to Utility Operating Income (by department/division).

411.20 Provision For Deferred Income Taxes - Credit, Other Income and Deductions

This account shall include the amounts of those allocations of deferred taxes and deferrals of taxes, credit, which relate to Other Income and Deductions.

412. Investment Tax Credits

A. This account shall be debited with the total amount of investment tax credits used in calculating the reported current year's income taxes payable.

Account 255 - Accumulated Deferred Investment Tax Credits, shall be credited with an equal amount of investment tax credits debited to this account. Investment tax credits related to property used in utility operations shall be debited to subaccount 412.10 - Investment Tax Credits Deferred to Future Periods, Utility Operations. Those investment tax credits related to property used in nonutility operations shall be debited to account 412.20 - Investment Tax Credits - Net, Nonutility Operations.

B. A company which has deferred its investment tax credits shall amortize these deferred credit amounts by crediting this account and debiting account 255 - Accumulated Deferred Investment Tax credits. Such annual amortization shall be allocated proportionately over the service lives of all assets or of the assets generating the credits. The proportional amounts shall be determined in relation to the method of depreciation actually used on the regulated books of account.

(1) In amortizing the deferred investment tax credits related to property used in utility operations, the annual proportional amount credited to account 412 - Investment Tax Credits may or may not be passed on to customers in accordance with the Internal Revenue Code section applicable to the company. Where the company is subject to Section 46 (f)(2) of the code which provides a "Special rule for ratable flow-through" or Option 2 treatment, the annual proportional amortization is to be credited to subaccount 412.11 - Investment Tax Credits Restored to Operating Income, Utility Operations. Where the company is subject to Code Section 46 (f)(1), which is the "General Rule" or Option 1 treatment, the annual proportional amortization shall be credited to subaccount 412.30 - Investment Tax Credits Restored to Nonoperating Income, Utility Operations.

(2) In amortizing the deferred investment tax credits related to property used in nonutility operations, the annual amount shall be credited to subaccount 412.20, Investment Tax Credits - Net, Nonutility Operations.

C. This account shall be maintained so that the debits and credits relating to each allowable percentage of credit, i.e., 3%, 4%, 6%, 7%, 8%, 10%, etc., may be readily identified.

D. This account shall be maintained so that the debits and credits relating to each utility department/division and each nonutility operation may be readily identified as well as the vintage year in which they were deferred.

E. This account shall be maintained according to subaccounts 412.10, 412.11, 412.20 and 412.30 as shown below.

412.10 Investment Tax Credits Deferred to Future Periods, Utility Operations

This account shall be debited and account 255 - Accumulated Deferred Investment Tax Credits, shall be credited

with the amounts of realized investment tax credits deferred to future periods related to property used in utility operations (department/division).

412.11 Investment Tax Credits Restored to Operating Income, Utility Operations

This account shall be credited and account 255 - Accumulated Deferred Investment Tax Credits, shall be debited with the proportionate amounts of deferred investment tax credits related to property used in utility operations being restored to operating income in accordance with the "Special Rule for Ratable Flow-through" or Option 2 treatment as provided in the Revenue Act of 1971, the Tax Reduction Act of 1975 or the Economic Recovery Tax Act of 1981.

412.20 Investment Tax Credits - Net, Nonutility Operations

A. This account shall be debited and account 255 - Accumulated Deferred Investment Tax Credits, shall be credited with the amounts of realized investment tax credits deferred to future periods which relate to property used in nonutility operations.

B. This account shall be credited and account 255 - Accumulated Deferred Investment Tax Credits shall be debited with the proportionate amounts of deferred investment tax credits related to property used in nonutility operations being restored to nonoperating income.

412.30 Investment Tax Credits Restored to Nonoperating Income, Utility Operations

This account shall be credited and account 255 - Accumulated Deferred Investment Tax Credits shall be debited with the proportionate amounts of deferred investment tax credits related to property used in utility operations being restored to nonoperating income in accordance with the "General Rule" or Option 1 as provided by the Revenue Act of 1971, the Tax Reduction Act of 1975 and the Economic Recovery Tax Act of 1981.

413. Income from Utility Plant Leased to Others

A. This account shall include, revenues from utility property constituting a distinct operating unit or system leased by the utility to others, and which property is properly includible in account 102 - Utility Plant Leased to Others, and the expenses

attributable to such property. A series of subaccounts shall be maintained for each operating unit or system leased to show separately revenues and expenses.

B. The detail expenses shall be kept or supported so as to show separately the following:

Operation;
Depreciation; and
Amortization.

C. The related taxes shall be recorded in the appropriate subsidiary accounts and the control account 408 - Taxes Other than Income and Account 409 - Income Taxes. Records shall be maintained such that these taxes associated with leased plant are separately identifiable.

414. Gain (Losses) from Disposition of Utility Property

A. This account shall include, when authorized by the Commission, gains and losses from the sale, conveyance, exchange or transfer of utility property to another. The income tax attributable to gains and losses recorded in this account shall be recorded in the appropriate subsidiary account and control account 409 - Income Taxes.

B. This account shall be maintained so that the transactions and details underlying each gain or loss will be readily identifiable.

Other Income and Deductions

415. Revenues from Merchandising, Jobbing, and Contract Work

416. Cost and Expenses of Merchandising, Jobbing, and Contract Work

A. These accounts shall include respectively, all revenues derived from the sale of merchandise and jobbing or contract work, including any profit or commission accruing to the utility on jobbing work performed by it as agent under contracts whereby it does jobbing work for another for a stipulated profit or commission, and all expenses incurred in such activities.

B. Records in support of these accounts shall be so kept as to permit ready summarization of revenues, costs and expenses by such major items as are feasible.

Note:--Related operating taxes shall be recorded in account 408.20 - Taxes Other Than Income Taxes, Other Income and Deductions, and income taxes shall be recorded in account 409.20, Income Taxes, Other Income and Deductions.

419. Interest and Dividend Income

This account shall include interest revenues on securities, loans, notes, advances, special deposits, tax refunds and all other interest bearing assets and dividends on stocks of other companies, whether the securities are carried as investments or included in sinking or other special funds accounts.

420. Allowance for Funds Used During Construction

This account shall include concurrent credits for allowance for funds used during construction based upon the net cost of funds used for construction purposes and a reasonable rate upon other funds when so used. Appropriate regulatory approval shall be obtained for "a reasonable rate" (See Accounting Instruction No. 19).

421. Nonutility Income

In this account is entered all income not includible in operating revenue accounts 460 through 474 or in account 419 - Interest and Dividend Income. Items in this account shall include:

1. Gross income from nonutility operations; and
2. Net gain on sale of nonutility property.

426. Miscellaneous Nonutility Expenses

This account shall contain all expenses other than expenses of utility operations and interest expense. Items which are included in this account are:

1. Expenses disallowed in a proceeding before the Commission.
2. Amortization of an Acquisition Adjustment not approved by the Commission.
3. Depreciation associated with plant not used and useful in the public service.
4. Depreciation of Nonutility Plant.
5. Imprudent expenses.
6. Donations for charitable, social or community welfare purposes.

7. Life insurance on officers and employees where utility is beneficiary (net premiums less increase in cash surrender value of policies).
8. Penalties or fines for violations of statutes pertaining to regulation.
9. Expenditures for the purpose of:
   a. Influencing public opinion with respect to the election or appointment of public officials, or the adoption, repeal, revocation or modification of referenda, legislation or ordinances.
   b. Influencing public opinion with respect to obtaining approval, modification or revocation of franchises.
   c. Influencing the decisions of public officials not including such expenditures which are directly related to appearances before regulatory or other governmental bodies in connection with the utility's existing or proposed operations.
10. Loss relating to investments in securities written-off or written-down.
11. Loss on sale of investments.
12. Loss on reacquisition, resale or retirement of utility's debt securities.
13. Preliminary survey and investigation expenses related to abandoned projects, when not written-off to the appropriate operating expense account.
14. Golf club dues, social club dues and service club dues (Kiwanis, Rotary, etc.) house charges and items of a similar nature whether such expenditures are made directly by the utility or indirectly by payment or reimbursement to associated companies, officers, or other employees, or by any other direct or indirect means.

427. Interest Expense

This account shall be the control account for recording interest expense and shall total the sum of accounts 427.1 through 427.5.

427.1 Interest on Debt to Associated Companies

This account shall record interest incurred with related companies.

427.2 Interest on Short-Term Debt

This account shall record interest expense associated with short-term debt (principal due in 1 year or less).

427.3 Interest on Long-Term Debt

This account shall record interest expense associated with long-term debt (principal due in more than one year).

427.4 Interest on Customer Deposits

This account shall record interest expense associated with customer deposits.

427.5 Interest-Other

This account shall include in each accounting period all interest charges not provided for elsewhere.

428. Amortization of Debt Discount and Expense

A. This account shall include in each accounting period the portion of unamortized debt discount and expense on outstanding long-term debt which is applicable to such period. Amounts charged to this account shall be credited concurrently to account 181 - Unamortized Debt Discount and Expense.

B. This account shall be so kept or supported as to show the debt discount and expense on each class and series of long-term debt.

429. Amortization of Premium on Debt

A. This account shall include in each accounting period the portion of unamortized net premium on outstanding long-term debt which is applicable to such period. Amounts credited to this account shall be charged concurrently to account 251 - Unamortized Premium on Debt.

B. This account shall be so kept or supported as to show the premium on each class and series of long-term debt.

Extraordinary Items

433. Extraordinary Income

Upon approval of the regulatory authority this account shall be credited with nontypical, noncustomary, infrequently recurring gains, which would significantly distort the current year's income computed before extraordinary items, if reported other than as extraordinary items. The applicable income tax effects of the account shall be recorded in account 409.30 - Income Taxes, Extraordinary Items.

434. Extraordinary Deductions

Upon approval of the Commission this account shall be debited with nontypical, noncustomary, infrequently recurring losses, which would distort the current year's income, if not reported separately. The applicable income tax effects shall be recorded in account 409.30 -Income Taxes, Extraordinary Items.

RETAINED EARNINGS ACCOUNTS

435. Balance Transferred From Income
436. Appropriations of Retained Earnings
437. Dividends Declared - Preferred Stock
438. Dividends Declared - Common Stock
439. Adjustments to Retained Earnings

RETAINED EARNINGS ACCOUNTS

435. Balance Transferred from Income

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

436. Appropriations of Retained Earnings

This account shall include appropriations of retained earnings.

Items

1. Appropriations required under terms of mortgages, orders or courts, contracts or other agreements.
2. Appropriations required by action of regulatory authorities.
3. Other appropriations made at option of utility for specific purposes.

437. Dividends Declared - Preferred Stock

A. This account shall include amounts declared payable out of retained earnings as dividends on actually outstanding preferred or prior lien capital stock issued by the utility.

B. Dividends shall 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 shall be described with sufficient detail to identify it.

438. Dividends Declared - Common Stock

A. This account shall include amounts declared payable out of retained earnings as dividends on actually outstanding common capital stock issued by the utility.

B. Dividends shall 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 shall be described with sufficient detail to identify it.

439. Adjustments to Retained Earnings

A. This account shall include significant nonrecurring transactions relating to prior periods. Other than transactions of capital stock as specified in paragraph B below, all entries to this account must receive prior Commission approval. These transactions are generally limited to those adjustments which:

(1) correct an error in the financial statements of a prior period; or

(2) adjustments that result from realization of income tax benefits of preacquisition loss carry forwards of purchased subsidiaries.

This account shall also include the related income tax effects (state and federal) on items included herein. All items included in this account shall be sufficiently described in the entries relating thereto as to permit ready analysis.

B. Debits due to losses on reacquisition, resale or retirement of the company's own capital stock shall be included in this account (See account 210 - Gain or Resale or Cancellation of Reacquired Capital Stock, for the treatment of gains).

C. Changes in depreciation or amortization estimates or methods are considered changes in accounting estimates rather than accounting errors and therefore are not subject to prior period adjustments. Any adjustments made to the accumulated amortization or depreciation balances of the utility due to a change in estimate or method shall be offset by a charge or credit to either: an income account; account 186.2 - Other Deferred Debits; or account 253 - Other Deferred Credits, as is directed by the Commission.

WATER OPERATING REVENUE ACCOUNTS

Water Sales

460. Unmetered Water Revenue
461. Metered Water Revenue
    461.1 Metered Sales to Residential Customers
    461.2 Metered Sales to Commercial Customers
    461.3 Metered Sales to Industrial Customers
    461.4 Metered Sales to Public Authorities
    461.5 Metered Sales to Multiple Family Dwellings
462. Fire Protection Revenue
    462.1 Public Fire Protection
    462.2 Private Fire Protection
464. Other Sales to Public Authorities
465. Sales to Irrigation Customers
466. Sales for Resale
467. Interdepartmental Sales

Other Water Revenues

469. Guaranteed Revenues
470. Forfeited Discounts
471. Miscellaneous Service Revenues
472. Rents From Water Property
473. Interdepartmental Rents
474. Other Water Revenues

WATER OPERATING REVENUE ACCOUNTS

Water Sales

460. Unmetered Water Revenue

A. This account shall include the net billing for water supplied for residential, commercial and industrial (except irrigation) purposes where the charge is not dependant in any way on the quantity of water delivered but is based on diameter of service pipe, room, foot of frontage or other similar unit.

B. Records shall be maintained so that the estimated quantity of water sold and the amount of revenue under each rate schedule shall be readily available.

461. Metered Water Revenue

A. This account shall include the net billing for measured water supplied for residential, commercial or industrial (except irrigation) purposes where the total charge is, or may be, in any way dependent on the quantity of water delivered.

B. Records shall be maintained so that the quantity of water sold and the amount of revenue under each rate schedule shall be readily available.

C. This account shall be subdivided at least as follows:

461.1 Metered Sales to Residential Customers
461.2 Metered Sales to Commercial Customers
461.3 Metered Sales to Industrial Customers
461.4 Metered Sales to Public Authorities
461.5 Metered Sales to Multiple Family Dwellings

Note:--This account includes all revenues under service classifications which consist of a rate for a specified diameter of service pipe, or per meter, fixture, room, foot of frontage, or other similar unit, plus an additional charge or an adjustment dependent upon the quantity of water delivered.

462. Fire Protection Revenue

A. Include herein all revenue from public agencies and others for hydrant charges, private fire protection service, street sprinkling, sewer flushing and similar sources.

B. The following subaccounts shall be used:

462.1 Public Fire Protection
462.2 Private Fire Protection

464. Other Sales to Public Authorities

A. This account shall include the net billing for water supplied to municipalities, or other municipal subdivisions or agencies of state or federal governments, billed under special contracts or agreements or service classifications applicable only to public authorities.

B. Records shall be maintained so that the quantity (estimated if not metered) of water sold and the amount of revenue under each contract, agreement or rate schedule shall be readily available.

Note:--Do not include herein revenues from water supplied for fire protection or for resale, or from sales billed under general service classifications (See accounts 460, 461, 462 and 466).

465. Sales to Irrigation Customers

A. This account shall include the net billing for water supplied for commercial irrigation purposes, under distinct irrigation rates, billed under either metered or flat rate tariff schedules.

B. Records shall be maintained so that the quantity (estimated if not metered) of water sold and the amount of revenue under each rate schedule shall be readily available.

C. This account shall be subdivided as follows:

465.1 Metered Sales to Irrigation Customers
465.2 Flat Rate Sales to Irrigation Customers

466. Sales for Resale

A. This account shall include the net billing for water supplied (including stand-by service) to other water utilities or to public authorities for resale purposes.

B. Records shall be maintained so that the quantity (estimated if not metered) of water sold and the amount of revenue under each rate schedule shall be readily available.

Note:--Where the contract is reciprocal, i.e., where either party thereto may take water from the other, the total amount receivable for water supplied to the other party shall be included herein and the total amount payable for water received from the other party shall be charged to account 610 - Purchased Water.

467. Interdepartmental Sales

A. This account shall include amounts charged by the water department at tariff or other specified rates for water supplied by it to other utility departments.

B. Records shall be maintained so that the quantity of water supplied each other department and the charges therefor shall be readily available.

Other Water Revenues

469. Guaranteed Revenues

This account shall be credited with revenue received from developers or other persons for a period of time prior to water service being established. Normally, this type of revenue is usually received to reserve or guarantee the availability of plant capacity when needed.

470. Forfeited Discounts

This account shall include the amount of discounts forfeited or additional charges imposed because of failure of customers to pay their water bills on or before a specified date.

471. Miscellaneous Service Revenues

This account shall include revenues for all miscellaneous water related services and charges billed to customers which are not specifically provided for in other accounts.

Items

1. Fees for changing, or reconnecting service.
2. Profit on maintenance of appliances, piping or other installations on customers' premises.
3. Net credit or debit (cost less net salvage and less payment from customers) on closing of work order for plant installed for temporary service of less than one year (See account 185 - Temporary Facilities).
4. Recovery of expenses in connection with unauthorized taking of water (billing for the water used shall be included in the appropriate water revenue account).
5. Late payment fees.

472. Rents from Water Property

A. This account shall include rents received for the use by others of land, buildings and other property devoted to water operations by the utility.

B. When property owned by the utility is operated jointly with others under a definite arrangement for apportioning the actual expenses among the parties to the arrangement, any amounts received by the utility for interest or return or in reimbursement of taxes or depreciation on the property shall be credited to this account.

Note:--Do not include in this account rents from property constituting an operating unit or system (See account 413 - Income from Utility Plant Leased to Others).

473. Interdepartmental Rents

This account shall include rents credited to the water department on account of rental charges made against other departments (gas, electric, etc. of the utility). In the case of property operated under a definite arrangement to allocate the cost among the departments using the property, any reimbursement to the water department for interest, fair return, depreciation or taxes shall be credited to this account.

Note:--Charges for water supplied other utility departments shall not be included in this account, but in account 467 - Interdepartmental Sales.

474. Other Water Revenues

This account shall include revenues derived from water operations not includible in any of the foregoing accounts.

Items

1. Commission on sales or distribution of water of others when sold under rates filed by such others.
2. Compensation for minor incidental services provided for others such as customer billing, engineering, etc.
3. Profit or loss on sale of material and supplies not ordinarily purchased for resale and not handled through merchandising and jobbing accounts.
4. Sale of steam, but not including sales made by a steam heating department or transfers of steam under joint facility operations.

WATER OPERATION AND MAINTENANCE EXPENSE ACCOUNTS

		.1 Source of Supply and Expenses - Operations	.2 Source of Supply and Expenses - Maint.	.3 Water Treatment Expenses - Operations
601.	Salaries and Wages - Employees	601.1	601.2	601.3
603.	Salaries and Wages - Officers, Directors and Majority Stockholders	603.1	603.2	603.3
604.	Employee Pensions and Benefits	604.1	604.2	604.3
610.	Purchased Water	310.1	XXXXXXXXX	XXXXXXXXX
615.	Purchased Power	615.1	XXXXXXXXX	615.3
616.	Fuel for Power Production	616.1	XXXXXXXXX	616.3
618.	Chemicals	618.1	618.2	618.3
620.	Materials and Supplies	620.1	620.2	620.3
631.	Contractual Services - Eng.	631.1	631.2	631.3
632.	Contractual Services - Acct.	632.1	632.2	632.3
633.	Contractual Services - Legal	633.1	633.2	633.3
634.	Contractual Services - Management Fees	634.1	634.2	634.3
635.	Contractual Services - Testing	635.1	635.2	635.3
636.	Contractual Services - Other	636.1	636.2	636.3
641.	Rental of Building/Real Property	641.1	641.2	641.3
642.	Rental of Equipment	642.1	642.2	642.3
650.	Transportation Expenses	650.1	650.2	650.3
656.	Insurance - Vehicle	656.1	656.2	656.3
657.	Insurance - General Liability	657.1	657.2	657.3
658.	Insurance - Workman's Compensation	658.1	658.2	658.3
659.	Insurance - Other	659.1	659.2	659.3
660.	Advertising Expense	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX
666.	Regulatory commission Expenses - Amortization of Rate Case Expense	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX
667.	Regulatory commission Expense - Other	667.1	667.2	667.3
668.	Water Resource Conservation Expense	668.1	XXXXXXXXX	XXXXXXXXX
670.	Bad Debt Expense	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX
675.	Miscellaneous Expenses	675.1	675.2	675.3

WATER OPERATION AND MAINTENANCE EXPENSE ACCOUNTS

.4 Water Treatment Expenses - Maint.	.5 Trans. & Dist. Expenses - Operations	.6 Trans. & Dist. Expenses - Maint.	.7 Customer Accounts Expenses	.8 Admin. & General Expenses
601.4	601.5	601.6	601.7	601.8
603.4	603.5	603.6	603.7	603.8
604.4	604.5	604.6	604.7	604.8
XXXXXXXXX	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX
XXXXXXXXX	615.5	XXXXXXXXX	615.7	615.8
XXXXXXXXX	616.5	XXXXXXXXX	616.7	616.8
618.4	618.5	618.6	XXXXXXXXX	XXXXXXXXX
620.4	620.5	620.6	620.7	620.8
631.4	631.5	631.6	631.7	631.8
632.4	632.5	632.6	632.7	632.8
633.4	633.5	633.6	633.7	633.8
634.4	634.5	634.6	634.7	634.8
635.4	635.5	635.6	635.7	635.8
636.4	636.5	636.6	636.7	636.8
641.4	641.5	641.6	641.7	641.8
642.4	642.5	642.6	642.7	642.8
650.4	650.5	650.6	650.7	650.8
656.4	656.5	656.6	656.7	656.8
657.4	657.5	657.6	657.7	657.8
658.4	658.5	658.6	658.7	658.8
659.4	659.5	659.6	659.7	659.8
XXXXXXXXX	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX	660.8
XXXXXXXXX	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX	666.8
667.4	667.5	667.6	667.7	667.8
XXXXXXXXX	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX
XXXXXXXXX	XXXXXXXXX	XXXXXXXXX	670.7	XXXXXXXXX
675.4	675.5	675.6	675.7	675.8

WATER OPERATION AND MAINTENANCE EXPENSE ACCOUNTS

601. Salaries and Wages - Employees

This account shall include the compensation (salaries, bonuses and other consideration of services) paid or accrued to employees of the utility company for work related to operation and maintenance of that utility. This account shall not include the salaries and wages of officers, directors or majority stockholders of the utility company.

603. Salaries and Wages - Officers, Directors and Majority Stockholders

This account shall include the compensation (salaries, bonuses and other consideration for services) paid or accrued to officers, directors or majority stockholders of the utility company.

604. Employee Pensions and Benefits

This account shall include all accruals under employee pension plans to which the utility has irrevocably committed such funds, and payments for employee accident, sickness, hospital and death benefits or insurance therefor. Include also expenses for medical, educational or recreational activities of employees.

610. Purchased Water

A. This account shall include the cost at the point of delivery of water purchased for resale.

B. The records supporting this account shall be so kept as to show for each supplier from which water is purchased, point of delivery, quantity purchased, basis of charges, and the cost of water purchased.

615. Purchased Power

This account shall include the cost of all electric power expense incurred by the utility.

616. Fuel For Power Production

A. This account shall include the cost of fuel used in the production of power to operate the pumps. Records shall be maintained to show the quantity and the cost of each type of fuel used.

B. The cost of fuel shall be charged initially to appropriate fuel accounts under account 151 - Plant Materials and Supplies, and cleared to this account on the basis of the fuel used.

618. Chemicals

This account shall include the cost of all chemicals used in the treatment of water. Include also the cost (except salaries and wages includible in accounts 600 - 603) of any chemicals manufactured by the utility and used to provide water services to its customers.

Items

1. Activated carbon
2. Ammonia
3. Caustic soda
4. Chlorine
5. Copper sulphate
6. Fluorine compound
7. High test hypochlorite
8. Iron sulphate
9. Lime
10. Soda ash
11. Sodium chloride
12. Sulphate of alumina
13. Sulphuric acid
14. Other chemicals

620. Materials and Supplies

This account shall include all materials and supplies used in operation and maintenance of the water system, other than materials and supplies charged to Contractual Services Account.

631. Contractual Services - Engineering

This account shall include costs paid to outside engineers or engineering firms to perform ongoing, recurring work for the utility. Engineering services for plant items are properly includible in the appropriate plant account. Engineering services for rate relief filings shall be included in account 666 - Regulatory Commission Expenses - Amortization of Rate Case Expense and account 186.1 - Deferred Rate Case Expense, as appropriate.

632. Contractual Services - Accounting

This account shall include costs paid to outside accounting companies to maintain or audit the books and records of the utility. Accounting expenses for rate relief filings shall be included in account 666 - Regulatory Commission Expenses - Amortization of Rate Case Expense and account 186.1 - Deferred Rate Case Expense, as appropriate.

633. Contractual Services - Legal

This account shall include costs paid to outside legal firms to perform legal services for the utility. Legal services for rate proceedings before the Commission shall be included in account 666 - Regulatory Commission Expenses - Amortization of Rate Case Expense or account 186.1 - Deferred Rate Case Expense.

634. Contractual Services - Management Fees

This account shall include contractual costs (other than those properly included in accounts 600 - 603 - Salaries and Wages) paid for the performance of management functions.

635. Contractual Services - Testing

This account shall include costs paid to outside laboratories for testing.

636. Contractual Services - Other

This account shall include those operations costs contracted for which are not included in accounts 631, 632, 633, 634.

641. Rental of Building/Real Property

This account shall include costs associated with the rental of buildings and/or real property which are properly treated as period costs.

642. Rental of Equipment

This account shall include costs associated with the rental of equipment, except vehicles, used in the operation of the utility. Vehicle rentals and leases are properly included in account 650 - Transportation Expenses.

650. Transportation Expenses

This account shall include all truck, automobile, construction equipment, and other vehicle expense chargeable to utility operations, except depreciation and insurance.

656. Insurance - Vehicle

This account shall include costs associated with insurance of automobile and trucks used for utility purposes.

657. Insurance - General Liability

This account shall include insurance costs associated with general liability coverage of the utility company.

658. Insurance - Workman's Compensation

This account shall include insurance costs associated with workman's compensation coverage for employees of the utility company.

659. Insurance - Other

This account shall include insurance costs associated with coverage for the utility company which are not included in account 656, 657, or 658.

660. Advertising Expenses

Advertising costs not associated with regulatory commission expenses shall be included in this account, if authorized by the Commission. This account shall be maintained so that informational and instructional advertising can be readily identified.

666. Regulatory Commission Expenses - Amortization of Rate Case Expense

This account shall include amortization of account 186.1 - Deferred Rate Case Expense. Costs associated with rate cases shall be first charged to account 186.1 and then amortized as prescribed by the Commission to this account.

667. Regulatory Commission Expenses - Other

This account shall include all expenses (except salaries of regular utility employees) incurred by the utility in connection with formal cases before regulatory commissions, except for rate case expenses which are accounted for as described above. This account shall not include payment of taxes which shall be reported in the Taxes Other Than Income accounts.

668. Water Resource Conservation Expense

A. This account shall include costs incurred to promote conservation efforts within a utility's service area. This account shall also include any amounts charged by governmental entities for conservation purposes.

B. This account shall include amounts required by a regulatory authority to be paid to other utility systems, such as wastewater systems to defray the costs of the wastewater utility in supplying reclaimed water for reuse purposes.

670. Bad Debt Expense

This account shall be charged with amounts sufficient to provide for losses from uncollectible utility revenues. Concurrent credits shall be made to account 143.

675. Miscellaneous Expenses

This account shall include all expenses not includible in other operating expenses accounts.

Items

1. Industry association dues for company memberships.
2. Contributions for conventions and meetings of the industry.
3. Communication service not chargeable to other accounts.
4. Trustee, registrar, and transfer agent fees and expenses.
5. Stockholders meeting expenses.
6. Dividend and other financial notices.
7. Printing and mailing dividend checks.
8. Director's fees and expenses.
9. Publishing and distributing annual reports to stockholders.
10. Public notices of financial, operating and other data required by regulatory statutes, not including, however, notices required in connection with security issues or acquisition of property.
11. Write off of expenditures for preliminary surveys, plans, investigations, etc., included in account 183 - Preliminary Survey and Investigation Charges, relative to projects which have been abandoned.

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NATIONAL ASSOCIATION OF REGULATORY UTILITY COMMISSIONERS

1996 Uniform System of Accounts For Class A Wastewater Utilities

Pursuant to action by the National Association of Regulatory Utility Commissioners, this System of Accounts is recommended to the Commissions represented in the membership of this Association for consideration and for adoption in their respective jurisdictions with such modifications only as they may deem necessary in the public interest.

PREFACE

The 1996 Water and Wastewater Uniform systems of Accounts were proposed by the Subcommittee on Accounts of the Committee on Finance and Technology of the National Association of Regulatory Utility Commissioners (NARUC). The NARUC Executive Committee unanimously approved these uniform systems of accounts at its Summer Committee Meeting held in Los Angeles, California, July 22-25, 1996. We would like to express our appreciation to Marshall Willis of the Florida Public Service Commission for his participation in this project and the many hours spent in the rewrite of these uniform systems of accounts.

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DEFINITIONS

When used in this system of accounts:

1. "Accounts" means the accounts prescribed in this system of accounts.

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

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. A. "Associated companies" means companies or persons that, directly or indirectly, through one or more intermediaries, control, or are controlled by, or are under common control with, the accounting company.

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

6. "Book cost" means the amount at which property is recorded in these accounts without deduction of related provisions for accrued depreciation, amortization, or for other purposes.

7. "Commission", unless otherwise indicated by the context, means the commission prescribing this system of accounts.

8. "Composite depreciation rate" is a percentage based on the weighted average service life of a number of units of plant, each of which may have a different individual life expectancy. Composite

depreciation rates may be determined for (a) a single depreciable plant account, (b) a single rate for several depreciable accounts or (c) a single composite rate may be determined for all depreciable plant of the utility.

9. "Cost" means the amount of money actually paid for property or service. When the consideration given is other than cash, the value of such consideration shall be determined on a cash basis.

10. "Cost of removal" means the cost of demolishing, dismantling, tearing down or otherwise removing utility plant, including the cost of transportation and handling incidental thereto.

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

12. "Depreciation", as applied to depreciable utility plant, means the loss in service value not restored by current maintenance, incurred in connection with the consumption or prospective retirement of utility plant in the course of providing service from causes which are known to be in current operation and against which the utility is not protected by insurance. Among the causes to be given consideration are wear and tear, decay, action of the elements, inadequacy, obsolescence, changes in the art, changes in demand, and requirements of public authorities.

13. "Discount", as applied to the securities issued or assumed by the utility, 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.

14. "Gross-up of contributions in aid of construction" is the method by which a utility extracts, from developers or others, a sum of money sufficient to pay all or a portion of the tax obligation due to the change in the federal tax law in 1987 which resulted in contributions made to utilities in aid of construction (CIAC) being considered ordinary income instead of contributions of capital. Because the sum extracted to pay the tax is also considered income subject to tax, the term tax-on-tax has been used to describe the additional sum of money that must be extracted in order to pay the tax on the initial amount.

Common gross-up methods include the full gross-up method and the net present value method. Under the full gross-up method, a sum sufficient to meet the full tax obligation, including the tax-on-tax, is extracted. Under the net present value method, the sum extracted is the net present value of the estimated future stream of tax benefits resulting from the depreciation deductions for the contributed asset to be taken on the tax returns of the utility.

15. "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 or debtor that they shall be settled by the issuance of securities or shall not be subject to current settlement.

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

17. "Multiple family dwelling" means a residential structure or group of structures which is capable of separately housing more than one family unit.

18. "Net salvage value" means the salvage value of property retired less the cost of removal.

19. "Nominally issued", as applied to securities issued or assumed by the utility 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 utility, but which have not been sold, or issued direct to trustees of sinking funds in accordance with contractual requirements.

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

21. "Original cost", as applied to utility plant, means the cost of such property to the person first devoting it to the public service.

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

23. "Plant sewer" means any sewer, pipe, aquaduct canal, or other conduit the primary purpose of which is to convey treatment plant fluids from one unit to another within the treatment plant.

24. "Plant discharge sewers" means any sewer, pipe, aquaduct canal, or other conduit the primary purpose of which is to convey treatment plant effluent to its point of discharge.

25. "Premium", as applied to the securities issued or assumed by the utility, 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.

26. "Property retired", as applied to utility plant, means property which has been removed, sold, abandoned, destroyed, or which for any cause has been permanently withdrawn from service.

27. "Reclaimed water" means water that has received at least secondary treatment and basic disinfection and is reused after flowing out of a wastewater treatment plant.

28. "Regulatory Assets and Liabilities" are assets and liabilities that result from rate actions of regulatory agencies. Regulatory assets and liabilities arise from specific revenues, expenses, gains or losses that would have been included in determination of net income in one period under the general requirements of the Uniform System of Accounts but for it being probable that; 1) such items will be included in a different period(s) for purposes of developing the rates the utility is authorized to charge for its utility services; or 2) in the case of regulatory liabilities, that refunds to customers, not provided for in other accounts, will be required. Regulatory assets and liabilities can also be created in reconciling differences between the requirements of generally accepted accounting principles, regulatory practice and tax laws.

29. "Replacing" or "replacement", when not otherwise indicated in the context, means the construction or installation of utility plant in place of property of retired, together with the removal of the property retired.

30. "Research and development" means expenditures incurred by public utilities which represent research and development costs in the experimental or laboratory sense. The term includes generally all such costs incident to the development of an experimental or pilot model, a plant process, a product, a formula, an invention, or similar property, and the improvement of already existing property of the type mentioned.

31. "Retained earnings" means the accumulated net income of the utility less distributions to stockholders and transfers to other capital accounts, and other adjustments (See account 439 - Adjustments to Retained Earnings).

32. "Retirement units" means those items of utility plant which, when retired, with or without replacement, are accounted for by crediting the original costs.

33. "Reuse" means the deliberate application of reclaimed water, in compliance with Federal and State environmental rules and regulations, for a beneficial purpose.

35. "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.

36. "Service life" means the time between the date utility plant is includible in utility plant in service, or utility plant leased to others, and the date of its retirement. If depreciation is accounted for on a production basis rather than on a time basis, then service life should be measured in terms of the appropriate unit of production.

37. "Service value" means the difference between the original cost and net salvage value of utility plant.

38. "Straight-line remaining life method", as applied to depreciation accounting, means the plan under which the service value of property is charged to operating expenses (and to clearing accounts if used), and credited to the accumulated depreciation account through equal annual charges during its service life. "Remaining life" implies that estimates of future life and salvage will be reexamined periodically and that depreciation rates will be corrected to reflect any changes in these estimates.

39. "Straight-line method" as applied to depreciation accounting means the plan under which the service value of property is charged to operating expenses (and to clearing accounts if used), and credited to the accumulated depreciation account through equal annual charges during its service life. Estimates of the service life and salvage will be reexamined periodically and depreciation rates will be corrected to reflect any changes in the estimates.

40. "Utility", as used herein and when not otherwise indicated in the context, means any public utility to which this system of accounts is applicable.

ACCOUNTING INSTRUCTIONS

1. General - Classification of Utilities

A. For the purpose of applying the system of accounts prescribed by the Commission, wastewater utilities are divided into three classes, as follows:

Class A - Utilities having annual wastewater operating revenues of $1,000,000 or more.

Class B - Utilities having annual wastewater operating revenues of $200,000 or more but less than $1,000,000.

Class C - Utilities having annual wastewater operating revenues of less than $200,000.

B. This system of accounts applies to Class A utilities. The system of accounts applicable to Class B and C utilities are issued separately.

C. The class to which any utility belongs shall originally be determined by the average of its annual wastewater operating revenues for the last three consecutive years. Subsequent changes in classification shall be made when the average annual wastewater operating revenues for the three immediately preceding years exceed the upper limit or are less than the lower limit, of the annual wastewater operating revenues of the classification previously applicable to the utility. For a utility with both water and wastewater operations, the classification shall be based on the operation with the highest annual revenues.

2. General - Records

A. Each utility shall keep its books of account, and all other books, records, and memoranda which support the entries in such books of accounts so as to be able to furnish readily full information as to any item included in any account. Each entry shall be supported by such detailed information as will permit a ready identification, analysis, and verification of all facts relevant thereto.

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

C. No utility shall destroy any such books or records unless the destruction thereof is permitted by rules and regulations of the Commission.

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

E. All amounts included in the accounts prescribed herein for utility plant and operating expenses shall be just and reasonable and any payments or accruals by the utility in excess of just and reasonable charges shall be included in account 426 - Miscellaneous Nonutility Expenses.

F. The arrangement or sequence of the accounts prescribed herein shall not be controlling as to the arrangement or sequence in report forms which may prescribed by the Commission.

3. General - Numbering System

A. The account numbering scheme used herein consists of a system of three digit numbers as follows:

100-199	Assets and Other Debits
200-299	Equity, Liabilities and Other Credits
350-389	Wastewater Plant Accounts
400-434	Income Accounts
435-439	Retained Earnings Accounts
521-549	Wastewater Operating Revenue Accounts
700-799	Wastewater Operation and Maintenance Expenses

B. The utility plant and operation and maintenance expense accounts are further subdivided using a suffix of one decimal place as explained in following instructions.

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

D. The numbers prefixed to account titles are solely for convenience of reference and are not a part of the titles. Each utility may adopt such scheme of account numbers as it deems appropriate; provided, however, that is shall keep readily available a list of the account numbers and subdivisions of accounts which it uses and a reconciliation of such numbers and subdivisions with the account numbers and titles provided herein. Further, the records must be kept to permit classification or summarization of each accounting period according to the prescribed accounts.

4. General - Accounting Period

Each utility shall keep its books on a monthly basis so that for each month all transactions applicable thereto, as nearly as may be ascertained, shall be entered in the books of the utility. Amounts applicable or assignable to specific utility departments shall be segregated monthly. Each utility shall close its books at the end of each calendar year unless otherwise authorized by the Commission.

5. General - Submittal of Questions

To maintain uniformity of accounting, utilities shall submit questions of doubtful interpretation to the Commission for consideration and decision.

6. General - "Item" Lists

List of "items" appearing in the texts of the accounts or elsewhere herein are for the purpose of more clearly indicating the application of the prescribed accounting. 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.

7. General - Extraordinary Items

It is the intent that net income shall reflect all items of profit and loss during the period with the sole exception of prior period adjustments as described in Accounting Instruction 8. Those items related to the effects of events and transactions which have occurred during the period and which are not typical or customary business activities of the company shall be considered extraordinary items. Commission approval must be obtained to treat an item as extraordinary. Such request must be accompanied by complete detailed information (See accounts 433 and 434).

8. General - Prior Period Items

A. All prior period adjustments to retained earnings shall be approved by the Commission. Generally the only type of transactions which will be considered as a prior period adjustment are:

(1) Correction of an error in the financial statements of a prior period; or

(2) Adjustments that result from realization of income tax benefits of preacquisition loss carry forwards of purchased subsidiaries.

B. Prior period adjustments, when approved, shall be charged or credited to account 439 - Adjustments to Retained Earnings, and are not considered in income of the period. Prior period adjustments shall be recorded net of all state and federal income tax effects.

C. Changes in depreciation or amortization estimates or methods are considered changes in accounting estimates rather than accounting errors; and therefore are not subject to prior period adjustments. Any adjustments made to the accumulated amortization or depreciation balances of the utility due to a change in estimate or method shall be offset by a charge or credit to either: an income account; account 186.2 - Other Deferred Debits; or account 253 - Other Deferred Credits, as directed by the Commission.

9. General - Unaudited Items

Whenever a financial statement is required by the Commission, if it is known that a transaction has occurred which affects the accounts but the amount involved in the transaction and its effect upon the accounts cannot be determined with absolute accuracy, then the amount shall be estimated and such estimated amount included in the proper accounts. A complete description of the transactions shall accompany the financial statement. Utilities are not required to anticipate minor items which would not appreciably affect the accounts.

10. General - Allocation of Salaries and Expenses of Employees

Charges to utility plant or to a salaries expense account shall be based upon the actual time engaged in either plant construction or providing operation services. In the event actual time spent in the various activities is not available or practicable, salaries should be allocated upon the basis of a study of the time engaged during a representative period. Charges should not be made to the accounts based upon estimates or in an arbitrary fashion.

11. General - Payroll Distribution

Underlying accounting data shall be maintained so that the distribution of the costs of labor charged to the various accounts will be available. The utility may utilize clearing accounts in its accounting process; however, the use of clearing accounts does

not relieve the utility from the responsibility of providing a distribution of the costs of labor or from being able to substantiate its labor charged with sufficient source documents.

12. General - Operating Reserves

Accretions to operating reserve accounts made by charges to operating expenses shall not exceed a reasonable provision for the expense. Material balances in such reserve accounts shall not be diverted from the purpose for which provided, unless the permission of the Commission is first obtained.

13. General - Records for Each Plant

Separate records shall be maintained by utility plant accounts of the book cost of each plant owned including additions by the utility to plant leased from others and of the cost of operating and maintaining each plant owned or operated.

14. General - Accounting for Other Departments

If the utility also operates other utility departments, such as electric, water, gas, etc., it shall keep such accounts for the other departments as may be prescribed by proper authority and in the absence of prescribed accounts, it shall keep such accounts as are proper or necessary to reflect the results of operating each other department.

15. General - Transactions with Associated Companies

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

16. General - Contingent Assets and Liabilities

Contingent assets represent a possible source of value to the utility contingent upon the fulfillment of conditions regarded as uncertain. Contingent liabilities include items which may under certain conditions become obligations of the utility but which are neither direct nor assumed liabilities at the date of the balance

sheet. The utility shall be prepared to give a complete statement of material 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.

17. Utility Plant - Classification of Utility Plant at Effective Date of System of Accounts

A. The utility plant accounts provided herein are substantially the same in context as those contained in the prior system of accounts, except that some changes have been made in classification, rearrangement and regrouping of certain accounts. A few account titles have been changed. Subject to these changes, the balances in the various plant accounts, as determined under the prior system of accounts, shall be carried forward. Any remaining balance of plant which has not yet been classified, pursuant to the requirements of the prior system, shall be classified in accordance with the following instructions.

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

C. The detailed utility plant accounts (351 to 398, inclusive) shall be stated on the basis of cost to the utility of plant constructed by it and the original cost, estimated if not known, of plant acquired as an operating unit or system. The difference between the original cost, as above, and the cost to the utility of utility plant after giving effect to any accumulated depreciation or amortization, and contributions in aid of construction applicable to the property acquired, if recorded by the accounting utility at the time of acquisition, shall be recorded in account 114 - Utility Plant Acquisition Adjustments. The original cost utility plant shall be determined by analysis of the utility's records or those of predecessor vendor companies with respect to utility plant previously acquired as operating units or systems and the difference between the original cost so determined, less accumulated depreciation and amortization and contributions in aid of construction recorded by the accounting utility, and the cost to the utility, with necessary adjustments for retirements for date of acquisition, shall be entered in account 114 - Utility Plant Acquisition Adjustments. Any difference between the cost of

utility plant and its book cost, when not properly includible in other accounts, shall be recorded in account 116 - Other Utility Plant Adjustments.

18. Utility Plant - To be Recorded at Cost

A. All amounts included in the accounts for utility plant acquired as an operating unit or system, shall be stated at the cost incurred by the person who first devoted the property to utility service. All other utility plant shall be included in the accounts at the cost incurred by the utility except as otherwise provided in the texts of the intangible plant accounts. Where the term "cost" is used in the detailed plant accounts, it shall have the meaning stated in this paragraph (See Definition 9).

B. When the consideration given for property is other than cash, the value of such consideration shall be determined on a cash basis. In the entry recording such transaction, the actual consideration shall be described with sufficient particularity to identify it. The utility shall 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 shall be made to the utility plant accounts for interest, insurance, or other expenditures occasioned solely by such form of payment.

D. Utility plant accounts shall be charged with construction costs (estimated, if not known) of the utility plant contributed by others or constructed by the utility using contributed cash or its equivalent. For contributed utility plant, the accumulated depreciation or amortization account shall be charged with the estimated amount of depreciation or amortization applicable to the property at the time it was contributed to the utility. Account 271 - Contributions in Aid of Construction shall be credited with the net of the amounts charged to the plant and the accumulated depreciation of amortization accounts. For plant constructed using contributed cash or its equivalent, account 271 - Contributions in Aid of Construction shall be credited with the amount of the cash or its equivalent contribution.

19. Utility Plant - Components of Construction Cost

The cost of construction properly includible in the utility plant accounts shall include, where applicable, the direct and overhead costs as listed and defined hereunder:

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

work.

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

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

Note: -- The cost of individual items of equipment of less than $750 or of short life, including small portable tools and implements, shall not be charged to utility plant accounts unless the correctness of the accounting therefor is verified by current inventories. The cost shall be charged to the appropriate operating expense or clearing accounts, according to the use of such items, or, if such items are consumed directly in construction work, the cost shall be included as part of the cost of the construction unit.

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

(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 pile drivers, derricks, ditchers, scrapers, material unloaders, and other labor saving machines; also expenditures for rental, maintenance and operation of machines of others. It does not include the cost of small tools and other individual items of small value or short life which are included in the cost of materials and supplies (See item 3, above). When a particular construction job requires the use for an extended period of time of special machines, transportation or other equipment, the net book cost thereof, less the appraised or salvage value at time of release from the job, shall be included in the cost of construction.

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

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

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

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

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

(11) "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 utility to plan, design, prepare estimates, supervise, inspect, or give general advice and assistance in connection with construction work.

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

(15) "Legal expenditures" includes the general legal expenditures incurred in connection with construction and the court and legal costs directly related thereto, other than legal expenses included in protection, item 7, and in injuries and damages, item 8.

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

(17) "Allowance for funds used during construction" includes the net cost for the period of construction of borrowed funds used for construction purposes and a reasonable rate on other funds when so used. No allowance for funds used during construction shall be included in these accounts upon expenditures for construction projects which have been abandoned.

> Note:--When only a part of a plant or project is placed operation or is completed and ready for service but the construction work as a whole is incomplete, that part of the cost of the property placed in operation, or ready for service, shall be treated as "Utility Plant in Service" and allowance for funds used during construction thereon as a charge to construction shall cease. Allowance for funds used during construction on that part of the cost of the plant which is incomplete may be continued as a charge to construction until such time as it is placed in operation or is ready for service, except as limited in item 17, above.

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

(a) The earnings shall include revenues received or earned by plants during the construction period. The revenues shall also include rentals for lands, buildings, etc., and miscellaneous receipts not properly includible in other accounts.

(b) The expenses shall consist of the cost of operating the wastewater plant, and other costs incident to the wastewater costs for which construction is credited under paragraph (a), above, including the cost of repairs and other expenses of operating and maintaining lands, buildings, and other property, and other miscellaneous and like expenses not properly includible in other accounts.

20. Utility Plant - 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 accounting utility, legal expenses, insurance, injuries and damages, relief and pensions, taxes and allowance for funds used during construction, shall be charged to particular jobs or units on the basis of the amounts of such overheads reasonably applicable thereto, so that each job or unit shall bear its equitable proportion of such costs and that the entire costs of the unit, both direct and overhead, shall be deducted from the plant accounts at the time the property is retired.

B. As far as practicable, the determination of payroll charges includible in construction overheads shall be based on time card distributions thereof. Where this procedure is impractical, special studies shall be made periodically of the time of supervisory employees devoted to construction activities so that only such overhead costs as have a definite relation to construction shall be capitalized. The addition to direct construction costs of arbitrary percentages or amounts to cover assumed overhead costs is not permitted.

C. The records supporting the entries for overhead construction costs shall be so kept as to show the total amount of each overhead for each year, the nature and amount of each overhead expenditure charged to each construction work order and to each utility plant account, and the basis of distribution of such costs.

21. Utility Plant - Purchased or Sold

A. When utility plant constituting an operating unit or system is acquired by purchase, merger, consolidation, liquidation, or

otherwise, the costs of acquisition, including expenses incidental thereto properly includible in utility plant, shall be charged to account 104 - Utility Plant Purchased or Sold.

B. The accounting for the acquisition shall then be completed as follows:

(1) The original cost of plant, estimated if not known, shall be credited to account 104 - Utility Plant Purchased or Sold, and concurrently charged to the appropriate utility plant in service accounts and account 102 - Utility Plant Leased to Others and account 103 - Property Held for Future Use, and account 105 - Construction Work in Progress, as appropriate.

(2) The requirements for accumulated depreciation and amortization applicable to the original cost of the properties purchased, if required by the Commission to be recorded by the accounting utility determined with due regard to operating practices of the purchaser and his plans regarding such property, and giving consideration also to the effect on such requirements of any rehabilitation expenditures (see Paragraph C), shall be charged to account 104 - Utility Plant Purchased or Sold, and concurrently credited to the appropriate account for accumulated depreciation or amortization.

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

(4) The amount of contributions in aid of construction applicable to the property acquired, and which the purchaser may be required to record, shall be charged to account 104 - Utility Plant Purchased or Sold, and concurrently credited to account 271 - Contributions in Aid of Construction.

(5) The amount of accumulated amortization applicable to contributed property, and which the purchaser may be required to record, shall be credited to account 104 - Utility Plant Purchased or Sold and concurrently debited to account 272 - Accumulated Amortization of Contributions in Aid of Construction, according to the regulatory treatment of the Commission.

(6) The amount remaining in account 104 - Utility Plant Purchased or Sold, shall then be closed to account 114 - Utility Plant Acquisition Adjustments.

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

D. When any property acquired as an operating unit or system includes duplicate or other plant, which will be retired by the accounting utility in the reconstruction of the acquired property or its consolidation with previously owned property, the accounting for such property shall be presented to the Commission.

E. In connection with the acquisition of utility plant, the utility shall procure, if possible, all existing records relating to the property acquired, or certified copies thereof, and shall preserve such records in conformity with regulations or practices governing the preservation of records of its own construction.

F. When utility plant constituting an operating unit or system is sold, conveyed, or transferred to another by sale, merger, consolidation, or otherwise, the book cost of the property sold or transferred to another shall be credited to the appropriate utility plant accounts, including amounts carried in account 114 - Utility Plant Acquisition Adjustments, and the amounts (estimated if not known) carried with respect thereto in the accounts for accumulated depreciation and amortization and in account 252 - Advances for Construction, and account 271 - Contributions in Aid of Construction, shall be charged to such accounts and the contra entries made to account 104 - Utility Plant Purchased or Sold. Unless otherwise ordered by the Commission, the difference, if any between (a) the net amount of debits and credits and (b) the consideration received for the property (less commissions and other expenses of making the sale) shall be included in account 414 - Gains (Losses) From Disposition of Utility Property (See account 104 - Utility Plant Purchased or Sold).

Note:--In cases where existing utilities merge or consolidate because of financial or operating reasons or statutory requirements rather than as a means of transferring title of purchased properties to a new owner, the accounts of the constituent utilities, with the approval of the Commission, may be combined. In the event original cost has not been determined, the resulting utility shall proceed to determine such cost as outlined herein.

22. Utility Plant - Accounting for Capital and Operating Leases

A. For each lease entered into, the utility shall maintain sufficient documents and other background information as necessary to determine whether the lease is a capital or operating lease. This information includes but is not limited to:

(1) Evidence or documents of ownership;
(2) Signed copies of the lease agreement;
(3) Estimated life of the leased property;
(4) Evidence as to the value of the leased property;
(5) Evidence as to the lessor's implicit interest rate (if available);
(6) Evidence as to the lessee's borrowing rate; and
(7) The amount and disposition of executory costs (taxes, maintenance and insurance).

B. Leases shall be accounted for by the utility as described in Statement of Financial Accounting Standards Nos. 13 (as amended) and 71 published by the Financial Accounting Standards Board; however, the Commission may elect to approve the entries made to the utilities accounts in recording the effect of utility leases.

C. Capitalized leases shall be recorded in the appropriate plant in service account(s) which describe the type of asset leased. These records shall be maintained in sufficient detail such that the utility will be able to report the number, general nature, and residual balances of all capitalized leased assets as well as any related leasehold amortization balances and the balance of any leasehold obligations.

23. Utility Plant - Expenditures on Leased Property

A. The cost of substantial initial improvements (including repairs, rearrangements, additions and betterments) made in the course of preparing for utility property leased for a period of more than one year, and the cost of subsequent substantial additions, replacements, or betterments to such property, shall be charged to the utility plant account appropriate for the class of property leased. If the service life of the improvements is terminable by action of the lease, then the cost, less net salvage, of the improvements shall be spread over the life of the lease by charges to account 407.1 - Amortization of Limited Term Plant. However, if the service life is not terminated by action of the lease, but by depreciation proper, then the cost of the improvements, less net salvage, shall be accounted for as depreciable plant.

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 shall be charged to the account in which the rent is included either directly or by amortization thereof.

24. Utility Plant - Land and Land Rights

A. The accounts for land and land rights include the cost of land owned in fee by the utility and rights, interests, and privileges held by the utility in land owned by others, such as leaseholds, easements, water and water power rights, diversion rights, submersion rights, rights of way, and other like interests in land. Do not include in the accounts for land, land rights, and rights of way costs incurred in connection with first clearing and grading of land and rights of way and the damage costs associated with the construction and installation of plant. Such costs shall be included in the appropriate plant accounts directly benefited.

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

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

D. Any difference between the amount received from the sale of land or land rights, less agents' commissions and other costs incident to the sale, and the book cost of such land or rights, shall be included in account 414 - Gains (Losses) from Disposition of Utility Property, unless a reserve therefore has been authorized and provided or, less otherwise authorized or required by the

Commission. Appropriate adjustments of the accounts shall be made with respect to any structures or improvements located on land sold.

E. The cost of buildings and other improvements (other than public improvements) shall not be included in the land accounts. If at the time of acquisition of any interest in land, such interest extends to buildings or other improvements (other than public improvements), which are then devoted to wastewater operations, the land and improvements shall be separately appraised and the cost allocated to land and buildings or improvements on the basis of the appraisals. If the improvements are removed or wrecked without being used in operations, the cost of removing or wrecking shall be charged and the salvage credited to the account in which the cost of the land is recorded.

F. When the purchase of land for utility operations requires the purchase of more land than needed for such purposes, the charge to the specific land account shall be based upon the cost of the land purchased, less the fair market value of that portion of the land which is not to be used in utility operations. The portion of the cost measured by the fair market value of the land not to be used shall be included in account 103 - Property Held for Future Use, or account 121 - Nonutility Property, as appropriate.

G. Provision shall 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 110.1 - Accumulated Amortization of Utility Plant in Service, and account 407.1 - Amortization of Limited Term Plant).

25. Utility Plant - Structures and Improvements

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

B. The cost of specially provided foundation, not intended to outlast the machinery for apparatus for which provided, and the cost of angle irons, castings, etc., installed at the base of any item of equipment, shall be charged to the same account as the cost of the machinery, apparatus, or equipment.

C. Minor buildings and structures, such as valve towers, patrolmen's towers, telephone stations, etc., which are used directly in connection with or form a part of a collection plant, treatment plant, etc., shall be considered a part of that facility constructed or operated and the cost thereof accounted for accordingly.

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

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

26. Utility Plant - Equipment

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

B. Exclude from equipment accounts hand and other portable tools, which are likely to be lost or stolen or which have a value of less than $750 or short life, unless the correctness of the accounting therefor as utility plant is verified by current inventories. Special tools acquired and included in the purchase price of equipment shall be included in the appropriate plant account. Portable drills and similar tool equipment when used in connection with the operation and maintenance of a particular plant or department, such as pumping, transmission and distribution, etc., or in "stores", shall be charged to the plant account appropriate for their use.

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

D. The equipment accounts shall include the necessary costs of testing or running a plant or part thereof during an experimental or test period prior to becoming available for service. The utility shall furnish the Commission with full particulars of and justification for any test or experimental run extending beyond a period of thirty days.

E. The cost of efficiency or other tests made subsequent to the date equipment becomes available for service shall be charged to the appropriate expense accounts, except that tests to determine whether equipment meets the specifications and requirements as to efficiency, performance, etc., 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 utility plant account.

27. Utility Plant - Additions and Retirements

A. For the purpose of avoiding undue refinement in accounting for additions to and retirements and replacements of utility plant, all property shall be considered as consisting of (1) retirement units and (2) minor items of property. Each utility shall use such list of retirement units as is in use by it at the effective date hereof or as may be prescribed by the Commission, with the option, however, of using smaller units, provided the utility's practice in this respect is consistent.

B. The addition and retirement of retirement units shall be accounted for as follows:

(1) When a retirement unit is added to the utility plant, the cost thereof shall be added to the appropriate utility plant account, except that when units are acquired in the acquisition of any utility plant constituting an operating system, they shall be accounted for as provided in Instruction 21.

D. The book cost of the utility plant retired shall be the amount at which such property is included in the utility plant accounts, including all components of construction costs. The book cost shall be determined from the utility's records and if this cannot be done, it shall be estimated. When it is impracticable to determine the book cost of each unit, due to the relatively large number or small cost thereof, an appropriate average book cost of the units, with due allowance for any differences in size and character, shall be used as the book cost of the units retired.

E. The book cost of land retired shall be credited to the appropriate land account. If the land is sold, the difference between the book cost and the sale price of the land (less commissions and other expenses of making the sale) shall be included in account 414 - Gains (Losses) from Disposition of Utility Property, unless otherwise authorized or required by the Commission. If the land is not used in utility service but is retained by the utility, the book cost shall be charged to account 103 - Property Held for Future Use, or account 121 - Nonutility Property, as appropriate.

F. The book cost less net salvage of depreciable utility plant retired shall be charged in its entirety to account 108.1 - Accumulated Depreciation of Utility Plant in Service. Any amounts which, by approval or order of the Commission, are charged to account 182 - Extraordinary Property Losses, shall be credited to account 108.1 - Accumulated Depreciated of Utility Plant in Service.

G. The accounting for the retirement of amounts included in account 352 - Franchises and the items of limited term interest in land included in the accounts for land and land rights shall be as provided for in the text of account 110.1 - Accumulated Amortization of Utility Plant in Service, account 407.1 - Amortization of Limited Term Plant and account 407.3 - Amortization of Other Utility Plant.

H. In some instances the unexpected early retirement of a major unit of property, which would eliminate or seriously deplete the existing depreciation reserve, may require accounting treatment which differs from that described in paragraph B above. In such instances the Commission may authorize or order the loss on retirement (less any tax savings) to be charged to income in the current year or transferred to account 186 - Miscellaneous Deferred Debits, and amortized in future periods. Such accounting treatment shall be used only when specifically authorized or directed by the Commission.

(2) When a retirement unit is retired from utility plant, with or without replacement, the book cost thereof shall be credited to the utility plant account in which it is included, determined in the manner set forth in paragraph D, below. If the retirement unit is of a depreciable class, the book cost of the unit retired and credited to utility plant shall be charged to the accumulated depreciation applicable to such property. The cost of removal and the salvage shall be charged or credited, as appropriate, to such depreciation account.

C. The addition and retirement of minor items of property shall be accounted for as follows:

(1) When a minor item of property which did not previously exist is added to plant and a substantial addition results, the cost thereof shall be accounted for in the same manner as for the addition of a retirement unit, as set forth in paragraph B(1), above, otherwise the charge shall be to the appropriate maintenance expense account.

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

(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 shall be charged to the maintenance expense account appropriate for the item, except that if the replacement effects a substantial betterment (the primary aim of which is to make the property affected more useful, more efficient, of greater durability, or of greater capacity), the excess cost of the replacement over the estimated cost at current prices of replacing without betterment shall be charged to the appropriate utility plant account.

D. The book cost of the utility plant retired shall be the amount at which such property is included in the utility plant accounts, including all components of construction costs. The book cost shall be determined from the utility's records and if this cannot be done, it shall be estimated. When it is impracticable to determine the book cost of each unit, due to the relatively large number or small cost thereof, an appropriate average book cost of the units, with due allowance for any differences in size and character, shall be used as the book cost of the units retired.

E. The book cost of land retired shall be credited to the appropriate land account. If the land is sold, the difference between the book cost and the sale price of the land (less commissions and other expenses of making the sale) shall be included in account 414 - Gains (Losses) from Disposition of Utility Property, unless otherwise authorized or required by the Commission. If the land is not used in utility service but is retained by the utility, the book cost shall be charged to account 103 - Property Held for Future Use, or account 121 - Nonutility Property, as appropriate.

F. The book cost less net salvage of depreciable utility plant retired shall be charged in its entirety to account 108.1 - Accumulated Depreciation of Utility Plant in Service. Any amounts which, by approval or order of the Commission, are charged to account 182 - Extraordinary Property Losses, shall be credited to account 108.1 - Accumulated Depreciated of Utility Plant in Service.

G. The accounting for the retirement of amounts included in account 352 - Franchises and the items of limited term interest in land included in the accounts for land and land rights shall be as provided for in the text of account 110.1 - Accumulated Amortization of Utility Plant in Service, account 407.1 - Amortization of Limited Term Plant and account 407.3 - Amortization of Other Utility Plant.

H. In some instances the unexpected early retirement of a major unit of property, which would eliminate or seriously deplete the existing depreciation reserve, may require accounting treatment which differs from that described in paragraph B above. In such instances the Commission may authorize or order the loss on retirement (less any tax savings) to be charged to income in the current year or transferred to account 186 - Miscellaneous Deferred Debits, and amortized in future periods. Such accounting treatment shall be used only when specifically authorized or directed by the Commission.

28. Utility Plant - Work Order and Property Record System Required

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

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

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

29. Utility Plant - Transfers of Property

A. When property is transferred from one utility plant account to another, from one utility department to another, such as from water to wastewater, from one operating division or area to another, to or from accounts 101 - Utility Plant in Service, 102 - Utility Plant Leased to Others and 103 - Property Held for Future Use, the transfer shall be recorded by transferring the original cost thereof from the one account, department, or location to the other. Any related amounts carried in the accounts for accumulated depreciation or amortization shall be transferred in accordance with the segregation of such accounts.

B. When depreciable property is transferred from the utility plant accounts to account 121 - Nonutility Property, the transfer shall be accomplished by crediting the utility plant accounts and charging the accumulated depreciation with the book cost of the item transferred; the accumulated depreciation shall then be credited and account 121 - Nonutility Property, concurrently charged with the market value of the property transferred. If the property is sold within a relatively short time, a debit or credit shall be made to the accumulated depreciation to adjust the estimated salvage to the amount actually realized.

30. Utility Plant - Common Plant

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

B. Utility plant designated as common utility plant shall be classified according to the detailed utility plant accounts appropriate for the property.

C. The utility shall be prepared to show at any time and to report to the Commission annually, or more frequently, if required, and by utility plant accounts (351 to 398) the following: (1) the book cost of common utility plant (2) the allocation of such cost to the respective departments using the common utility plant and (3) the basis of the allocation.

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

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

31. Utility Plant - Multiple Use

Land, rights of way and structures used jointly for several functions, such as supply, and transmission and distribution purposes, shall be classified according to the major use thereof.

32. Utility Plant - Plant Account Matrix

A. Class A utilities (as defined in Instruction 1) are required to subdivide the plant accounts into "functional" operations. Each object account shall be subdivided as shown in the plant account matrix shown on page 98. The subaccounts are to be designated by adding a suffix of one decimal place to the three digit account number.

B. The "functional" operations for the wastewater system are listed below along with the designated suffix:

.1 Intangible plant
.2 Collection plant
.3 System pumping plant
.4 Treatment and disposal plant
.5 Reclaimed water treatment plant
.6 Reclaimed water distribution plant
.7 General Plant

33. Operating Income - Depreciation Expense

A. Depreciation charges shall be computed using either the straight-line remaining life method (See definition 38) or the straight-line method (See definition 39), according to which method has been approved by the Commission. Composite depreciation rates (See definition 8) may be used with prior Commission approval. When at all possible, separate depreciation charges shall be computed for both contributed plant and for plant generating investment tax credits including progress payment investment tax credits.

B. When the straight-line remaining life method is used, the rates shall be reviewed periodically and adjusted as required, so that the depreciation accrual will bear a reasonable relationship to the remaining life, the estimated net future salvage, cost of plant in service and to the balance of accumulated depreciation accrued in prior periods.

C. When the straight-line method is used, the rates shall be reviewed periodically and adjusted as required, so that the depreciation accrual will bear a reasonable relationship to the service life, the estimated net salvage, and the cost of plant in service.

D. Amortization of contributions in aid of construction (CIAC), if recognized by the Commission, shall be credited to account 403 - Depreciation Expense. The concurrent debit is to account 272 - Accumulated Amortization of CIAC. The resulting balance in the depreciation expense account will be net of CIAC amortization. CIAC shall be amortized over a period equal to the estimated service life of the related contributed asset. A group composite or overall composite rate, which ever is applicable, may be used for CIAC that can not be directly related to a particular plant asset.

34. Operating Income - Income Taxes

A. Current income tax provision:

(1) The utility shall initially debit account 409 - Income

Taxes, and credit account 236 - Accrued Taxes, to record its estimated current income tax liability. As the exact amounts of taxes become known, the current tax accruals shall be adjusted by debits or credits to these accounts unless such adjustments are properly includible in account 214 - Appropriated Retained Earnings or account 215 - Unappropriated Retained Earnings, so that these accounts as nearly as can be ascertained shall include the actual taxes payable by the utility.

(2) The accruals for income taxes shall be apportioned among utility departments and to Other Income and Deductions so that, as nearly as practicable, each tax shall be included in the expenses of the utility department or Other Income and Deductions, and shall be related to the income which gave rise to the tax. Adjustments to account 214 - Appropriated Retained Earnings or account 215 - Unappropriated Retained Earnings, shall be recorded net of tax.

B. Interperiod Tax Allocation - Depreciation:

(1) The Federal Economic Recovery Tax Act of 1981 (ERTA).

ERTA provides that a utility claiming accelerated depreciation (Accelerated Cost Recovery System (ACRS)) must use a normalized method of accounting for federal income taxes on its regulated books of account and for ratemaking purposes. A utility must use the same depreciation method and service lives in computing federal income tax expense when establishing cost of service for ratemaking purposes as is used in its regulated books of account, or if it uses a different method, it must make adjustments to a reserve to reflect the deferral of taxes resulting from such differences. Similarly, in order to claim investment tax credits, a utility must defer the entire balance of investment tax credits on its books of account and amortize the balance over the life of the related property.

C. Comprehensive Interperiod Income Tax Allocation - Other Than Depreciation.

(1) Certain regulatory bodies have required comprehensive interperiod income tax allocation of all material book-tax timing differences other than depreciation differences. They have reasoned that where there are timing differences between the period 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 period in which the differences reverse using the deferred tax method. In general, comprehensive interperiod tax allocation should be followed whenever transactions enter into the determination of pretax accounting income for the period even though some transactions may affect the determination of taxes payable in a different period, as further qualified below.

(2) Utilities are not required to utilize comprehensive interperiod income tax allocation until the deferred income taxes are included as an expense in the rate level by the regulatory authority having rate jurisdiction over the utility. Where comprehensive interperiod tax allocation accounting is not practiced, the utility shall include as a note to each financial statement, prepared for public use, a footnote explanation setting forth the utility's accounting policies with respect to interperiod tax allocation and describing the treatment by regulatory authorities having rate jurisdiction for ratemaking purposes of the tax timing differences.

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

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

EXAMPLE

The following example shows how the various transactions are recorded:

a. A utility purchases depreciable plant at a cost of $10,000. The plant has a 10 year life with no salvage.

b. The utility's federal taxable income from utility operations, before the effect of depreciation is $30,000 (46% tax rate).

c. ACRS depreciation for each year is $800, $1400, $1200, $1000, $1000, $1000, $900, $900, $900, $900.

d. Book depreciation for each year using half year convention in year placed in service is: $500, $1000, $1000, $1000, $1000, $1000, $1000, $1000, $1000, $1000, $500.

e. Investment tax credit is $800 ($10,000 x 8%) in order to use 100% of the $10,000 cost for ACRS depreciation.

f. Deferred taxes are calculated by subtracting tax depreciation from book depreciation and multiplying by the tax rate. If tax depreciation is greater than book, debit Account 410 and credit Account 282. If book depreciation is greater than tax, debit account 282 and credit account 410.

	Account Number	Account Title	Debit	Credit
Year 1				
1-a	409.10	Income Taxes, Utility Operating Income	$12,632	
	236.1	Accrued Taxes, Utility Operating Income		$12,632
		To record taxes estimated be payable for period (.46($30,000 - $800)) - $800		
1-b	410.10	Deferred Income Taxes	138	
	282	Accumulated Deferred Income Taxes - Liberalized Depreciation		138
		To record deferral of a portion of taxes based on the difference between straight-line depreciation		

	Account Number	Account Title	Debit	Credit
		and ACRS depreciation (.46($500-$800). NOTE:--The deferred tax balance of $138 would either be deducted from rate base or be included in capital structure at zero cost.		
1-c	412.10	Investment Tax Credits Deferred to Future Periods, Utility Operations	800	
	255.1	Accumulated Deferred Investment Tax Credits, Utility Operations		800
		To record the investment tax credits realized and deferred to future years in accordance with provisions of either the "General Rule"/Option 1 Treatment or the "Special Rule for Ratable Flow - through"/Option 2 Treatment ($10,000 x 8%).		
1-d	255.1	Accumulated Deferred Investment Tax Credits, Utility Operations	40	
	412.30	Investment Tax Credits Restored to Nonoperating Income, Utility Operations		40
		To record ratable amortization over the book depreciable life of the investment tax credits deferred to future periods (.50 ($800 (1/10))). NOTE:--The net balance of deferred investment tax credits ($800 - $40) would be either deducted from rate base or included in capital structure at zero cost. This treatment is followed by utilities subject to the "General Rule"/Option 1 Treatment.		
1-e	255.1	Accumulated Deferred Investment Tax Credits, Utility Operations	40	
	412.11	Investment Tax Credits Restored to Operating Income, Utility Operations.		40
		To record ratable flow-through over the asset's book depreciable life of investment tax credits deferred		

	Account Number	Account Title	Debit	Credit
		to future periods (.50($800 (1/10))). NOTE:--The net balance of deferred ITC ($800-$40) would earn the overall rate of return. This treatment is followed by utilities subject to "Special Rule for Ratable Flow-through"/Option 2 Treatment.		
Year 2				
2-a	409.10	Income Taxes, Utility Operating Income	$13,156	
	236.1	Accrued Taxes, Utility Operating Income		$13,156
		To record taxes estimated to be payable for period .46($30,000 - $1,400).		
2-b	410.10	Deferred Income Taxes	184	
	282	Accumulated Deferred Income Taxes-Liberalized Depreciation		184
		To record deferral of a portion of taxes based on the difference between straight-line depreciation and ACRS depreciation (.46($1000-$1400)). NOTE:--The cumulative balance of deferred taxes ($138 + $184) would be either deducted from rate base or included in capital structure at zero cost.		
2-c	255.1	Accumulated Deferred Investment Tax Credits, Utility Operations	80	
	412.30	Investment Tax Credits Restored to Nonoperating Income, Utility Operations		80

	Account Number	Account Title	Debit	Credit
		To record ratable amortization over the asset's book depreciable life of the ITC deferred to future periods ($800 (1/10)). NOTE:--The net balance of deferred ITC ($800 - ($40 + $80)) would be either deducted from rate base or included in capital structure at zero cost. This treatment is followed by utilities subject to the "General Rule"/Option 1 Treatment.		
2-d	255.1	Accumulated Deferred Investment Tax Credits, Utility Operations	80	
	412.11	Investment Tax Credits Restored to Operating Income, Utility Operations		80
		To record ratable flow-through over the asset's book depreciable life of investment tax credits deferred to future period ($800(1/10)). NOTE:--The net balance of deferred ITC ($800-($40 + $80)) would earn the overall rate of return. This treatment is followed by utilities subject to the "Special Rule for Ratable Flow-Through"/Option 2 Treatment.		
Year 3				
3-a	409.10	Income Taxes, Utility Operating Income	13,248	
	236.1	Accrued Taxes, Utility Operation Income		13,248
		To record taxes estimated to be payable for the period (.46($30,000-$1,200)).		
3-b	410.10	Deferred Income Taxes	92	
	282	Accumulated Deferred Income Taxes - Liberalized Depreciation		92
		To record deferral of a portion of taxes based on the difference between straight-line depreciation and		

	Account Number	Account Title	Debit	Credit
		ACRS depreciation (($1,000-$1,200).46). The cumulative balance of deferred taxes ($138 + $184 + $92) would be either deducted from rate base or included in capital structure at zero cost.		
3-c	255.1 412.30	"General Rule"/Option 1 Treatment utilities would record the same entry as in Year 2 for amortization of ITC. The net balance deducted from rate base or included in capital structure at zero cost would be ($800-($40 + 2 ($80))).	80	80
3-d	255.1 412.11	"Special Rule for Ratable Flow-Through"/Option 2 Treatment utilities would record the same entries recorded in Year 2 for ratable flow-through of ITC. The net ITC balance earning the overall rate of return would be $600.	80	80
Year 4				
4-a	409.10 236.1	Income Taxes, Utility Operating Income Accrued Taxes, Utility Operating Income To record taxes estimated to be payable for the period (.46($30,000-$1,000)).	13,340	13,340
4-b	410.10 282	No entry would be made related to deferred taxes because book and tax depreciation are equal. The cumulative balance of $414 would continue to be deducted from rate base or included in capital structure at zero cost.		
4-c	255.1 412.30	"General Rule"/Option 1 Treatment utilities. Same entry as Year 2 Net deferred balance either deducted	80	80

	Account Number	Account Title	Debit	Credit
		from rate base or included in capital structure at zero cost would be ($800-($40+3($30))).		
4-d	255.1 412.11	"Special Rule for Ratable Flow-Through"/Option 2 Treatment utilities. Same entry as Year 2. Net balance earning the overall rate of return would be $520.	80	80
Year 5				
5-a	409.10 236.1	Same entry as Year 4.	13,340	13,340
5-b	410.10 282	See Year 4.		
5-c	255.1 412.30	"General Rule"/Option 1 Treatment utilities. Same entry as Year 2. Net ITC balance deducted from rate base or included in capital structure is $440.	80	80
5-d	255.1 412.11	"Special Rule for Ratable Flow-Through"/Option 2 Treatment utilities. Same entry as Year 2. Net ITC balance earning overall rate of return is $440.	80	80
Year 6				
6-a	409.10 236.1	Same entry as Year 4.	13,340	13,340
6-b	410.10 282	See Year 4.		
6-c	255.1 412.30	"General Rule"/Option 1 Treatment utilities same entry as Year 2. Net ITC balance deducted from rate base or included in capital structure at zero cost is $360.	80	80

	Account Number	Account Title	Debit	Credit
6-d	255.1	"Special Rule for Ratable Flow-	80	
	412.11	Through"/Option 2 Treatment utilities. Same entry as Year 2. Net ITC balance earning the overall rate of return is $360.		80
Year 7				
7-a	409.10	Income Taxes, Utility Operating Income	13,386	
	236.1	Accrued Taxes, Utility Operating Income		13,386
		To record taxes estimated to be payable for the period (.46($30,000 - $900)).		
7-b	282	Accumulated Deferred Income Taxes - Liberalized Depreciation	46	
	410.10	Deferred Income Taxes To record reversal of taxes deferred in prior years ($1000 - $900).46). NOTE:--The net deferred tax balance deducted from rate base or included in capital structure at zero cost is $368.		46
7-c	255.1	"General Rule"/Option 1 Treatment	80	
	412.30	utilities. Same entries as Year 2. Net ITC balance deducted from rate base or included in capital structure at zero cost is $280.		80
7-d	255.1	"Special Rule for Ratable Flow-	80	
	412.11	Through"/Option 2 Treatment utilities. Same entry as Year 2. NOTE:--Net ITC balance earning the overall rate of return is $280.		80
Year 8				
8-a	409.10	Same entry as Year 7.	13,386	
	236.1			13,386

ACCOUNTING INSTRUCTIONS

	Account Number	Account Title	Debit	Credit
8-b	282 410.10	Same entry as Year 7. NOTE:--Net balance deducted from rate base or included in capital structure at zero cost is $322.	46	46
8-c	255.1 412.30	"General Rule"/Option 1 Treatment utilities. Same entry as Year 2. NOTE:--Net ITC balance deducted from rate base or included in capital structure at zero cost is $200.	80	80
8-d	255.1 412.11	"Special Rule for Ratable Flow-Through"/Option 2 Treatment utilities. Same entry as Year 2. NOTE:--Net ITC balance earning the overall rate of return is $200.	80	80
Year 9				
9-a	409.10 236.1	Same entry as Year 7.	13,386	13,386
9-b	282 410.10	Same entry as Year 7. NOTE:--Net balance of deferred taxes deducted from rate base or included in capital structure at zero cost is $276.	46	46
9-c	255.1 412.30	"General Rule"/Option 1 Treatment utilities. Same entry as Year 2. NOTE:--Net balance ITC deducted from rate base or included in capital structure at zero cost is $120.	80	80
9-d	255.1 412.11	"Special Rule for Ratable Flow-Through"/Option 2 Treatment utilities. Same entry as Year 2. NOTE:--Net balance ITC earning overall rate of return is $120.	80	80

	Account Number	Account Title	Debit	Credit
Year 10				
10-a	409.10	Same entry as Year 7.	13,386	
	236.1			13,386
10-b	282	Same entry as Year 7. NOTE:--	46	
	410.10	Net balance deferred taxes deducted from rate base or included in capital structure at zero cost is $230.		46
10-c	255.1	"General Rule"/Option 1 Treatment	80	
	412.30	utilities. Same entry as Year 2. NOTE:--Net balance ITC deducted from rate base or included in capital structure at zero cost is $40.		80
10-d	255.1	"Special Rule for Ratable Flow-	80	
	412.11	Through"/Option 2 Treatment utilities. Same entry as Year 2. NOTE:--Net balance ITC earning overall rate of return is $40.		80
Year 11				
11-a	409.10	Income Taxes, Utility Operating Income	13,800	
	236.1	Accrued Taxes, Utility Operating Income		13,800
		To record taxes estimated to be payable for period (.46($30,000)).		
11-b	282	Accumulated Deferred Income Taxes Liberalized Depreciation	230	
	410.10	Deferred Income Taxes		230
		To record reversal of taxes deferred in prior years (($500 - 0).46). NOTE:--There is no longer a deferred tax balance to be deducted from rate base or included in capital structure at zero cost.		

	Account Number	Account Title	Debit	Credit
11-c	255.1 412.30	"General Rule"/Option 1 Treatment utilities. Same entry as Year 1. NOTE:--There is no longer an ITC balance to be deducted from rate base or included in capital structure at zero cost.	40	40
11-d	255.1 412.11	"Special Rate for Ratable Flow-Through"/Option 2 Treatment utilities. Same entry as Year 1. NOTE:--There is no longer an ITC balance to earn the overall rate of return.	40	40

35. Operating Income - Clearing Accounts

The purpose of a clearing account is to temporarily accumulate in one account costs of a specific type which affect more than a single account, and which subsequently will be apportioned among utility plant accounts, operating expense accounts and other appropriate accounts.

The use of clearing accounts is optional. In addition to the payroll clearing account, a utility may use such additional clearing accounts as it finds useful. However, all operating expenses must be recorded in the accounts prescribed by this manual and the utility remains responsible for providing the underlying source documents as if all entries were made directly without the use of a clearing account.

36. Operating Income - Accrual Accounting

Monthly accounting using the accrual method is required. During the accounting period, certain amounts may have been earned although collection is not to be made until the subsequent period, and certain expenses may have been incurred, although payment is not to be made until a subsequent period. At the end of the accounting period the revenues and expenses shall be recognized by charging the appropriate expense account and corresponding liability or receivable account.

A reversing entry will be necessary at the beginning of the subsequent period.

37. Operating Income - Operation and Maintenance Expense Account Matrix

A. Class A and B utilities (as defined in general instruction 1) are required to subdivide the operation and maintenance expenses into functions. Each object account shall be subdivided by the functions as shown in the matrix schedule which proceeds the Operation and Maintenance Expense Accounts (page 138). The function will be designated by adding an additional one digit suffix to the basic object account.

B. The "functional" operations for the wastewater system are listed with the designated suffix:

.1 Collection expenses - operations
.2 Collection expenses - maintenance
.3 Pumping expenses - operations
.4 Pumping expenses - maintenance
.5 Treatment and disposal expenses - operations
.6 Treatment and disposal expenses - maintenance
.7 Customer accounts expense
.8 Administrative and general expenses
.9 Reclaimed water treatment expenses - operations
.10 Reclaimed water treatment expenses - maintenance
.11 Reclaimed water distribution expenses - operation
.12 Reclaimed water distribution expenses - maintenance

38. Operating Income - Regulatory Assets and Liabilities

Regulatory debits and credits will often be used to reconcile differences between the requirements of Generally Accepted Accounting Principles, regulatory practice and federal, state, and local tax laws. For example, when there is a change in a federal, state or local income tax rate, Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes, (SFAS 109) requires that adjustments be made to existing debit and credit deferred tax balances through the income statement in the year in which the change is known or can be reasonably estimated. However, the Tax Reform Act of 1986 requires the effect of a federal income tax rate change to be recognized over a different period. Some state tax codes piggy-back the provisions of the federal tax code. Regulatory agencies may require that SFAS 109 be implemented in a revenue neutral method or they may accept the period of time and method required by tax law for the adjustment of deferred income tax balances. These different requirements can be accommodated through the use of Account 186.3 - Regulatory Assets, Account 253.1 - Regulatory Liabilities, Account 407.4 - Amortization of Regulatory Assets and Account 407.5 - Amortization of Regulatory Liabilities. By debiting and crediting these accounts, as appropriate, the difference between the existing deferred tax balances and the re-stated deferred tax balances can be flowed through the income statement as required by SFAS 109, without affecting the revenue requirement or violating the normalization

requirements of the Internal Revenue Code. Further, the differences can be retained on the balance sheet so there is also no effect on either rate base or the utility's allowed rate of return.

BALANCE SHEET ACCOUNTS

Assets and Other Debits

Utility Plant

101. Utility Plant in Service
102. Utility Plant Leased to Others
103. Property Held for Future Use
104. Utility Plant Purchased or Sold
105. Construction Work in Progress
106. Completed Construction not Classified
108. Accumulated Depreciation
     - 108.1 Accumulated Depreciation of Utility Plant in Service
     - 108.2 Accumulated Depreciation of Utility Plant Leased to Others
     - 108.3 Accumulated Depreciation of Property Held for Future Use
110. Accumulated Amortization
     - 110.1 Accumulated Amortization of Utility Plant in Service
     - 110.2 Accumulated Amortization of Utility Plant Leased to Others
114. Utility Plant Acquisition Adjustments
115. Accumulated Amortization of Utility Plant Acquisition Adjustments
116. Other Utility Plant Adjustments

Other Property and Investments

121. Nonutility Property
122. Accumulated Depreciation and Amortization of Nonutility Property
123. Investment in Associated Companies
124. Utility Investments
125. Other Investments
126. Sinking Funds
127. Other Special Funds

Current and Accrued Assets

131. Cash
     - 131.1 Cash on Hand
     - 131.2 Cash in Bank
132. Special Deposits
133. Other Special Deposits
134. Working Funds
135. Temporary Cash Investments
141. Customer Accounts Receivable
142. Other Accounts Receivable
143. Accumulated Provision for Uncollectible Accounts--Cr.
144. Notes Receivable
145. Accounts Receivable from Associated Companies
146. Notes Receivable from Associated Companies
151. Plant Material and Supplies

BALANCE SHEET ACCOUNTS

152. Merchandise
153. Other Material and Supplies
161. Stores Expense
162. Prepayments
171. Accrued Interest and Dividends Receivable
172. Rents Receivable
173. Accrued Utility Revenues
174. Miscellaneous Current and Accrued Assets

Deferred Debits

181. Unamortized Debt Discount and Expense
182. Extraordinary Property Losses
183. Preliminary Survey and Investigation Charges
184. Clearing Accounts
185. Temporary Facilities
186. Miscellaneous Deferred Debits
    186.1 Deferred Rate Case Expense
    186.2 Other Deferred Debits
    186.3 Regulatory Assets
187. Research and Development Expenditures
190. Accumulated Deferred Income Taxes
    190.1 Federal
    190.2 State
    190.3 Local

Equity Capital and Liabilities

Equity Capital

201. Common Stock Issued
202. Common Stock Subscribed
203. Common Stock Liability for Conversion
204. Preferred Stock Issued
205. Preferred Stock Subscribed
206. Preferred Stock Liability for Conversion
207. Premium on Capital Stock
209. Reduction in Par or Stated Value of Capital Stock
210. Gain or Resale or Cancellation of Reacquired Capital Stock
211. Other Paid-In Capital
212. Discount on Capital Stock
213. Capital Stock Expense
214. Appropriated Retained Earnings
215. Unappropriated Retained Earnings
216. Reacquired Capital Stock
218. Proprietary Capital (for proprietorships and partnerships only)

Long-Term Debt

221. Bonds
222. Reacquired Bonds

223. Advances from Associated Companies
224. Other Long-Term Debt

Current and Accrued Liabilities

231. Accounts Payable
232. Notes Payable
233. Accounts Payable to Associated Companies
234. Notes Payable to Associated Companies
235. Customer Deposits
236. Accrued Taxes
    236.1 Accrued Taxes, Utility Operating Income
        236.11 Accrued Taxes, Taxes Other Than Income
        236.12 Accrued Taxes, Income Taxes
    236.2 Accrued Taxes, Other Income and Deductions
237. Accrued Interest
    237.1 Accrued Interest on Long-Term Debt
    237.2 Accrued Interest on Other Liabilities
238. Accrued Dividends
239. Matured Long-Term Debt
240. Matured Interest
241. Miscellaneous Current and Accrued Liabilities

Deferred Credits

251. Unamortized Premium on Debt
252. Advances for Construction
253. Other Deferred Credits
    253.1 Regulatory Liabilities
    253.2 Other Deferred Liabilities
255. Accumulated Deferred Investment Tax Credits
    255.1 Accumulated Deferred Investment Tax Credits, Utility Operations
    255.2 Accumulated Deferred Investment Tax Credits, Nonutility Operations

Operating Reserves

261. Property Insurance Reserve
262. Injuries and Damages Reserve
263. Pensions and Benefits Reserve
265. Miscellaneous Operating Reserves

Contributions in Aid of Construction

271. Contributions in Aid of Construction
272. Accumulated Amortization of Contributions in Aid of Construction

Accumulated Deferred Income Taxes

281. Accumulated Deferred Income Taxes - Accelerated Amortization
282. Accumulated Deferred Income Taxes - Liberalized Depreciation
283. Accumulated Deferred Income Taxes - Other

BALANCE SHEET ACCOUNTS

Utility Plant

101. Utility Plant in Service

A. This account is the control account for plant accounts 351 through 398.

B. This account shall include the original cost of utility plant, included in the plant accounts prescribed herein and in similar accounts for other utility departments, owned and used by the utility in its utility operations, and having an expected life in service of more than one year from date of installation, including such property owned by the utility but held by nominees. Separate subaccounts shall be maintained hereunder for each utility department and/or division.

C. The cost of additions to and betterments of property leased from others, which are includible in this account, shall be recorded in subdivisions separate and distinct from those relating to owned property (See Accounting Instruction 22).

102. Utility Plant Leased to Others

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

B. The property included in this account shall be classified according to the detailed accounts prescribed for utility plant in service and this account shall be maintained in such detail as though the property were used by the owner in its utility operations.

103. Property Held for Future Uses

A. This account shall include the original cost of property owned and held for future use in utility service under a definite plan for such use. There shall be included herein property acquired but never used by the utility in utility service, but held for such service in the future under a definite plan, and property previously used by the utility in utility service, but retired from such service and held pending its reuse in the future, under a definite plan, in utility service.

B. In the event that property recorded in this account shall no longer be needed or appropriate for future utility operations, the company shall notify the Commission of such condition and request

approval of journal entries to remove such property from this account.

C. Gains or losses from the sale of land and land rights or other disposition of such property previously recorded in this account and not placed in utility service shall, unless otherwise authorized or required by the Commission, be recorded directly in account 414 - Gains (Losses) from Disposition of Utility Property. However, when determined to be significant by the Commission the gain or loss shall be transferred to account 253 - Other Deferred Credits, or account 186 - Miscellaneous Deferred Debits. Such deferred amounts shall then be amortized to account 414 - Gains (Losses) from Disposition of Utility Property, unless otherwise authorized or required by the Commission.

D. The property included in this account shall be classified according to the detailed accounts prescribed for utility plant in service and the account shall be maintained in such detail as though the property were in service. Separate subaccounts shall be maintained hereunder for each utility department for which plant is held for future use.

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

104. Utility Plant Purchased or Sold

A. This account shall be charged with the cost of utility plant acquired as an operating unit or system by purchase, merger, consolidation, liquidation, or otherwise, and shall be credited with the selling price of like property transferred to others pending the distribution to appropriate accounts in accordance with Accounting Instruction 21.

B. Within six months from the date of acquisition or transfer of property recorded herein, the utility shall file with the Commission the proposed journal entries to clear from this account the amounts recorded herein.

C. When an existing wastewater system or operating unit is acquired the utility shall be obligated to obtain, from the party acquired from, all existing records, including records of plant construction dates and costs, and records of accumulated depreciation applicable to such properties.

105. Construction Work in Progress

A. This account shall include the total of balances of work orders for utility plant in process of construction but not ready for service at the date of the balance sheet.

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

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

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 shall include the total of the balances of work orders for utility plant which has been completed and placed in service but which work orders have not been classified for transfer to the detailed utility plant accounts.

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

108. Accumulated Depreciation

A. This account shall reflect the depreciation accumulated on plant used in wastewater utility service.

B. The utility shall maintain separate subaccounts corresponding with the depreciable plant accounts, in which the accumulated depreciation total is segregated.

C. The following subaccounts shall be maintained:

108.1 Accumulated Depreciation of Utility Plant in Service

A. This account shall be credited with the following:

(1) Amounts charged to account 403 - Depreciation Expense, to account 416 - Costs and Expenses of Merchandising, Jobbing and Contract Work, or to clearing accounts for current depreciation expense (excludes contributed plant).

(2) Amounts of depreciation applicable to utility properties acquired as operating units or systems (See Accounting Instruction 21).

(3) Amounts charged to account 182 - Extraordinary Property Losses, when authorized by the Commission.

(4) Amounts equal to those concurrently charged to account 272 - Accumulated Amortization of Contributions in Aid of Construction, if such amortization is recognized by the Commission.

Note:--See Accounting Instruction 8 and account 439 regarding adjustments for past accrued depreciation.

B. At the time of retirement of depreciable utility plant in service, this account shall be charged with the book cost of the property retired plus the cost of removal, and shall be credited with the salvage value and any other amounts recovered, such as insurance. When retirement, cost of removal and salvage are entered originally in retirement work orders, the net total of such work orders may be included in a separate sub-account hereunder. Upon completion of the work order, the proper distribution to subdivisions of this account shall be made as provided in the following paragraph.

C. When transfers of plant are made from one utility plant account to another, or from or to another utility department, or from or to nonutility property, the accounting for the related accumulated depreciation shall be as provided in Accounting Instruction 29.

D. The utility is restricted in its use of this accumulated depreciation account to the purposes set forth above. It sha'l not divert any portion of this account or make any other use thereof without authorization by the Commission.

108.2 Accumulated Depreciation of Utility Plant Leased to Others

A. This account shall be credited with amounts charged to account 413 - Income from Utility Plant Leased to Others, for current depreciation expense of property included in account 102 - Utility Plant Leased to Others. Include, also, credits for depreciation applicable to leased plant acquired as operating units or systems, to leased plant donated to the utility or for losses transferred to account 182 - Extraordinary Property Losses.

B. The requirements of account 108.1 - Accumulated Depreciation of Utility Plant in Service, regarding retirements chargeable thereto and of subsidiary data to be maintained shall be applicable likewise to this account.

C. The utility is restricted in its use of this accumulated depreciation account to the purposes set forth above. It shall not divert any portion of this account or make any other use thereof without authorization by the Commission.

Note:--See Accounting Instruction 8 and account 439 regarding adjustments for past accrued depreciation.

108.3 Accumulated Depreciation or Property Held for Future Use

A. This account shall be credited with amounts charged to account 426 - Miscellaneous Nonutility Expenses, for depreciation expense on property included in account 103 - Property Held for Future Use. Include, also, the balance of accumulated depreciation on property which may be transferred to account 103 - Property Held for Future Use, from other property accounts.

B. The utility is restricted in its use of accumulated depreciation to the purposes set forth above. It shall not transfer any portion of this

account or make other use thereof without authorization by the Commission.

Note:--Normally, this account will not be used for current depreciation provisions because, as provided herein, the service life during which depreciation is computed commences with the date property is includible in utility plant in service. However, if special circumstances indicate the propriety of current accruals for depreciation, such charges shall be made to account 426 - Miscellaneous Nonutility Expenses.

110. Accumulated Amortization

A. This account shall reflect the amortization accumulated on plant used in wastewater utility service.

B. The utility shall maintain separate subaccounts corresponding with the amortizable plant accounts, in which the accumulated amortization total is segregated.

C. The following subaccounts shall be maintained:

110.1 Accumulated Amortization of Utility Plant in Service

A. This account shall be credited with amounts charged to account 407.1 - Amortization of Limited Term Plant, for the current amortization of limited term utility investments. It shall be credited also with amounts which may be charged to account 407.3 - Amortization of Other Utility Plant, or to account 426 - Miscellaneous Nonutility Expenses, to amortize intangible or other utility plant which does not have a definite or terminable life and is not subject to charges for depreciation expense.

B. When any property to which this account applies is sold, relinquished, or otherwise retired from service, this account shall be charged with the amount previously credited in respect to such property. The book cost of the property so retired less the amount chargeable to this account and less the net proceeds realized at retirement shall be included in account 414 - Gains (Losses) from Disposition of Utility Property, unless otherwise authorized or required by the Commission.

C. The utility is restricted in its use of accumulated amortization to the purposes set forth

above. It shall not divert any portion of this account or make any other use thereof without authorization of the Commission.

Note:--See Accounting Instruction 8 and account 439 regarding adjustments for past accrued amortization.

110.2 Accumulated Amortization of Utility Plant Leased to Others

A. This account shall be credited with amounts charged to account 413 - Income from Utility Plant Leased to Others, for the current amortization of limited-term or other investments subject to amortization included in account 102 - Utility Plant Leased to Others.

B. When any property to which this account applies is sold, relinquished or otherwise retired from service, this account shall be charged with the amount previously credited in respect to such property. The book cost of the property so retired less the amount chargeable to this account and less the net proceeds realized at retirement shall be included in account 414 - Gains (Losses) from Disposition of Utility Property, unless otherwise authorized or required by the Commission.

C. Records shall be maintained so as to show separately the balance applicable to each class of property which is being amortized.

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

Note:--See Accounting Instruction 8 and account 439 regarding adjustments for past accrued amortization.

114. Utility Plant Acquisition Adjustments

A. This account shall include the difference between (a) the cost to the accounting utility of utility plant acquired as an operating unit or system by purchase, merger, consolidation, liquidation, or otherwise, and (b) the original cost, estimated, if not known, of such property, less the amount or amounts credited by the accounting utility at the time of acquisition to accumulated

depreciation, accumulated amortization and contributions in aid of construction with respect to such property.

B. This account shall be subdivided so as to show the amounts included herein for each property acquisition and the amounts applicable to each utility department and to utility plant in service and utility plant leased to others (See Accounting Instruction 21).

C. The amounts recorded in this account with respect to each property acquisition shall be amortized, or otherwise disposed of, as the Commission may approve or direct.

115. Accumulated Amortization of Utility Plant Acquisition Adjustments

This account shall be credited or debited with amounts which are includible in account 406 - Amortization of Utility Plant Acquisition Adjustments, or account 426 - Miscellaneous Nonutility Expenses, for the purpose of providing for the extinguishment of amounts in account 114 - Utility Plant Acquisition Adjustments.

116. Other Utility Plant Adjustments

A. This account shall include the difference between the original cost, estimated if not known, and the book cost of utility plant to the extent that such difference is not properly includible in account 114 - Utility Plant Acquisition Adjustments (See Accounting Instruction 17C).

B. Amounts included in this account shall be classified in such manner as to show the origin of each amount and shall be disposed of as the Commission may approve or direct.

Note:--The provisions of this account shall not be construed as approving or authorizing the recording of appreciation of utility plant.

Other Property and Investments

121. Nonutility Property

A. This account shall include the book cost of land, structures, equipment or other tangible or intangible property owned by the utility, but not used in utility service and not properly includible in account 103 - Property Held for Future Use.

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

Note:--For transfers from utility plant accounts (see Accounting Instruction 29B).

122. Accumulated Depreciation and Amortization of Nonutility Property

This account shall included the accumulated depreciation and amortization applicable to property other than utility plant.

123. Investment in Associated Companies

A. This account shall include the book cost of investments in securities issued or assumed by associated companies (See definition 5) and investment advances to such companies, including interest accrued thereon when such interest is not subject to current settlement. Include also the offsetting entry to the recording of amortization of discount or premium on interest bearing investments (See account 419 - Interest and Dividend Income).

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

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

Note B:--Securities of associated companies held as temporary cash investments are includible in account 135 - Temporary Cash Investments.

Note C:--Balances in open accounts with associated companies, which are subject to current settlement, are includible in account 145 - Accounts Receivable from Associated Companies.

Note D:--The utility may write down the cost of any security in recognition of a decline in the value thereof. Securities shall be

written off or written down to a nominal value if there is no reasonable prospect of substantial value. Fluctuations in market value shall not be recorded but a permanent impairment in the value of securities shall be recognized in the accounts. When securities are written off or written down, the amount of the adjustment shall be charged to account 426 - Miscellaneous Nonutility Expenses, or to an appropriate account for provisions for loss in value established as a separate subdivision of this account.

124. Utility Investments

This account shall include book cost of investments in securities issued or assumed by nonassociated companies for the purpose of insuring adequate wastewater service.

125. Other Investments

A. This account shall include the book cost of investments in securities issued or assumed by nonassociated companies, investment advances to such companies, and any investments not accounted for elsewhere. Include also the offsetting entry to the recording of amortization of discount or premium on interest bearing investments (See account 419 - Interest and Dividend Income).

B. The cost of capital stock of the utility reacquired by it under a definite plan for resale pursuant to authorization by the Board of Directors may, if permitted by statutes, be included in a separate subdivision of this account (see also account 210 - Gain on Resale or Cancellation of Reacquired Capital Stock, and account 216 - Reacquired Capital Stock).

C. The records shall be maintained in such manner as to show the amount of each investment and the investment advances to each person.

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

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

Note C:--See Note D of account 123.

126. Sinking Funds

This account shall include the amount of cash and book cost of investments held in sinking funds. A separate account, with appropriate title, shall be kept for each sinking fund. Transfers from this account to account 133 - Other Special Deposits, may be made as necessary for the purpose of paying matured sinking-fund obligations, or obligations called for redemption but not presented, or the interest thereon.

127. Other Special Funds

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

Note:--Amounts deposited with a trustee under the terms of an irrevocable trust agreement for pensions or other employee benefits shall not be included in this account.

Current and Accrued Assets

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

131. Cash

A. This account shall include the amount of cash on hand or on deposit in banks.

B. The following subaccounts shall be maintained:

131.1 Cash on Hand.
131.2 Cash in Bank.

132. Special Deposits

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

133. Other Special Deposits

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

Note:--Assets available for general corporate purposes shall not be included in this account. Further, deposits for more than one year, which are not offset by current liabilities, shall not be charged to this account but to account 127 - Other Special Funds.

134. Working Funds

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

135. Temporary Cash Investments

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

B. This account shall be so maintained as to show separately temporary cash investments in securities of associated companies and of others. Records shall be kept of any pledged investments.

141. Customer Accounts Receivable

A. This account shall include amounts due from customers for utility service. This account shall not include amounts due from associated companies.

B. This account shall be maintained so as to show separately amounts due from each type of utility service.

142. Other Accounts Receivable

A. This account shall include amounts due the utility upon open accounts, plus merchandising, jobbing and contract work, other than amounts due from associated companies and from customers for utility services.

B. This account shall be maintained so as to show separately amounts due on subscriptions to capital stock and from officers and employees, but the amount shall not include amounts advanced to officers or others as working funds (See account 134 - Working Funds).

143. Accumulated Provision for Uncollectible Accounts--Cr.

A. This account shall be credited with amounts provided for losses on accounts receivable which may become uncollectible, and also with collections on accounts previously charged hereto. Concurrent charges shall be made to account 770 - Bad Debt Expense, for amounts applicable to utility operations, and to corresponding accounts for other operations. Records shall be maintained so as to show the write-offs of accounts receivable for each utility department.

B. This account shall be subdivided to show the provision applicable to the following classes of accounts receivable:

Utility Customers
Merchandising, Jobbing and Contract Work
Officers and Employees
Other

Note A:--Accretions to this account shall not be made in excess of a reasonable provision against losses of the character provided for.

Note B:--If provisions for uncollectible notes receivable or for uncollectible receivables from associated companies are necessary, separate subaccounts therefor shall be established under the account in which the receivable is carried.

144. Notes Receivable

This account shall include the book cost, not includible elsewhere, or all collectible obligations in the form of notes receivable and similar evidences (except interest coupons) of money due on demand or within one year from the date of issue, except, however, notes receivable from associated companies (See account 135 - Temporary Cash Investments, and account 146 - Notes Receivable from Associated Companies).

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

145. Accounts Receivable from Associated Companies

See account 146.

146. Notes Receivable from Associated Companies

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

Note A:--On the balance sheet, accounts receivable from an associated company may be set off against accounts payable to the same company.

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

151. Plant Material and Supplies

A. This account shall include the cost of fuel on hand and materials purchased primarily for use in the utility business for

construction, operation and maintenance purposes. It shall include also the book cost of materials recovered in connection with construction, maintenance or the retirement of property, such as materials being credited to construction maintenance or accumulated depreciation, respectively, and included herein as follows:

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

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

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

B. Materials and supplies issued shall be credited hereto and charged to the appropriate construction, operating expense, or other account on the basis of a unit price determined by the use of cumulative average, first-in-first-out, or such other method of inventory accounting as conforms with accepted accounting standards consistently applied.

Items

(1) Invoice price of materials less cash or other discounts.
(2) Freight, switching or other transportation charges when practicable to include as part of the cost of particular materials to which they relate.
(3) Customs, duties and excise taxes.
(4) Costs of inspection and special tests prior to acceptance.
(5) Insurance and other directly assignable charges.

Note:--Where expenses applicable to materials purchased cannot be directly assigned to a particular purchase, they shall be charged to account 161 - Stores Expense.

C. If the utility desires to maintain a separate account for fuel, it should be handled as a separate subaccount of this account.

152. Merchandise

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

153. Other Materials and Supplies

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

161. Stores Expense

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

B. This account shall be cleared by adding to the cost of materials and supplies issued a suitable loading charge which will distribute the expense equitably over stores issues. The balance in the account at the close of the year shall not exceed the amount of stores expenses reasonably attributable to the inventory of materials and supplies.

Items

Labor:

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 materials 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 also 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.

Supplies and Expenses:

11. Adjustments of inventories of materials and supplies but not including large differences which can readily be assigned to important classes of materials and can be equitably distributed among the accounts to which such classes of materials have been charged since the previous inventory.
12. Cash and other discounts not practically assignable to specific materials.
13. Freight, express, etc., when not assignable to specific items.
14. Heat, light and power for storerooms and stores offices.
15. Brooms, brushes, sweeping compounds and other supplies used in cleaning and tidying storerooms and stores offices.
16. Injuries and damages.
17. Insurance on materials and supplies and on stores equipment.
18. Losses due to breakage, leakage, evaporation, fire or other causes, less credits for amounts received from insurance, transportation companies or others in compensation of such losses.
19. Postage, printing, stationery and office supplies.
20. Rent of storage space and facilities.
21. Communication service.
22. Excise and other similar taxes not assignable to specific materials.
23. Transportation expense on inward movement of stores and on transfer between storerooms but not including charges on materials recovered from retirements which shall be accounted for as part of cost of removal.

Note:--A physical inventory of each class of materials and supplies shall be made every year.

162. Prepayments

A. This account shall include the amounts representing prepayments of insurance, rents, interest and miscellaneous items,

and shall be kept or supported in such manner as to disclose the amount of each class of prepayment.

B. This account shall include the amounts of taxes paid in advance of the period in which they are chargeable to income, except amounts chargeable to wastewater plant under construction and minor amounts which may be charged direct to the final accounts. As the term expires for which the taxes are paid, this account shall be credited at monthly intervals and the appropriate account charged (Note also 408.10, 408.11, 408.12, 408.13, 409.10, 409.11, 409.12, 408.20, 409.20, 409.30).

171. Accrued Interest and Dividends Receivable

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

Note A:--Interest which is not subject to current settlement shall not be included herein but in the account in which is carried the principal on which the interest is accrued.

Note B:--Interest and dividends receivable from associated companies shall be included in account 145 - Accounts Receivable from Associated Companies.

172. Rents Receivable

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

Note:--Rents receivable from associated companies shall be included in account 145 - Accounts Receivable from Associated Companies.

173. Accrued Utility Revenues

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

174. Miscellaneous Current and Accrued Assets

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

Deferred Debits

181. Unamortized Debt Discount and Expense

A. This account shall include the total of the debit balances in the discount, expense, and premium accounts for all classes of long-term debt, determined as provided in the following paragraphs of this account.

B. A discount, expense, and premium account shall be maintained for each class and series of long-term debt (including receivers' certificates) issued or assumed by the utility, in which shall be recorded the discount, expense, and premium associated with the issuance and sale of each such class and series of debt. In stating the balance sheet, the total of the debit balances remaining in those accounts having debit balances shall be reported under this account and the total of the credit balances remaining in those accounts having credit balances shall be reported under account 251 - Unamortized Premium on Debt. Accounts with debit balances shall not be set off against accounts with credit balances.

C. The discount, expense, and premium shall be amortized over the life of the respective issues under a plan which will distribute the amounts equitably over the life of the securities. The amortization shall be on a monthly basis, and the amounts thereof shall be charged to account 428 - Amortization of Debt Discount and Expense, or credited to account 429 - Amortization of Premium on Debt, as may be appropriate. The utility may, however, accelerate the writing off of discount and expense where the amounts are insignificant unless otherwise ordered by the Commission.

D. When any long-term debt is reacquired or redeemed without being converted into another form of long-term debt and when the transaction is not in connection with a refunding operation, the difference between the amount paid upon reacquirement and the face value plus the unamortized premium or less the unamortized discount and expense, as the case may be, applicable to the debt redeemed, retired and cancelled, shall be included in account 421 - Nonutility Income, or account 426 - Miscellaneous Nonutility Expenses, as appropriate unless otherwise ordered by the Commission.

E. When the redemption of one issue or series of bonds or other long-term obligations is financed by another issue or series before the maturity date of the first issue, account 421 - Nonutility Income, or account 426 - Miscellaneous Nonutility Expenses, shall be credited or debited, as appropriate, with any unamortized discount, expense, or premium on the first issue and any premium

paid or discount earned on the redemption. If the utility desires to amortize any of the discount, expense, or premium associated with the issuance or redemption of the first issue over a period subsequent to the date of redemption, the permission of the Commission must be obtained; provided, however, that special permission of the Commission shall not be necessary, if the utility proceeds with a plan of disposition of the discount, expense, and redemption premiums associated with the refunded bonds, as follows:

(1) A special charge is recorded in the year of refunding in account 428 - Amortization of Debt Discount and Expense, equal to the saving in income taxes arising from the refunding transactions;

(2) There is charged to account 426 - Miscellaneous Nonutility Expenses, in the year of refunding, any amounts of unamortized discount and expenses or redemption premiums relating to bonds or other long-term obligations previously refunded by the refunded bonds under immediate consideration, such amounts, sometimes being referred to as "grandfather items"; and,

(3) The utility proceeds to amortize by equal monthly charges, from the date of refunding, the remainder of the charges associated with the refunded bonds, over a period not longer than that in which the saving in net annual interest and amortization charges equals the remainder of charges to be amortized, after taking into consideration the estimated additional taxes on income attributable to the saving in net annual interest and amortization charges.

F. Discount, expense, or premium on debt shall not be included as part of the cost of constructing or acquiring any property, tangible or intangible, except under the provisions of account 420 - Allowance for Funds Used During Construction.

182. Extraordinary Property Losses

A. When authorized or directed by the Commission, this account shall include extraordinary losses, net of income taxes, on property abandoned or otherwise retired from service which are not provided for by accumulated depreciation or amortization and which could not reasonably have been foreseen and provided for, and extraordinary losses, such as unforeseen damages to property, which could not reasonably have been anticipated and which are not covered by insurance or other provisions.

B. The entire cost, less net salvage, of depreciable property retired shall be charged to accumulated depreciation. If all, or a portion, of the loss is to be included in this account, accumulated

depreciation shall then be credited and this account charged with the amount properly chargeable hereto.

183. Preliminary Survey and Investigation Charges

A. This account shall be charged with all expenditures for preliminary surveys, plans, investigations, etc., made for the purpose of determining the feasibility of projects under contemplation. If construction results, this account shall be credited and the appropriate utility plant account charged. If the work is abandoned, the charge shall be to account 426 - Miscellaneous Nonutility Expenses, or to the appropriate operating expense account unless otherwise ordered by the Commission (See account 775 - Miscellaneous Expenses).

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

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

184. Clearing Accounts

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

B. Use of the following subaccounts is recommended. This list is intended to be representative but not exhaustive.

184.1 Building Service Expenses--Clearing
184.2 Electronic Data Processing Expenses--Clearing
184.3 Laboratory Expenses--Clearing
184.4 Payroll--Clearing
184.5 Shop Expenses--Clearing
184.6 Tools and Work Equipment Expenses--Clearing
184.7 Transportation Expenses--Clearing
184.8 Charges by Associated Companies--Clearing

185. Temporary Facilities

This account shall include amounts shown by work orders for plant installed for temporary use in utility service for periods of less than one year. Such work orders shall be charged with the cost of temporary facilities and credited with payments received from customers and net salvage realized on removal of the temporary facilities. Any net credit or debit resulting shall be cleared to account 536 - Other Wastewater Revenues.

186. Miscellaneous Deferred Debits

A. This account shall include all debits not elsewhere provided for, such as miscellaneous work in progress, losses on disposition of property net of income taxes, deferred by authorization of the Commission, and unusual or extraordinary expenses and regulatory assets resulting from rate making actions, not included in other accounts, which are in process of amortization, and items the proper final disposition of which is uncertain.

B. The records supporting the entries to this account shall be so kept that the utility can furnish full information as to each deferred debit, including justification for inclusion of such amounts in this account.

C. The following subaccounts shall be maintained as a minimum unless otherwise authorized by the Commission. The utility may add additional subaccounts, if desired (such as deferred tank painting expense).

186.1 Deferred Rate Case Expense
186.2 Other Deferred Debits
186.3 Regulatory Assets

186.1 Deferred Rate Case Expense

This account shall include all deferred debits associated with the cost of conducting rate cases before the commission.

186.2 Other Deferred Debits

This account shall include all deferred debits not properly includable in any other subaccount of account 186.

186.3 Regulatory Assets

A. This account shall include the amounts of regulatory-created assets, not included in other accounts, resulting from the ratemaking actions of regulatory agencies. (See Definition 28.)

B. The amounts included in this account are to be established by those charges which would have been included in net income determination in the current period under the general requirements of the Uniform System of Account but for it being probable that such items will be included in a different period(s) for purposes of developing the rates that the utility is authorized to charge for its utility services. When specific identification of the particular source of a regulatory asset cannot be made, such as in plant phase-ins, rate moderation plans or rate levelization plans, Account 407.5 - Amortization of Regulatory Liabilities shall be credited. The amounts recorded in this account are generally to be charged, concurrently with the recording of the amount 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 407.5 shall be charged to Account 407.4 - Amortization of Regulatory Assets, concurrent with the recovery of the amounts in rates.

C. If rate recovery of all or part of an amount included in this account is disallowed, the disallowed amount shall be charged to Account 426 - Miscellaneous Nonutility Expenses, or Account 434 - Extraordinary Deductions, in the year of the disallowance.

187. Research and Development Expenditures

A. This account shall include the cost of all expenditures coming within the meaning of Definition 30 of the Uniform System of Accounts, except those properly includible in account 105 - Construction Work in Progress.

B. Costs that are minor or of a general or recurring nature shall be transferred from this account to account 775 - Miscellaneous Expenses.

C. In certain instances a utility may incur large and significant research expenditures which are nonrecurring and which would distort the annual research and development charges for the period. In such a case the portion, net of income taxes, of such amounts that cause the distortion may be amortized to account 775 - Miscellaneous Expenses, over a period not to exceed five years unless otherwise authorized by the Commission.

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

190. Accumulated Deferred Income Taxes

A. This account shall be debited and account 411.10 - Provision for Deferred Income Taxes - Credit, Utility Operating Income, or account 411.20 - Provision for Deferred Income Taxes - Credit, Other Income and Deductions, as appropriate, shall be credited with an amount equal to that by which income taxes payable for the year are higher because of the inclusion of certain items in income for tax purposes, which items for general accounting purposes will not be fully reflected in the utility's determination of annual net income until subsequent years.

B. This account shall be credited and account 410.10, 410.11, 410.12 - Deferred Federal, State or Local Income Taxes, or account 410.20 - Provision for Deferred Income Taxes, Other Income and Deductions, as appropriate, shall be debited with an amount equal to that by which income taxes payable for the year are lower because of prior payment of taxes as provided by paragraph A above, because of differences in timing for tax purposes of particular items of income or income deductions from that recognized by the utility for general accounting purposes. Such credit to this account and debit to account 410.10, 410.11, 410.12, or 410.20 shall, in general, represent the effect on taxes payable in the current year of the smaller amount of book income recognized for tax purposes as compared to the amount recognized in the utility's current accounts with respect to the item or class of items for which deferred tax accounting by utility was authorized by the Commission.

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

D. The utility is restricted in its use of this account to the purpose set forth above. It shall not make use of the balance in this account or any portion thereof except as provided in the text of this account, without prior approval of 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 utility's income accounts has been completed, or other disposition made shall be debited to account 410.1, 410.11, 410.12 Deferred Federal, State or Local Income Taxes, Other Income and Deductions, as appropriate, or otherwise

disposed of as the Commission may authorize or direct (See Accounting Instruction 34).

E. The following subaccounts shall be maintained:

190.1 Accumulated Deferred Federal Income Taxes
190.2 Accumulated Deferred State Income Taxes
190.3 Accumulated Deferred Local Income Taxes

Equity Capital

201. Common Stock Issued

A. This account shall include the par value or the stated value of stock without par value if such stock has a stated value, and, if not, the cash value of the consideration received for such nonpar stock, of each class of capital stock actually issued, including the par or stated value of capital stock in account 125 - Other Investments, and account 216 - Reacquired Capital Stock.

B. When the actual cash value of the consideration received is more or less than the par or stated value of any stock having a par or stated value, the difference shall be credited or debited, as the case may be, to the premium or discount account for the particular class and series.

C. When capital stock is retired, this account shall be charged with the amount at which such stock is carried herein.

D. A separate ledger account, with a descriptive title, shall be maintained for each class and series of stock. The supporting records shall show the shares nominally issued, actually issued, and nominally outstanding.

Note:--When a levy or assessment, except a call for payment on subscriptions, is made against holders of capital stock, the amount collected upon such levy or assessment shall be credited to account 207 - Premium on Capital Stock; provided, however, that the credit shall be made to account 212 - Discount on Capital Stock, to the extent of any remaining balance of discounts on the issue of stock.

202. Common Stock Subscribed

A. This account shall include the amount of legally enforceable subscriptions to capital stock of the utility. They shall be credited with the par or stated value of the stock subscribed, exclusive of accrued dividends, if any. Concurrently, a debit shall be made to subscriptions to capital stock, included as a separate subdivision of account 142 - Other Accounts Receivable, for the agreed price and any premium shall be credited to the appropriate premium account. When property executed stock certificates have been issued representing the shares subscribed,

this account shall be debited, and the appropriate capital stock account credited, with the par or stated value of such stock.

B. The records shall be kept in such manner as to show the amount of subscriptions to each class and series of stock.

203. Common Stock Liability for Conversion

A. This account shall include the par value or stated value, as appropriate, of capital stock which the utility has agreed to exchange for outstanding securities of other companies in connection with the acquisition of properties of such companies under terms which allow the holders of the securities of the other companies to surrender such securities and receive in return therefor capital stock of the accounting utility.

B. When the securities of the other companies have been surrendered and capital stock issued in accordance with the terms of the exchange, this account shall be charged and accounts 201 - Common Stock Issued, or 204 - Preferred Stock Issued, as the case may be, shall be credited.

C. The records shall be kept so as to show separately the stocks of each class and series for which a conversion liability exists.

204. Preferred Stock Issued

See account 201 for the description of this account.

205. Preferred Stock Subscribed

See account 202 for the description of this account.

206. Preferred Stock Liability for Conversion

See account 203 for the description of this account.

207. Premium on Capital Stock

A. This account shall include in a separate subdivision for each class and series of stock, the excess of the actual cash value of the consideration received on original issues of capital stock over the par or stated value and accrued dividends of such stock, together with assessments against stockholders representing payments required in excess of par or stated values.

B. Premium on capital stock shall not be set off against expenses. Further, a premium received on an issue of a certain class or series of stock shall not be set off against expenses of another issue of the same class or series.

C. When capital stock which has been actually issued is retired, the amount in this account applicable to the shares retired shall be transferred to account 210 - Gain on Resale or Cancellation of Reacquired Capital Stock.

209. Reduction in Par or Stated Value of Capital Stock

This account shall include the balance of credits arising from a reduction in the par or stated value of capital stock.

210. Gain on Resale or Cancellation of Reacquired Capital Stock

This account shall include the balance of credits arising from the resale or cancellation of reacquired capital stock (See account 216 - Reacquired Capital Stock).

211. Other Paid-In Capital

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

212. Discount on Capital Stock

A. This account shall include in a separate subdivision for each class and series of capital stock all discount on the original issuance and sale of capital stock, including additional capital stock of a particular class or series as well as first issues.

B. When capital stock which has been actually issued is retired, the amount in this account applicable to the shares retired shall be written off to account 210 - Gain on Resale or Cancellation of Reacquired Capital Stock, provided, however, that the amount shall be charged to account 439 - Adjustments to Retained Earnings, to the extent that it exceeds the balance in account 210.

C. The utility may amortize the balance in this account by systematic charges to account 426 - Miscellaneous Nonutility Expenses.

213. Capital Stock Expense

A. This account shall include in a separate subdivision for each class and series of stock all commissions and expenses incurred in connection with the original issuance and sale of capital stock, including additional capital stock of a particular class or series as well as first issues. Expense applicable to capital stock shall not be deducted from premium on capital stock.

B. When capital stock which has been actually issued by the utility is retired, the amount in this account applicable to the

shares retired shall be written-off to account 210 - Gain on Resale or Cancellation of Reacquired Capital Stock.

C. The utility may amortize the balance carried in this account by systematic charges to account 426 - Miscellaneous Nonutility Expenses.

Note:--Expenses in connection with the reacquisition or resale of the utility's capital stock shall not be included herein.

214. Appropriated Retained Earnings

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

215. Unappropriated Retained Earnings

This account shall include the balance, either debit or credit, of unappropriated retained earnings. It shall not include items includible in any of the accounts for paid-in capital.

216. Reacquired Capital Stock

A. This account shall include in a separate subdivision for each class and series of capital stock the cost of capital stock actually issued by the utility and reacquired by it and not retired or cancelled, except, however, stock which is held by trustees in sinking or other funds.

B. When reacquired capital stock is retired or cancelled, the difference between its cost, including commissions and expenses paid in connection with the reacquisition, and its par or stated value plus any premium and less any discount and expenses applicable to the shares retired, shall be debited or credited, as appropriate, to account 210 - Gain on Resale or Cancellation of Reacquired Capital Stock.

C. When reacquired capital stock is resold by the utility, the difference between the amount received on the resale of the stock, less expenses incurred in the resale, and the cost of the stock included in this account shall be accounted for as outlined in paragraph B.

Note A:--See account 125 - Other Investments, for permissive accounting treatment of stock reacquired under a definite plan for resale.

Note B:--The accounting for reacquired stock shall be as prescribed herein unless otherwise specifically required by statute.

218. Proprietary Capital (for proprietorships and partnerships only)

A. This account shall be credited with the investment of a sole proprietor, or partners, in an unincorporated wastewater utility.

B. At the end of each calendar year the net income or loss for the year shall be entered in this account.

C. Accounting adjustments not properly attributable to operations of the current period shall be charged or credited to this account.

Note A:--When the utility is owned by a partnership, a separate account shall be kept to show the net equity of each member therein and the transactions affecting the interest of each such partner.

Note B:--This account may be restricted to the amount considered by the proprietor to be the permanent investment in the business, subject to change only by additional investment by the proprietor or the withdrawal of portions thereof not representing net income. When this option is taken, earned surplus accounts shall be maintained.

Long-Term Debt

221. Bonds

This account shall include, in a separate subdivision for each class and series of bonds, the face value of the actually issued and unmatured bonds which have not been retired or canceled; also, the face value of such bonds issued by others the payment of which has been assumed by the utility.

222. Reacquired Bonds

A. This account shall include the face value of bonds actually issued or assumed by the utility and reacquired by it and not paid, retired, or cancelled. The account for reacquired debt shall not include securities which are held by trustees in sinking or other funds.

B. When bonds are reacquired, the difference between face value, adjusted for unamortized discount, expense or premium and the amount paid upon reacquisition, shall be debited or credited as appropriate, to account 421 - Nonutility Income, or account 426 - Miscellaneous Nonutility Expenses (See, however, account 181, paragraph E, as to refunding operations).

223. Advances from Associated Companies

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

B. The records supporting the entries to these accounts shall be so kept that the utility can furnish complete information concerning each note and open account.

224. Other Long-Term Debt

A. This account shall include, until maturity, all long-term debt not otherwise provided for. This covers such items as receiver's certificates, real estate mortgages executed or assumed, assessments for public improvements, notes and unsecured certificates of indebtedness not owned by associated companies, receipts outstanding for long-term debt, and other obligations maturing more than one year from date of issuance and assumption.

B. Separate subaccounts shall be maintained for each class of obligation, and records shall be maintained to show separately for each class all details as to date of obligation, date of maturity, interest dates and rates, security for the obligation, etc.

Note:--Miscellaneous long-term debt reacquired shall be accounted for in accordance with the procedure set forth in account 222 - Reacquired Bonds.

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

231. Accounts Payable

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

232. Notes Payable

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

233. Accounts Payable to Associated Companies

This account shall include all amounts payable by the utility to associated companies which are not provided for in other accounts.

Note:--Exclude from this account amounts which are includible in account 223 - Advances from Associated Companies.

234. Notes Payable to Associated Companies

This account shall include amounts owing to associated companies on notes, drafts, acceptance, or other similar evidences of indebtedness, payable on demand or within a time not exceeding one year from date of issue or creation.

Note:--Exclude from this account notes which are includible in account 223 - Advances from Associated Companies.

235. Customer Deposits

This account shall include all amounts deposited with the utility by customers as security for the payment of bills.

236. Accrued Taxes

A. This account shall be credited with the amount of taxes accrued during the accounting period with corresponding debits being made to the appropriate accounts for tax charges. Such credits may be based upon estimates, but from time to time during the year as the facts become known, the amount of the periodic credits shall be adjusted so as to include as nearly as can be determined in each year the taxes applicable thereto. Any amount representing a prepayment of taxes applicable to a period subsequent to the date of the balance sheet, shall be shown under account 162 - Prepayments.

B. If accruals for taxes are found to be insufficient or excessive, correction therefor shall be made through current tax

accruals. However, if such corrections are so large as to seriously distort current expenses, see Accounting Instruction 8.

C. Accruals for taxes shall be based upon the net amounts payable after credit for any discounts, but shall not include any amounts for interest on tax deficiencies or refunds. Interest received on refund shall be credited to account 419 - Interest and Dividend Income, and interest paid on deficiencies shall be charged to account 427.5 - Interest Expense - Other.

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

E. The following subaccounts may be maintained:

236.1 Accrued Taxes, Utility Operating Income
236.11 Accrued Taxes, Taxes Other Than
236.12 Accrued Taxes, Income Taxes
236.2 Accrued Taxes, Other Income and Deductions

237. Accrued Interest

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

B. The following subaccounts may be maintained:

237.1 Accrued Interest on Long-Term Debt
237.2 Accrued Interest on Other Liabilities

238. Accrued Dividends

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

239. Matured Long-Term Debt

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

240. Matured Interest

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

241. Miscellaneous Current and Accrued Liabilities

This account shall include the amount of all other current and accrued liabilities not provided for elsewhere appropriately designated and supported so as to show the nature of each liability.

Deferred Credits

251. Unamortized Premium on Debt

This account shall include the total of the credit balances in the discount, expense and premium accounts, for all classes of long-term debt, including receivers' certificates (See account 181 - Unamortized Debt Discount and Expense).

252. Advances for Construction

This account shall include advances by or in behalf of customers for construction which are to be refunded either wholly or in part. When a person is refunded the entire amount to which he is entitled according to the agreement or rule under which the advance was made, the balance, if any, remaining in this account shall be credited to account 271 - Contributions in Aid of Construction.

253. Other Deferred Credits

A. This account shall include, gains on disposition of property, net of income taxes, deferred by authorization of the Commission, advance billings and receipts and other deferred credit items, not provided elsewhere, including amounts which cannot be entirely cleared or disposed of until additional information has been received.

B. The following subaccounts shall be maintained as a minimum unless otherwise authorized by the Commission. The utility may add additional subaccounts, if desired.

253.1 Regulatory Liabilities
253.2 Other Deferred Liabilities

253.1 Regulatory Liabilities

A. This account shall include the amounts of regulatory liabilities, not included in other accounts, imposed on the utility by the ratemaking actions of regulatory agencies. (See Definition 28.) The amounts to be included in this account are to be established by those credits which would have been included in net income determinations in the current period under the general requirements of the Uniform System of Accounts but for it being probable that: 1) such items will be included in a different period(s) for purposes of developing rates that the utility is authorized to charge for its utility services; or 2) refunds to customers, not provided for in other accounts, will be required. When specific identification of the particular source of the regulatory liability cannot be made or when the liability arises from revenues collected pursuant to tariffs on file with a regulatory agency, account 407.4 - Amortization of Regulatory Assets, shall be debited. The amounts recorded in this account generally are to be credited to the same account that would have been credited if included in income when earned except: 1) all regulatory liabilities established through the use of account 407.4 shall be credited to account 407.5 - Amortization of Regulatory Liabilities; and 2) in the case of refunds, a cash account or other appropriate account should be credited when the obligation is satisfied.

B. If it is later determined that the amounts recorded in this account will not be returned to customers through rates or refunds, such amounts shall be credited to Account 421 - Nonutility Income, in the year such determination is made.

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

253.2 Other Deferred Liabilities

This account shall include all deferred liabilities not properly includable in any other subaccount of account 253.

255. Accumulated Deferred Investment Tax Credits

A. This account shall be credited with all investment tax credits deferred by companies which have elected to follow deferral accounting, partial or full, rather than recognizing in the income statement the total benefits of the tax credit as realized. After such election, a company may not transfer amounts from this account, except as authorized herein and in accounts 412.11

Investment Tax Credits Restored to Operating Income, 412.20 Investment Tax Credits - Net, Nonutility Operations, and 412.30 - Investment Tax Credits Restored to Nonoperating Income, Utility Operations, or with approval of the Commission.

B. Where the company's accounting provides that investment tax credits are to be passed on to customers, this account shall be debited and account 412.11 credited with a proportionate amount determined in relation to the book depreciable life of all utility property or utility property to which the tax credits are related or such lesser period of time as allowed by a regulatory agency having rate jurisdiction. If, however, the deferral procedure provides that investment tax credits are not to be passed on to customers, the proportionate restorations to income shall be credited to account 412.30.

C. Subdivisions of this account by department shall be maintained for deferred investment tax credits that are related to nonutility or other operations. Contra entries affecting such account subdivisions shall be appropriately recorded. Use of deferral or nondeferral accounting procedures adopted for nonutility or other operations are to be followed on a consistent basis.

D. Separate records for each utility department, and nonutility or other operations shall be maintained identifying the properties giving rise to the investment tax credits for each year with the appropriate service life of such properties and any unused balances of such credits. Such records are not necessary unless the tax credits are deferred.

E. The following subaccounts shall be maintained:

255.1 Accumulated Deferred Investment Tax Credits, Utility Operations
255.2 Accumulated Deferred Investment Tax Credits, Nonutility Operations

Operating Reserves

261. Property Insurance Reserve

A. This account shall include amounts reserved by the utility for self-insurance against losses through accident, fire, flood, or other hazards to its own property or property leased from others. The accruals to this account are to be charged to account 757 - Insurance-General Liability, or other appropriate account to cover such risks credited to this account. A schedule of risks covered by this reserve shall be maintained, giving a description of the property involved, the character of the risks covered and the rates used.

B. Charges shall be made to this account for losses covered by self-insurance. Details of these charges shall be maintained according to the year the casualty occurred which gave rise to the loss.

262. Injuries and Damages Reserve

A. This account shall be credited with amounts to be charged to account 758 - Insurance - Workman's Compensation, or other appropriate accounts, to meet the probable liability, not covered by insurance, for deaths or injuries to employees and others, and for damages to property neither owned nor held under lease by the utility.

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

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

263. Pensions and Benefits Reserve

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

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

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

Note:--If employee pension or benefit plan funds are not included among the assets of the utility but are held by outside trustees, payments into such funds, or accruals therefor shall not be included in this account unless required payments are made on a periodic and timely basis to the outside trustees of the various funds.

265. Miscellaneous Operating Reserves

A. This account shall include all operating reserves maintained by the utility which are not provided for elsewhere.

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

Note:--This account includes only such reserves as may be created for operating purposes and does not include any reservations of income the credits for which should be carried in account 214 - Appropriated Retained Earnings.

Contributions in Aid of Construction

271. Contributions in Aid of Construction

A. This account shall include:

1. Any amount or item of money, services or property received by a utility, from any person or governmental agency, any portion of which is provided at no cost to the utility, which represents an addition or transfer to the capital of the utility, and which is utilized to offset the acquisition, improvement or construction costs of the utility's property, facilities, or equipment used to provide utility services to the public.

2. Amounts transferred from account 252 - Advances for Construction, representing unrefunded balances of expired contracts or discounts resulting from termination of contracts in accordance with the Commission's rules and regulations.

3. Compensation received from governmental agencies and others for relocation of sewer mains or other plants.

4) Any amount of money received by a utility, any portion of which is provided at no cost to the utility, which represents an addition or transfer to the capital of the utility and which is utilized to offset the federal, state or local income tax effect of taxable contributions in aid of construction, taxable amounts transferred from Account 252 - Advances for Construction, and taxable compensation received from governmental agencies and others for relocation of water mains or other plants shall be reflected in a sub-account of this account.

B. The credits to this account shall not be transferred to any other account without the approval of the Commission.

C. The records supporting the entries to this account shall be so kept that the utility can furnish information as to the purpose of each donation, the conditions, if any, upon which it was made, the amount of donations from (a) states, (b) municipalities, (c) customers, and (d) others, and the amount applicable to each utility department.

Note:--There shall not be included in this account advances for construction which are ultimately to be repaid wholly or in part (See account 252 - Advances for Construction).

272. Accumulated Amortization of Contributions in Aid of Construction

A. This account shall reflect the amortization accumulated on account 271 - Contributions in Aid of Construction, if recognized by the Commission.

B. Specifically, balances in account 271 which represent contributions of depreciable plant shall be amortized by charges to this account over a period equal to the estimated service life of the related contributed asset. A group or overall composite rate may be used for contributed balances that cannot be directly related to a plant asset.

C. The concurrent credit for the amortization recorded in this account shall be made to account 403 - Depreciation Expense.

D. If a regulatory body allows the amortization of any portion of the monies collected to pay the tax obligation caused by the receipt of CIAC, such amortization shall also be reflected in a sub-account of this account. Specifically, balances in account 271 which represent monies collected for the gross-up of CIAC (See Definition 14.) shall be amortized by charges to this account over a period determined by the regulatory body.

Accumulated Deferred Income Taxes

Before using the deferred tax accounts provided below, refer to Accounting Instruction 34 (B) and (C). Interperiod Income Tax Allocation - Depreciation and Comprehensive Interperiod Income Tax Allocation - Other.

Public utilities shall use the accounts provided below for prior accumulations of deferred taxes on income for additional provisions. Prior to any use of these accounts, the utility must file with the Commission, for the purpose of obtaining authorization, its proposed plan of accounting for deferred taxes on income. The utility shall not use these accounts unless such use has been authorized by the Commission. If deferred tax accounting is initiated with respect to any property such accounting shall not be discontinued on that property without prior

approval of the Commission.

The utility is restricted in its use of these accounts to the purposes set forth therein. It shall not make any transfers from these accounts or make any use thereof except as provided in the text of the accounts without prior approval of the Commission. It shall not transfer the balance in these accounts or any portion thereof to retained earnings 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 plant on which there is a related balance in these accounts, the deferred tax account shall be debited with an amount equal to the related income tax expense, if any, arising from such disposition and account 411 - Provision for Deferred Income Taxes-Credit, shall be credited. When the remaining balance, after consideration of any related income tax expenses, is not significant, the deferred tax account shall be debited and account 411 credited with such balance. If after consideration of any related income tax expense, and the remaining amount is significant, then the Commission shall authorize or direct how such amount shall be accounted for at the time approval for the disposition of accounting is granted. When plant is disposed of by transfer to a wholly owned subsidiary, the related balance in the deferred tax account shall also be transferred. When the disposition relates to retirement of an item or items under a group method of depreciation where there is no tax effect in the year of retirement, no entries are required in the deferred tax account if it can be determined that the related balances would be necessary to be retained to offset future group item tax deficiencies.

Note:--Public utilities having more than one utility department and/or nonutility property and which have deferred taxes on income with respect thereto shall classify such deferrals in the accounts provided elsewhere so as to allow ready identification of items relating to each utility department and to Other Income and Deductions.

281. Accumulated Deferred Income Taxes - Accelerated Amortization

A. This account shall include tax deferral resulting from adoption of the principles of Comprehensive Interperiod Income Tax Allocation - Other described in Accounting Instruction 34 (c) of this system of accounts that relate to property for which the utility have availed itself of the use of accelerated (5-year) amortization of (1) certified defense facilities as permitted by Section 168 of the Internal Revenue Code and (2) certified pollution control facilities as permitted by Section 169 of the Internal Revenue Code.

B. This account shall be credited and accounts 410.10, 410.11, 410.12 - Deferred Federal, State or Local Income Taxes, and 410.20 - Other Income and Deductions, as appropriate, shall be debited with tax effects related to property described in paragraph A above where taxable income is lower than pretax accounting income due to differences between the periods in which revenues and expense transactions affect taxable income and the periods in which they enter into the determination of pretax accounting income.

C. This account shall be debited and accounts 411.10 - Provision for Deferred Income Taxes - Credit, Utility Operating Income, or 411.20 - Provision for Deferred Income Taxes-Credit, Other Income and Deductions, as appropriate, shall be credited with tax effects related to property described in paragraph A above where taxable income is higher than pretax accounting income due to differences between the periods in which revenues and expenses transactions affect taxable income and the periods in which they enter into the determination of pretax accounting income.

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

282. Accumulated Deferred Income Taxes - Liberalized Depreciation

A. This account shall include the tax deferrals resulting from adoption of the principle of comprehensive interperiod income tax allocation described in Accounting Instruction 34 of this system of accounts which are related to all property other than accelerated amortization property.

B. This account shall be credited and accounts 410.10, 410.11, 410.12 - Deferred Federal, State and Local Income Taxes, or 410.20 - Provision for Deferred Income Taxes, Other Income and Deductions, as appropriate, shall be debited with tax effects related to property described in paragraph A above where taxable income is lower than pretax accounting income due to differences between the periods in which revenue and expense transactions affect taxable income and the periods in which they enter into the determination of pretax accounting income.

C. This account shall be debited and accounts 411.10 - Provision for Deferred Income Taxes - Credit, Utility Operating Income, or 411.20 - Provision for Deferred Income Taxes - Credit, Other Income and Deductions, as appropriate, shall be credited with tax effects related to property described in paragraph A above where taxable income is higher than pretax accounting income due to differences

between the periods in which revenue and expense transactions affect taxable income and the periods in which they enter into the determination of pretax accounting income.

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

283. Accumulated Deferred Income Taxes - Other

A. This account shall include all credit tax deferrals resulting from the adoption of the principles of comprehensive interperiod income tax allocation described in Accounting Instruction 34 of this system of accounts other than those deferrals which are includible in accounts 281 - Accumulated Deferred Income Taxes - Accelerated Amortization, and 282 - Accumulated Deferred Income Taxes - Liberalized Depreciation.

B. This account shall be credited and the subaccounts of account 410 - Provision for Deferred Income Taxes, as appropriate, shall be debited with tax effects related to items described in paragraph A above where taxable income is lower than pretax accounting income due to differences between the periods in which revenue and expense transactions affect taxable income and the periods in which they enter into the determination of pretax accounting income.

C. This account shall be debited and accounts 411.10 - Provision for Deferred Income Taxes - Credit, Utility Operating Income or 411.20 - Provision for Deferred Income Taxes - Credit, Other Income and Deductions, as appropriate, shall be credited with tax effects related to items described in paragraph A above where taxable income is higher than pretax accounting income due to differences between the periods in which revenues and expense transactions affect taxable income and the periods in which they enter into the determination of pretax accounting income.

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

E. For ratemaking purposes, the balance in accounts 281, 282, and 283 - Accumulated Deferred Income Taxes - Accelerated Amortization, Liberalized Depreciation, and Other, net of any balance in account 190 - Accumulated Deferred Income Taxes, shall either be deducted from rate base by all companies having a net credit balance of deferred taxes or shall be included in capital

structure as zero cost funds. The treatment shall be determined by the regulatory body having jurisdiction over the regulated operations of the utility. Where regulated operations are subject to the jurisdiction of more than one regulatory body, each regulatory body shall establish the ratemaking treatment of those deferrals related to operations under its jurisdiction.

WASTEWATER UTILITY PLANT ACCOUNTS

		.1	.2
		Intangible Plant	Collection Plant
351.	Organization	351.1	XXXXXXXXXX
352.	Franchises	352.1	XXXXXXXXXX
353.	Land and Land Rights	XXXXXXXXXX	353.2
354.	Structures and Improvements	XXXXXXXXXX	354.2
355.	Power Generation Equipment	XXXXXXXXXX	355.2
360.	Collection Sewers - Force	XXXXXXXXXX	360.2
361.	Collection Sewers - Gravity	XXXXXXXXXX	361.2
362.	Special Collecting Structures	XXXXXXXXXX	362.2
363.	Services to Customers	XXXXXXXXXX	363.2
364.	Flow Measuring Devices	XXXXXXXXXX	364.2
365.	Flow Measuring Installations	XXXXXXXXXX	365.2
366.	Reuse Services	XXXXXXXXXX	XXXXXXXXXX
367.	Reuse Meters and Meter Installations	XXXXXXXXXX	XXXXXXXXXX
370.	Receiving Wells	XXXXXXXXXX	XXXXXXXXXX
371.	Pumping Equipment	XXXXXXXXXX	XXXXXXXXXX
374.	Reuse Distribution Reservoirs	XXXXXXXXXX	XXXXXXXXXX
375.	Reuse Transmission and Distribution System	XXXXXXXXXX	XXXXXXXXXX
380.	Treatment and Disposal Equipment	XXXXXXXXXX	XXXXXXXXXX
381.	Plant Sewers	XXXXXXXXXX	XXXXXXXXXX
382.	Outfall Sewer Lines	XXXXXXXXXX	XXXXXXXXXX
389.	Other Plant and Misc. Equipment	389.1	389.2
390.	Office Furniture and Equipment	XXXXXXXXXX	XXXXXXXXXX
391.	Transportation Equipment	XXXXXXXXXX	XXXXXXXXXX
392.	Stores Equipment	XXXXXXXXXX	XXXXXXXXXX
393.	Tools, Shop and Garage Equipment	XXXXXXXXXX	XXXXXXXXXX
394.	Laboratory Equipment	XXXXXXXXXX	XXXXXXXXXX
395.	Power Operated Equipment	XXXXXXXXXX	XXXXXXXXXX
396.	Communication Equipment	XXXXXXXXXX	XXXXXXXXXX
397.	Miscellaneous Equipment	XXXXXXXXXX	XXXXXXXXXX
398.	Other Tangible Plant	XXXXXXXXXX	XXXXXXXXXX

WASTEWATER UTILITY PLANT ACCOUNTS

.3	.4	.5	.6	.7
System Pumping Plant	Treatment and Disposal Plant	Reclaimed Water Treatment Plant	Reclaimed Water Distribution Plant	General Plant
XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXXX	XXXXXXXXXX
XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	352.6	XXXXXXXXXX
353.3	353.4	353.5	353.6	353.7
354.3	354.4	354.5	354.6	354.7
355.3	355.4	355.5	355.6	XXXXXXXXXX
XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	366.6	XXXXXXXXXX
XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	367.6	XXXXXXXXXX
370.3	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
371.3	XXXXXXXXXX	371.5	371.6	XXXXXXXXXX
XXXXXXXXXX	XXXXXXXXXX	374.5	XXXXXXXXXX	XXXXXXXXXX
XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	375.6	XXXXXXXXXX
XXXXXXXXXX	380.4	380.5	XXXXXXXXXX	XXXXXXXXXX
XXXXXXXXXX	381.4	381.5	XXXXXXXXXX	XXXXXXXXXX
XXXXXXXXXX	382.4	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
389.3	389.4	389.5	389.6	XXXXXXXXXX
XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	390.7
XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	391.7
XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	392.7
XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	393.7
XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	394.7
XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	395.7
XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	396.7
XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	397.7
XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	398.7

WASTEWATER UTILITY PLANT ACCOUNTS

The wastewater utility plant accounts have been designed utilizing an account matrix. The matrix employs a list of object accounts which in effect act as control accounts. The object accounts are further segregated by the matrix into classifications by functions or subaccount. The instructions for segregating the object accounts to the function subaccount are contained in Accounting Instruction 32. Listed below are the object account descriptions.

351. Organization

This account shall include all fees paid to federal or state governments for the privilege of incorporation and expenditures incident to organizing the corporation, partnership or other enterprise and putting it into readiness to do business. A sample of items to be included in this account are listed below.

1. Actual cost of obtaining certificates authorizing an enterprise to engage in the public utility business.
2. Fees and expenses for incorporation.
3. Fees and expenses for mergers or consolidations.
4. Office expenses incident to organizing the utility.
5. Stock and minute books and corporate seal.

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

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

352. Franchises

A. This account shall include amounts paid to the federal government, to a state or to a political subdivision thereof in consideration for franchises, consents or certificates, running in perpetuity or for a specified term of more than one year, together with necessary and reasonable expenses incident to procuring such franchises, consents or certificates of permission and approval, including expenses of organizing and merging separate corporations, where statutes require solely for the purpose of acquiring franchise.

B. If a franchise or certificate is acquired by assignment, the charge to this account in respect thereof shall not exceed the amount paid therefor by the utility to the assignor, nor shall it exceed the amount paid by the original grantee, plus the expense of acquisition to such grantee. Any excess of the amount actually paid by the utility over the amount specified shall be charged to account 426 - Miscellaneous Nonutility Expenses.

C. When any franchise has expired, the book cost thereof shall be credited hereto and charged to account 426 - Miscellaneous Nonutility Expenses, or to account 110.1 - Accumulated Amortization of Utility Plant in Service, as appropriate.

D. Records supporting this account shall be kept so as to show separately the book cost of each franchise.

Note:--Annual or other periodic payments under franchises shall not be included herein but in the appropriate expense account.

353. Land and Land Rights

This account shall include the cost of land and land rights used in connection with wastewater collection, pumping, treatment and disposal, reclaimed water treatment and distribution and general plant operations (See Accounting Instruction 24). A sample of items to be included in this account are listed below:

1. Bulkheads buried, not requiring maintenance or replacement.
2. Cost, first, of acquisition including mortgages and other liens assumed (but not subsequent interest thereon).
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, etc., 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 such costs are attributable to structures or plant equipment erected or to be erected or installed on such 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 sewer 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 utility on public property.
22. Labor and expenses in connection with securing rights of way, where performed by company employees and company agents.

354. Structures and Improvements

This account shall include the cost in place of structures and improvements used in connection with wastewater collection, pumping, treatment and disposal, reclaimed water treatment and distribution and general plant operations (See Accounting Instruction 25). A sample of items to be included in this account are listed below:

1. Architects' plans and specifications including supervision.
2. Boilers, furnaces, piping, wiring, fixtures, and machinery for heating, lighting, signaling, ventilating and air conditioning systems, plumbing, vacuum cleaning systems, incinerator and smoke pipe, flues, etc.

3. Bulkheads, including dredging, riprap fill, piling, decking, concrete fenders, etc., when exposed and subject to maintenance and replacement.
4. Commissions and fees to brokers, agents, architects and others.
5. Conduit (not to be removed) with its contents.
6. Damages to abutting property during construction.
7. Drainage systems.
8. Elevators, cranes, hoists, etc., and the machinery for operating them.
9. Excavation, including shoring, bracing, bridging, refill and disposal of excess excavated material, cofferdams around foundations, pumping water from cofferdam during construction, test borings.
10. Fences and fence curbs (not including protective fences isolating items of equipment, which should be charged to the appropriate equipment account).
11. Fire protection systems when forming a part of a structure.
12. Flagpole.
13. Floor covering (permanently attached).
14. Foundations and piers for machinery, constructed as a permanent part of a building or other item listed herein.
15. Grading and clearing when directly occasioned by the building of a structure.
16. Intrasite communication system, poles, pole fixtures, wires and cables.
17. Landscaping, lawns, shrubbery, etc.
18. Leases, voiding upon purchase, to secure possession of structures.
19. Leased property, expenditures on.
20. Lighting fixtures and outside lighting systems.
21. Marquee, permanently attached to building.
22. Painting, first cost.
23. Permanent paving, concrete, brick, flagstone, asphalt, etc., within the property lines.
24. Partitions, including movable.
25. Permits and privileges.
26. Power boards for services to a building.
27. Refrigerating systems for general use.
28. Retaining walls except when identified with land.
29. Roadways.
30. Roofs.
31. Scales, connected to and forming a part of a structure.
32. Water and wastewater systems, for general use.
33. Sidewalks, culverts, curbs and streets constructed by the utility on its property.

34. Sprinkling systems.
35. Stacks -- brick, steel, or concrete, when set on foundation forming part of general foundation and steelwork of a building.
36. Steel inspection during construction.
37. Storage facilities constituting a part of a building.
38. Storm doors and windows.
39. Temporary heating during construction (net cost).
40. Temporary water connection during construction (net cost).
41. Temporary shanties and other facilities used during construction (net cost).
42. Topographical maps.
43. Vaults constructed as part of a building.
44. Watchmen's sheds and clock systems (net cost when used during construction only).
45. Water meters and supply system for a building or for general company purposes.
46. Water supply piping, hydrants and wells.
47. Yard surfacing, gravel, concrete, or oil (First cost only).
48. Tunnels, intake and discharge when constructed as part of a structure including sluice gates and those constructed to house.

355. Power Generation Equipment

A. This account shall include the cost installed of any equipment used for the production of power principally used in pumping operations.

B. Subaccounts shall be maintained hereunder for the cost of equipment used for each type of power generating equipment.

360. Collecting Sewers - Force

This account shall include all sewers which are used to lift sewage from a low elevation to a higher elevation. The force sewer will include that pipe between the discharge outlet of the lift station and the receiving manhole.

361. Collecting Sewers - Gravity

This account shall include the installed cost of all gravity collecting sewers, interceptor, branch, trunk, lateral including service wye, and manholes and lampholes. Manholes shall be included as a separate unit of property.

362. Special Collecting Structures

Inverted siphon shall be included in this account but so

distinctly noted; also any other special designed structures unusual to the wastewater system should be included herein but specifically noted as to what they do.

363. Services to Customers

This account shall include the installed cost of service sewers, from collection sewer to the customer's property or curb line. A sample of items to be included in this account are listed below:

1. Jointing and jointing material.
2. Manhole or clean-out.
3. Municipal inspection and permits
4. Pavement disturbed.
5. Protection of street openings.
6. Tapping saddle.
7. Service connection wye shall be included in account 363 instead of account 361 when company owns service sewers to customers property line.

364. Flow Measuring Devices

A. This account shall include the cost of flow measuring and recording equipment and initial testing used for measuring the quantity of wastewater or wastewater effluent delivered by customers, whether actually in service or held in reserve.

B. When flow measuring equipment is permanently retired from service, the amount at which it is included herein shall be credited to this account.

C. The records covering flow measuring equipment shall be so kept that the utility can furnish information as to the number of devices of each type and size in service and in reserve, as well as the location of each device included in this account.

365. Flow Measuring Installations

A. This account shall include the cost of labor employed, materials used and expenses incurred in connection with the original installation of customers' flow measuring equipment. A sample of items to be included in this account are listed below:

1. Floats, connections, flumes, or wires.
2. Special manhole, boxes, or other separate housing.

B. When a flow measuring installation is permanently retired from service, the cost thereof shall be credited to this account.

366. Reuse Services

A. This account shall include the cost installed of reclaimed water service pipes and accessories leading to the customers' premises.

B. A complete reclaimed water service begins with the connection on the main and extends to but does not include the connection with the customer's meter. A stub service extends from the main to the property line, or the curb stop (curb stop cock).

C. Services which have been used but have become inactive shall be retired from utility plant in service immediately if there is no prospect for future use.

Items

1. Corporation stops or tees.
2. Gate valves and boxes.
3. Goose necks.
4. Jointing and jointing material.
5. Municipal inspection or permits.
6. Pavements disturbed.
7. Pipes.
8. Placing pipes and accessories.
9. Protection of street openings.
10. Service or curb boxes.
11. Service or curb stops (curb stop cocks).
12. Tapping main.
13. Tapping saddle.

367. Reuse Meters and Meter Installations

A. This account shall include the cost of meters, devices and appurtenances attached thereto, used for measuring the quantity of reclaimed water delivered to users, whether actually in service or held in reserve. It shall also include the cost of labor employed, materials used and expenses incurred in connection with the original installation of a customer's meters and devices and appurtenances attached thereto.

B. When a meter and/or meter installation is permanently retired from service, the amount at which it is included herein shall be credited to this account.

C. The records covering meters shall be so kept that the utility can furnish information as to the number of meters of each type and size in service and in reserve as well as the location of each meter included in this account.

D. A sample of items to be included in this account are listed

below:

1. Meters, including badging and initial testing.
2. Remote meter registers.
3. Installation labor (first installation only).
4. Meter coupling.
5. Meter bars.
6. Meter yokes.
7. Meter fittings, connections and shelves.
8. Meter vaults or boxes.
9. Stops.

Note A:--This account shall not include meters for recording the output of a supply or treatment plant, or those located on mains. It includes only those meters to record reclaimed water delivered to customers, including company use and for those used elsewhere in the system if a type available for general use.

Note B:--The utility shall maintain a statistical record to show separately the number of each type and size of meter or group of types and sizes as carried in the continuing property record. Underlying records shall be kept so that the utility can determine readily for each such classification the number of company-owned meters in service (subdivided between active and inactive) and the number of meters carried herein but not in service, the latter to include meters undergoing repairs; and the number of meters in service owned by customers.

370. Receiving Wells

This account shall include the cost of constructing wells at pumping stations or at other junction points along the collecting system, used for intercepting wastewater for clearing and screening, transfer to a pumping well or otherwise further convey it along the collecting system to the treatment plant or point of final
discharge. This account shall include any chemical feed apparatus and holding basins associated with the receiving well.

371. Pumping Equipment

This account shall include the cost installed of pumping equipment driven by electric power or diesel engines. A sample of items to be included in this account are listed below:

1. Motors or engines for driving pumps.
2. Pumps, including settings, gearing, shafting and belting.
3. Sewage piping within station, including valves.
4. Auxiliary equipment for motors and pumps such as oiling systems, cooling systems, condensers, etc.

5. Electrical power lines and switching.
6. Foundations, frames, and bed plates.
7. Hoist units.

374. Reuse Distribution Reservoirs

This account shall include the cost in place of reservoirs, tanks and appurtenances used in storing reclaimed water for distribution. A sample of items to be included in this account are listed below:

1. Bridges and culverts.
2. Clearing land.
3. Dams.
4. Embankments.
5. Fences.
6. Foundations.
7. Gates and gate houses.
8. Landscaping.
9. Lighting systems.
10. Piping system within reservoirs.
11. Retaining walls.
12. Roads and paths.
13. Rust-proofing apparatus.
14. Sewer drain or storm sewer.
15. Spillways and channels.
16. Standpipes.
17. Tanks.
18. Towers.
19. Valves.

375. Reuse Transmission and Distribution System

A. This account shall include the cost installed of reclaimed water transmission and distribution mains and appurtenances. A sample of items to be included in this account are listed below:

1. Air chambers.
2. Blow-offs and overflows.
3. Bridges and culverts.
4. Electrolysis control equipment.
5. Gauges and recorders.
6. Jointing and jointing material.
7. Manholes.
8. Meters and appurtenances.
9. Municipal inspection or permits.
10. Pavement disturbed, including cutting and replacing pavement, pavement base and sidewalks.
11. Pipes.
12. Fire mains.
13. Fire Hydrants.

B. Records supporting this account shall be so kept as to show separately the cost of mains of different sizes and types and of each tunnel, bridge, or river crossing.

380. Treatment and Disposal Equipment

This account shall include the cost installed of apparatus equipment and other facilities used for the treatment of wastewater, disposal of sewage wastes and the treatment of effluent for reuse. A sample of items to be included in this account are listed below:

1. Aeration chambers.
2. Chemical equipment.
3. Disinfection facilities.
4. Filters.
5. Imhoff tank.
6. Land fill equipment and appurtenances.
7. Monitoring equipment.
8. Oxidation pond or lagoon.
9. Sedimentation equipment.
10. Septic tank.
11. Screen unit.
12. Sludge system.
13. Trucks, tractors, or other equipment used primarily for sludge or other waste disposal.
14. Package mechanical treatment plant.
15. Sedimentation basin.
16. Sludge digestion equipment.
17. Sludge filtration or dewatering equipment.

381. Plant Sewers

This account shall include the cost installed of plant yard piping and appurtenances, and facilities required to dispose of treatment plant liquid effluent into the outfall sewer line. A sample of items to be included in this account are listed below:

1. Unit to unit sections of yard piping.
2. Valves and vaults.
3. Pipe tunnels and galleries.
4. Filter and filter backwash piping.

382. Outfall Sewer Lines

This account shall include the installed cost of sewer line carrying effluent from treatment facility to point of discharge. Includible in this account would be headwall or outlet.

389. Other Plant and Miscellaneous Equipment

This account shall include the cost installed of all other intangible, collection system pumping, treatment and disposal, reclaimed water treatment and reclaimed water distribution plant not provided for in the foregoing accounts.

390. Office Furniture and Equipment

A. This account shall include the cost of office furniture and equipment owned by the utility and devoted to utility service, and not permanently attached to buildings, except the cost of such furniture and equipment which the utility elects to assign to other plant accounts on a functional basis. A sample of items to be included in this account are listed below:

1. Book cases and shelves.
2. Desk, chairs, and desk equipment.
3. Drafting room equipment.
4. Electronic data processing equipment.
5. Filing, storage and other cabinets.
6. Floor covering.
7. Library and library equipment.
8. Mechanical office equipment such as accounting machines, typewriters, etc.
9. Safes.
10. Tables.

B. If the utility has equipment includible in this account at more than one location, separate records shall be maintained for each location.

391. Transportation Equipment

This account shall include the cost of transportation vehicles used for utility purposes. A sample of items to be included in this account are listed below:

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.

392. Stores Equipment

A. This account shall include the cost of equipment used for the receiving, shipping, handling and storage of materials and supplies.

B. If the utility has equipment includible in this account at more than one location, separate records shall be maintained for each location. A sample of items to be included in this account are listed below:

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.

393. Tools, Shop and Garage Equipment

This account shall include the cost of tools, implements, and equipment used in construction, repair work, general shops and garages and not specifically provided for or includible in other accounts. A sample of items to be included in this account are listed below:

1. Air compressors.
2. Anvils.
3. Automobile repair shop equipment.
4. Battery charging equipment.
5. Belts, shafts and countershafts.
6. Boilers.
7. Cable pulling equipment.
8. Concrete mixers.
9. Drill presses.
10. Derricks.
11. Electric equipment.
12. Engines.
13. Forges.
14. Furnaces.
15. Foundations and settings specially constructed for and not expected to outlast the equipment for which provided.
16. Gas producers.
17. Gasoline pumps, oil pumps and storage tanks.
18. Greasing tools and equipment.

19. Hoists.
20. Ladders.
21. Lathes.
22. Machine tools.
23. Motor driven tools.
24. Motors.
25. Pipe threading and cutting tools.
26. Pneumatic tools.
27. Pumps.
28. Riveters.
29. Smithing equipment.
30. Tool racks.
31. Vises.
32. Welding apparatus.
33. Work benches.

394. Laboratory Equipment

A. This account shall include the cost installed of laboratory equipment used for general laboratory purposes and not specifically provided for or includible in other departmental or functional plant accounts. A sample of items to be included in this account are listed below:

1. Autoclaves.
2. Barometers.
3. Cameras.
4. Centrifuge.
5. Distilling apparatus.
6. Furnaces.
7. Microscopes.
8. Ovens.
9. Pitometers.
10. Rain gauges.
11. Refrigerators.
12. Scales.
13. Sterilizers.
14. Stop watches.
15. Testing machines.
16. Therometers.
17. Voltmeters.
18. Other bacteriological, electric, chemical hydraulic or research equipment.

B. If the utility has equipment includible in this account at more than one location, separate records shall be maintained for each location.

395. Power Operated Equipment

This account shall include the cost of power operated equipment used in construction of repair work exclusive of equipment includible in other accounts. Include, also, the tools and accessories acquired for use with such equipment and the vehicle on which such equipment is mounted. A sample of items to be included in this account are listed below:

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

Note:--It is intended that this account include only such large units as are generally self-propelled or mounted on moveable equipment.

396. Communication Equipment

This account shall include the cost installed of telephone, telegraph and wireless equipment for general use in connection with utility operations. A sample of items to be included in this account are listed below:

1. Antennae.
2. Booths.
3. Cables.
4. Distribution boards.
5. Extension cords.
6. Gongs.
7. Handsets, manual and dial.
8. Insulators.
9. Intercommunicating sets.
10. Loading coils.
11. Operators desks.
12. Poles and fixtures used wholly for telephone and telegraph wires.
13. Radio transmitting and receiving sets.
14. Remote control equipment and lines.
15. Sending keys.
16. Storage batteries.

17. Switchboards.
18. Teleautograph circuit connections.
19. Telegraph receiving sets.
20. Telephone and telegraph circuits.
21. Testing instruments.
22. Towers.
23. Underground conduit used wholly for telephone or telegraph wires and cable wires.

397. Miscellaneous Equipment

This account shall include the cost of equipment, apparatus, etc., used in utility operations, and which is not includible in any other account. A sample of items to be included in this account are listed below:

1. Hospital and infirmary equipment.
2. Kitchen equipment.
3. Recreation equipment.
4. Radios.
5. Restaurant equipment.
6. Soda fountains.
7. Operator's cottage furnishings.
8. Electric signs advertising the corporate name or symbol, plant or facility name, or otherwise serving only the general purpose of acquainting the public with the facilities and services of the utility.
9. Other miscellaneous equipment.

Note:--Miscellaneous equipment of the nature indicated above wherever practicable shall be included in the utility plant accounts on a functional basis.

398. Other Tangible Plant

This account shall include the cost of tangible utility plant not provided for elsewhere.

INCOME ACCOUNTS

Utility Operating Income

400. Operating Revenues
401. Operating Expenses
403. Depreciation Expense
406. Amortization of Utility Plant Acquisition Adjustment
407. Amortization Expense
    - 407.1 Amortization of Limited Term Plant
    - 407.2 Amortization of Property Losses
    - 407.3 Amortization of Other Utility Plant
    - 407.4 Amortization of Regulatory Assets
    - 407.5 Amortization of Regulatory Liabilities
408. Taxes Other Than Income
    - 408.10 Utility Regulatory Assessment Fees
    - 408.11 Property Taxes
    - 408.12 Payroll Taxes
    - 408.13 Other Taxes and Licenses
409. Income Taxes
    - 409.10 Federal Income Taxes, Utility Operating Income
    - 409.11 State Income Taxes, Utility Operating Income
    - 409.12 Local Income Taxes, Utility Operating Income
410. Provision for Deferred Income Taxes
    - 410.10 Deferred Federal Income Taxes
    - 410.11 Deferred State Income Taxes
    - 410.12 Deferred Local Income Taxes
411. Provision for Deferred Income Taxes - Credit
    - 411.10 Provision for Deferred Income Taxes - Credit, Utility Operating Income
412. Investment Tax Credits
    - 412.10 Investment Tax Credits Deferred to Future Periods, Utility Operations
    - 412.11 Investment Tax Credits Restored to Operating Income, Utility Operations
413. Income From Utility Plant Leased to Others
414. Gains (Losses) From Disposition of Utility Property

Other Income and Deductions

415. Revenues From Merchandising, Jobbing and Contract Work
416. Costs and Expenses of Merchandising, Jobbing and Contract Work
419. Interest and Dividend Income
420. Allowance for Funds Used During Construction
421. Nonutility Income
426. Miscellaneous Nonutility Expenses

Taxes Applicable to Other Income and Deductions

408. Taxes Other Than Income
    - 408.20 Taxes Other Than Income, Other Income and Deductions
409. Income Taxes
    - 409.20 Income Taxes, Other Income and Deductions
410. Provision for Deferred Income Taxes

410.20 Provision for Deferred Income Taxes, Other Income and Deductions

411. Provision For Deferred Income Taxes - Credit
411.20 Provision for Deferred Income Taxes - Credit, Other Income and Deductions
412. Investment Tax Credits
412.20 Investment Tax Credits - Net, Nonutility Operations
412.30 Investment Tax Credits Restored to Nonoperating Income, Utility Operations

Interest Expense

427. Interest Expense
427.1 Interest on Debt to Associated Companies
427.2 Interest on Short-Term Debt
427.3 Interest on Long-Term Debt
427.4 Interest on Customer Deposits
427.5 Interest - Other
428. Amortization of Debt Discount and Expense
429. Amortization of Premium on Debt

Extraordinary Items

433. Extraordinary Income
434. Extraordinary Deductions
409. Income Taxes
409.30 Income Taxes, Extraordinary Items

INCOME ACCOUNTS

Operating Income

400. Operating Revenues

This is the revenue control account which totals the accounts recorded in wastewater revenue accounts 521 through 544.

401. Operating Expenses

This is the operating expense control account which totals the amounts recorded in operating expense accounts 700 through 775 for wastewater systems.

403. Depreciation Expenses

A. This account shall be charged with depreciation credited to account 108 - Accumulated Depreciation of Wastewater Plant and credited with amortization debited to account 272 - Accumulated Amortization of Contributions in Aid of Construction. Depreciation shall be accrued on a straight-line remaining life basis or straight-line basis, as required by the Commission. A single composite depreciation rate may be used if approval from the Commission is obtained.

Note A:--See Accounting Instruction 33, for more detailed instructions on depreciation accounting.

B. Depreciation for property not used in wastewater operations is charged to account 426 - Miscellaneous Nonutility Expenses, and is credited to account 122 - Accumulated Depreciation and Amortization of Nonutility Property.

406. Amortization of Utility Plant Acquisition Adjustments

This account shall be debited or credited, as the case may be, only upon the approval of the Commission, for the purpose of providing for the extinguishment of the amount in account 114 - Utility Plant Acquisition Adjustments.

407. Amortization Expense

This account shall be the control account for amortization accounts totaling the amounts in accounts 407.1 to 407.3.

407.1 Amortization of Limited Term Plant

This account shall include amortization charges applicable to amounts included in the utility plant

accounts for limited term franchises, licenses, patent rights, limited term interests in land, and expenditures on leased property where the service life of the improvements is terminable by action of the lease. The charges to this account shall be such as to distribute the book cost of each investment evenly over the period of benefit to the utility (See account 110.1 - Accumulated Amortization of Utility Plant in Service).

407.2 Amortization of Property Losses

This account shall be charged with amounts credited to account 182, Extraordinary Property Losses, when the Commission has authorized the amount in the latter account to be amortized by charges to operating expenses.

407.3 Amortization of Other Utility Plant

A. When authorized by he Commission, this account shall include charges for amortization of intangible or other utility plant in service which does not have a definite or terminable life and which is not subject to depreciation expense.

B. This account shall be supported in such detail as to show the amortization applicable to each investment being amortized, together with the book cost of the investment and the period of the amortization.

407.4 Amortization of Regulatory Assets

This account shall be debited, when appropriate, with the amounts credited to Account 253.1 - Regulatory Liabilities, to record regulatory liabilities imposed on the utility by the ratemaking actions of regulatory agencies. This account shall also be debited, when appropriate, with the amounts credited to Account 186.3 - Regulatory Assets, concurrent with the recovery of such amounts in rates.

407.5 Amortization of Regulatory Liabilities

This account shall be credited, when appropriate, with amounts debited to Account 186.3 - Regulatory Assets, to establish regulatory assets. This account shall also be credited, when appropriate, with the amounts debited to Account 253.1 - Regulatory Liabilities, concurrent with the return of such amount to customers through rates.

408. Taxes Other Than Income

A. These accounts shall include the amount of ad valorem, gross revenue or gross receipts taxes, regulatory agency general assessments for purposes of public utility regulation, state unemployment insurance, franchise taxes, federal excise taxes, social security taxes, and all other taxes assessed by federal state, county, municipal, or other local governmental authorities, except income taxes.

B. These accounts shall be charged in each accounting period with the amounts of taxes which are applicable thereto, with concurrent credits to account 236 - Accrued Taxes, or account 162 - Prepayments, as appropriate. When it is not possible to determine the exact amounts of taxes, the amounts shall be estimated and adjustments made in current accruals as the actual tax levies become known.

C. The charges to these accounts shall be made or supported so as to show the amount of each tax and the basis upon which each charge is made. In the case of a utility rendering more than one utility service, taxes of the kind includible in these accounts shall be assigned directly to the utility department the operation of which gave rise to the tax in so far as practicable. Where the tax is not attributable to a specific utility department, it shall be distributed among the utility departments or nonutility operations on an equitable basis after appropriate study to determine such basis.

Note A:--Special assessments for street and similar improvements shall be included in the appropriate utility plant or non-utility property account.

Note B:--Taxes specifically applicable to construction shall be included in the cost of construction.

Note C:--Gasoline and other sales taxes shall be charged as far as practicable to the same account as the materials on which the tax is levied.

Note D:--Social security and other forms of payroll taxes shall be distributed to utility departments and to nonutility functions on a basis related to payroll. Amounts applicable to construction shall be charged to the appropriate plant account.

Note E:--Interest on tax refunds or deficiencies shall not be included in these accounts but in account 419 - Interest and Dividend Income, or 427.5 - Interest - Other, as appropriate.

408.10 Utility Regulatory Assessment Fees

This account shall include those general fees assessed by regulatory agencies for the purpose of public utility regulation.

408.11 Property Taxes

This account shall include ad valorem taxes related to utility property.

408.12 Payroll Taxes

This account shall include all types of taxes related to payroll and associated with utility operating income not properly accounted for elsewhere.

408.13 Other Taxes and Licenses

This account shall include all other taxes and licenses related to utility operating income not properly accounted for elsewhere.

408.20 Taxes Other Than Income, Other Income and Deductions

This account shall include those taxes recorded in account 408 - Taxes Other Than Income, which relate to Other Income and Deductions.

409. Income Taxes

A. These accounts shall 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 shall be made to account 236 - Accrued Taxes, and as the exact amounts of taxes become known, the current tax accruals shall be adjusted by charges or credits to these accounts unless such adjustments are properly included in account 439 - Adjustments to Retained Earnings, so that these accounts as nearly as can be ascertained shall include the actual taxes payable by the utility (See Accounting Instruction 8 for prior period adjustments).

B. The accruals for local, state and federal income taxes shall be apportioned to Utility Operating Income (by department/division), Other Income and Deductions and Extraordinary Items so that, as nearly as practicable, each tax included in the expenses of the utility department, Other Income and Deductions or Extraordinary Items, shall be related to the income which gave rise to the tax. The income tax effect of the amounts recorded in that account. The tax effects relating to interest charges, other than

interest specifically applicable to indebtedness on property in account 121 shall be included in account 409.10 - Income Taxes, Utility Operating Income.

C. This account shall be maintained according to the subaccounts 409.10, 409.11, 409.12, 409.13, 409.20 and 409.30 inclusive, as shown below.

Note A:--Taxes assumed by the utility on interest shall be charged to account 427.5 - Interest Other.

Note B:--Interest on tax refunds or deficiencies shall not be included in this account but in account 419 - Interest and Dividend Income, or account 427.5 - Interest - Other, as appropriate.

Note C:--See Accounting Instruction 34.

409.10 Federal Income Taxes, Utility Operating Income

This account shall include the amount of those federal income taxes reflected in account 409 - Income Taxes, which relate to utility operating income after interest charges and other tax adjustments. This account shall be maintained so as to allow ready identification of tax effects (both positive and negative) relating to Utility Operating Income (by department/division), Utility Plant Leased to Others and Other Utility Operating Income.

409.11 State Income Taxes, Utility Operating Income

This account shall include the amount of those state income taxes reflected in account 409 - Income Taxes, which relate to utility operating income after interest charges and other tax adjustments. This account shall be maintained so as to allow ready identification of tax effects (both positive and negative) relating to Utility Operating Income (by department/division), Utility Plant Leased to Others and Other Utility Operating Income.

409.12 Local Income Taxes, Utility Operating Income

This account shall include the amount of those local income taxes reflected in account 409 - Income Taxes, which relate to utility operating income after interest charges and other tax adjustments. This account shall be maintained so as to allow ready identification of tax effects (both positive and negative) relating to Utility Operating Income (by department/division), Utility Plant Leased to Others and Other Utility Operating Income.

409.20 Income Taxes, Other Income and Deductions

This account shall include those local, state, and federal income taxes reflected in account 409 - Income Taxes, (both positive and negative), which relate to Other Income and Deductions.

409.30 Income Taxes, Extraordinary Items

This account shall include those local, state and federal income taxes (both positive and negative) which relate to Extraordinary Items.

410. Provision for Deferred Income Taxes

A. Accounts 410.10, 410.11, 410.12 and 410.20 shall be debited and accounts 281, 282, or 283 Accumulated Deferred Income Taxes - Accelerated Amortization, Liberalized Depreciation, or Other, shall be credited with amounts equal to any current deferrals of taxes on income or any allocations of deferred taxes originating in prior periods, as provided by the texts of accounts 190, 281, 282, and 283. No credit amounts appropriately includible in account 411.10 or 411.20 shall be netted against entries required to be made to these accounts.

B. This account shall be maintained according to the subaccounts 410.10, 410.11, 410.12 and 410.20 inclusive, as shown below.

Note:--See Accounting Instruction 34.

410.10 Deferred Federal Income Taxes

This account shall include the amounts of those deferrals of federal income taxes and allocations of deferred federal income taxes which relate to Utility Operating Income (by department/division).

410.11 Deferred State Income Taxes

This account shall include the amounts of those deferrals of state income taxes and allocations of deferred state income taxes which relate to Utility Operating Income (by department/division).

410.12 Deferred Local Income Taxes

This account shall include the amounts of those deferrals of local income taxes and allocations of deferred local income taxes which relate to Utility Operating Income (by department/division).

410.20 Provision for Deferred Income Taxes, Other Income and Deductions

This account shall include the amount of those deferred federal, state and local income taxes reflected in account 410 - Provision for Deferred Income Taxes, which relate to Other Income and Deductions.

411. Provision for Deferred Income Taxes - Credit

A. Accounts 411.10 and 412.20 shall be credited, and accounts 281, 282, or 283, Accumulated Deferred Income Taxes - Accelerated Amortization, Liberalized Depreciation or Other, shall be debited, with amounts equal to any allocations of deferred taxes originating in prior periods or any current deferrals of taxes on income, as provided by the texts of accounts 190, 281, 282, and 283. No debit amounts appropriately includible in account 410.10, 410.11, 410.12, or 410.20 shall be netted against entries required to be made to these accounts.

411.10 Provision For Deferred Income Taxes - Credit, Utility, Operating Income

This account shall include the amounts of those allocations of deferred federal, state and local income taxes and deferrals of federal, state and local income taxes, credit which relate to Utility Operating Income (by department/division).

411.20 Provision For Deferred Income Taxes - Credit, Other Income and Deductions

This account shall include the amounts of those allocations of deferred taxes and deferrals of taxes, credit, which relate to Other Income and Deductions.

412. Investment Tax Credits

A. This account shall be debited with the total amount of investment tax credits used in calculating the reported current year's income taxes payable.

Account 255 - Accumulated Deferred Investment Tax Credits, shall be credited with an equal amount of investment tax credits debited to this account. Investment tax credits related to property used in utility operations shall be debited to subaccount 412.10 - Investment Tax Credits Deferred to Future Periods, Utility Operations. Those investment tax credits related to property used in nonutility operations shall be debited to account 412.20 - Investment Tax Credits - Net, Nonutility Operations.

B. A company which has deferred its investment tax credits shall amortize these deferred credit amounts by crediting this account and debiting account 255 - Accumulated Deferred Investment Tax credits. Such annual amortization shall be allocated proportionately over the service lives of all assets or of the assets generating the credits. The proportional amounts shall be determined in relation to the method of depreciation actually used on the regulated books of account.

(1) In amortizing the deferred investment tax credits related to property used in utility operations, the annual proportional amount credited to account 412 - Investment Tax Credits may or may not be passed on to customers in accordance with the Internal Revenue Code section applicable to the company. Where the company is subject to Section 46 (f)(2) of the code which provides a "Special rule for ratable flow-through" or Option 2 treatment, the annual proportional amortization is to be credited to subaccount 412.11 - Investment Tax Credits Restored to Operating Income, Utility Operations. Where the company is subject to Code Section 46 (f)(1), which is the "General Rule" or Option 1 treatment, the annual proportional amortization shall be credited to subaccount 412.30 - Investment Tax Credits Restored to Nonoperating Income, Utility Operations.

(2) In amortizing the deferred investment tax credits related to property used in nonutility operations, the annual amount shall be credited to subaccount 412.20, Investment Tax Credits - Net, Nonutility Operations.

C. This account shall be maintained so that the debits and credits relating to each allowable percentage of credit, i.e., 3%, 4%, 6%, 7%, 8%, 10%, etc., may be readily identified.

D. This account shall be maintained so that the debits and credits relating to each utility department/division and each nonutility operation may be readily identified as well as the vintage year in which they were deferred.

E. This account shall be maintained according to subaccounts 412.10, 412.11, 412.20 and 412.30 as shown below.

412.10 Investment Tax Credits Deferred to Future Periods, Utility Operations

This account shall be debited and account 255 - Accumulated Deferred Investment Tax Credits, shall be credited with the amounts of realized investment tax credits deferred to future periods related to property used in utility operations (department/division).

412.11 Investment Tax Credits Restored to Operating Income, Utility Operations

This account shall be credited and account 255 - Accumulated Deferred Investment Tax Credits, shall be debited with the proportionate amounts of deferred investment tax credits related to property used in utility operations being restored to operating income in accordance with the "Special Rule for Ratable Flow-through" or Option 2 treatment as provided in the Revenue Act of 1971, the Tax Reduction Act of 1975 or the Economic Recovery Tax Act of 1981.

412.20 Investment Tax Credits - Net, Nonutility Operations

A. This account shall be debited and account 255 - Accumulated Deferred Investment Tax Credits, shall be credited with the amounts of realized investment tax credits deferred to future periods which relate to property used in non-utility operations.

B. This account shall be credited and account 255 - Accumulated Deferred Investment Tax Credits shall be debited with the proportionate amounts of deferred investment tax credits related to property used in nonutility operations being restored to nonoperating income.

412.30 Investment Tax Credits Restored to Nonoperating Income, Utility Operations

This account shall be credited and account 255 - Accumulated Deferred Investment Tax Credits shall be debited with the proportionate amounts of deferred investment tax credits related to property used in utility operations being restored to nonoperating income in accordance with the "General Rule" or Option 1 as provided by the Revenue Act of 1971, the Tax Reduction Act of 1975 and the Economic Recovery Tax Act of 1981.

413. Income from Utility Plant Leased to Others

A. This account shall include, revenues from utility property constituting a distinct operating unit or system leased by the utility to others, and which property is properly includible in account 102 - Utility Plant Leased to Others, and the expenses attributable to such property. A series of subaccounts shall be maintained for each operating unit or system leased to show separately revenues and expenses.

B. The detail expenses shall be kept or supported so as to show

separately the following:

Operation;
Depreciation; and
Amortization.

C. The related taxes shall be recorded in the appropriate subsidiary accounts and the control account 408 - Taxes Other than Income and Account 409 - Income Taxes. Records shall be maintained such that these taxes associated with leased plant are separately identifiable.

414. Gain (Losses) from Disposition of Utility Property

A. This account shall include, when authorized by the Commission, gains and losses from the sale, conveyance, exchange or transfer of utility property to another. The income tax attributable to gains and losses recorded in this account shall be recorded in the appropriate subsidiary account and control account 409 - Income Taxes.

B. This account shall be maintained so that the transactions and details underlying each gain or loss will be readily identifiable.

415. Revenues from Merchandising, Jobbing, and Contract Work

416. Cost and Expenses of Merchandising, Jobbing, and Contract Work

A. These accounts shall include respectively, all revenues derived from the sale of merchandise and jobbing or contract work, including any profit or commission accruing to the utility on jobbing work performed by it as agent under contracts whereby it does jobbing work for another for a stipulated profit or commission, and all expenses incurred in such activities.

B. Records in support of these accounts shall be so kept as to permit ready summarization of revenues, costs and expenses by such major items as are feasible.
Note:--Related operating taxes shall be recorded in account 408.20 -Taxes Other Than Income Taxes, Other Income and Deductions, and income taxes shall be recorded in account 409.20, Income Taxes, Other Income and Deductions.

419. Interest and Dividend Income

A. This account shall include interest revenues on securities, loans, notes, advances, special deposits, tax refunds and all other interest bearing assets and dividends on stocks of other companies, whether the securities are carried as investments or included in sinking or other special funds accounts.

420. Allowance for Funds Used During Construction

This account shall include concurrent credits for allowance for funds used during construction based upon the net cost of funds used for construction purposes and a reasonable rate upon other funds when so used. Appropriate regulatory approval shall be obtained for "a reasonable rate" (See Accounting Instruction No. 19).

421. Nonutility Income

In this account is entered all income not includible in operating revenue accounts 521 through 536 or in account 419 - Interest and Dividend Income. Items in this account shall include:

1. Gross income from nonutility operations; and
2. Net gain on sale of nonutility property.

426. Miscellaneous Nonutility Expenses

This account shall contain all expenses other than expenses of utility operations and interest expense. Items which are included in this account are:

1. Expenses disallowed in a proceeding before the Commission.
2. Amortization of an Acquisition Adjustment not approved by the Commission.
3. Depreciation associated with plant not used and useful in the public service.
4. Depreciation of Nonutility Plant.
5. Imprudent expenses.
6. Donations for charitable, social or community welfare purposes.
7. Life insurance on officers and employees where utility is beneficiary (net premiums less increase in cash surrender value of policies).
8. Penalties or fines for violations of statutes pertaining to regulation.
9. Expenditures for the purpose of:
   a. Influencing public opinion with respect to the election or appointment of public officials, or the adoption, repeal, revocation or modification of referenda, legislation or ordinances.
   b. Influencing public opinion with respect to obtaining approval, modification or revocation of franchises.
   c. Influencing the decisions of public officials not including such expenditures which are directly related to appearances before regulatory or other governmental bodies in connection with the utility's existing or proposed operations.

10. Loss relating to investments in securities written-off or written-down.
11. Loss on sale of investments.
12. Loss on reacquisition, resale or retirement of utility's debt securities.
13. Preliminary survey and investigation expenses related to abandoned projects, when not written-off to the appropriate operating expense account.
14. Golf club dues, social club dues and service club dues (Kiwanis, Rotary, etc.) house charges and items of a similar nature whether such expenditures are made directly by the utility or indirectly by payment or reimbursement to associated companies, officers, or other employees, or by any other direct or indirect means.

427. Interest Expense

This account shall be the control account for recording interest expense and shall total the sum of accounts 427.1 through 427.5.

427.1 Interest on Debt to Associated Companies

This account shall record interest incurred with related companies.

427.2 Interest on Short-Term Debt

This account shall record interest expense associated with short-term debt (principal due in 1 year or less).

427.3 Interest on Long-Term Debt

This account shall record interest expense associated with long-term debt (principal due in more than one year).

427.4 Interest on Customer Deposits

This account shall record interest expense associated with customer deposits.

427.5 Interest-Other

This account shall include in each accounting period all interest charges not provided for elsewhere.

428. Amortization of Debt Discount and Expense

A. This account shall include in each accounting period the portion of unamortized debt discount and expense on outstanding long-term debt which is applicable to such period. Amounts charged

to this account shall be credited concurrently to account 181 - Unamortized Debt Discount and Expense.

B. This account shall be so kept or supported as to show the debt discount and expense on each class and series of long-term debt.

429. Amortization of Premium on Debt

A. This account shall include in each accounting period the portion of unamortized net premium on outstanding long-term debt which is applicable to such period. Amounts credited to this account shall be charged concurrently to account 251 - Unamortized Premium on Debt.

B. This account shall be so kept or supported as to show the premium on each class and series of long-term debt.

Extraordinary Items

433. Extraordinary Income

Upon approval of the regulatory authority this account shall be credited with nontypical, noncustomary, infrequently recurring gains, which would significantly distort the current year's income computed before extraordinary items, if reported other than as extraordinary items. The applicable income tax effects of the account shall be recorded in account 409.30 - Income Taxes, Extraordinary Items.

434. Extraordinary Deductions

Upon approval of the Commission this account shall be debited with nontypical, noncustomary, infrequently recurring losses, which would distort the current year's income, if not reported separately. The applicable income tax effects shall be recorded account 409.30 -Income Taxes, Extraordinary Items.

RETAINED EARNINGS ACCOUNTS

435. Balance Transferred From Income
436. Appropriations of Retained Earnings
437. Dividends Declared - Preferred Stock
438. Dividends Declared - Common Stock
439. Adjustments to Retained Earnings

RETAINED EARNINGS ACCOUNTS

435. Balance Transferred from Income

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

436. Appropriations of Retained Earnings

This account shall include appropriations of retained earnings.

Items

1. Appropriations required under terms of mortgages, orders or courts, contracts or other agreements.
2. Appropriations required by action of regulatory authorities.
3. Other appropriations made at option of utility for specific purposes.

437. Dividends Declared - Preferred Stock

A. This account shall include amounts declared payable out of retained earnings as dividends on actually outstanding preferred or prior lien capital stock issued by the utility.

B. Dividends shall 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 shall be described with sufficient detail to identify it.

438. Dividends Declared - Common Stock

A. This account shall include amounts declared payable out of retained earnings as dividends on actually outstanding common capital stock issued by the utility.

B. Dividends shall 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 shall be described with sufficient detail to identify it.

439. Adjustments to Retained Earnings

A. This account shall include significant nonrecurring transactions relating to prior periods. Other than transactions of capital stock as specified in paragraph B below, all entries to this account must receive prior Commission approval. These transactions are generally limited to those adjustments which:

(1) correct an error in the financial statements of a prior period; or

(2) adjustments that result from realization of income tax benefits of preacquisition loss carry forwards of purchased subsidiaries.

This account shall also include the related income tax effects (state and federal) on items included herein. All items included in this account shall be sufficiently described in the entries relating thereto as to permit ready analysis.

B. Debits due to losses on reacquisition, resale or retirement of the company's own capital stock shall be included in this account (See account 210 - Gain or Resale or Cancellation of Reacquired Capital Stock, for the treatment of gains).

C. Changes in depreciation or amortization estimates or methods are considered changes in accounting estimates rather than accounting errors and therefore are not subject to prior period adjustments. Any adjustments made to the accumulated amortization or depreciation balances of the utility due to a change in estimate or method shall be offset by a charge or credit to either: an income account; account 186.2 - Other Deferred Debits; or account 253 - Other Deferred Credits, as is directed by the Commission.

WASTEWATER OPERATING REVENUE ACCOUNTS

Wastewater Sales

521. Flat Rate Revenues
    - 521.1 Residential Revenues
    - 521.2 Commercial Revenues
    - 521.3 Industrial Revenues
    - 521.4 Revenues From Public Authorities
    - 521.5 Multiple Family Dwelling Revenues
    - 521.6 Other Revenues
522. Measured Revenue
    - 522.1 Residential Revenues
    - 522.2 Commercial Revenues
    - 522.3 Industrial Revenues
    - 522.4 Revenues From Public Authorities
    - 522.5 Multiple Family Dwelling Revenues
523. Revenues From Public Authorities
524. Revenues From Other Systems
525. Interdepartmental Revenues

Other Wastewater Revenues

530. Guaranteed Revenues
531. Sale of Sludge
532. Forfeited Discounts
534. Rents From Wastewater Property
535. Interdepartmental Rents
536. Other Wastewater Revenues

Reclaimed Water Sales

540. Flat Rate Reuse Revenues
    - 540.1 Residential Reuse Revenues
    - 540.2 Commercial Reuse Revenues
    - 540.3 Industrial Reuse Revenues
    - 540.4 Reuse Revenues From Public Authorities
    - 540.5 Other Revenues
541. Measured Reuse Revenue
    - 541.1 Residential Reuse Revenues
    - 541.2 Commercial Reuse Revenues
    - 541.3 Industrial Reuse Revenues
    - 541.4 Reuse Revenues From Public Authorities
544. Reuse Revenues From Other Systems

WASTEWATER OPERATING REVENUE ACCOUNTS

Wastewater Sales

521. Flat Rate Revenues

A. This account shall be credited with all revenue for wastewater service rendered to residential, commercial and industrial property where the charge is not dependent upon metered water consumption or metered effluent output but is based on diameter of service, structure size, area front footage or other similar unit.

B. All revenue credited hereto shall be classified to one of the following subaccounts:

521.1 Residential Revenues
521.2 Commercial Revenues
521.3 Industrial Revenues
521.4 Revenues from Public Authorities
521.5 Multiple Family Dwelling Revenues
521.6 Other Revenues

Note:--When service is supplied through a single lateral to property used for both residential and commercial purposes, the total revenue shall be included in subaccount 521.1 or 521.2 according to the principle use of the property.

522. Measured Revenues

A. This account shall credited with all revenues for wastewater service rendered to residential, commercial or industrial property where the charge is, or may be, in any way dependent on the quantity of water consumed or the quantity of effluent output by the customers.

B. All revenues credited hereto shall be classified to one of the following subaccounts:

522.1 Residential Revenues
522.2 Commercial Revenues
522.3 Industrial Revenues
522.4 Revenues from Public Authorities
522.5 Multiple Family Dwelling Revenues

Note:--See note following 521 above.

523. Revenues form Public Authorities

This account shall be credited with revenue derived from wastewater service to properties of municipalities or other divisions or agencies of federal or state governments where such service is rendered and billed under special contracts or agreements or service classifications applicable only to public authorities, except such revenues which are includible in account 524 - Revenue from Other Systems. Service to public authority customers billed under general service (flat rate or measured service) rate schedules shall be credited to account 521 or 522 as appropriate.

524. Revenues form Other Systems

This account shall be credited with all revenues derived from wastewater services rendered to other wastewater system properties, whether operated by a public authority or a private enterprise.

525. Interdepartmental revenues

A. This account shall include amounts charged by the wastewater department at tariff or other specified rates for wastewater service by it to other utility departments.

B. Records shall be maintained so that the wastewater service supplied each other department and the charges therefor shall be readily available.

Other Wastewater Revenues

530. Guaranteed Revenues

This account shall be credited with revenue received from developers or other persons for a period of time prior to wastewater service being established. Normally, this type of revenue is usually received to reserve or guarantee the availability of plant capacity when needed.

531. Sale of Sludge

This account shall include revenues received from the sale of the by-product sludge sold as fertilizer.

532. Forfeited Discounts

This account shall include the amounts which the utility allows its customers on condition that they pay their wastewater bills on or before a specified date and which are forfeited by customers because of failure to pay within the specified time. There shall likewise be credited hereto the amounts of penalties

imposed by the utility on its customers because of failure to pay bills within a specified time.

534. Rents from Wastewater Property

A. This account shall include rents received for the use by others of land, buildings and other property devoted to wastewater operations by the utility.

B. When property owned by the utility is operated jointly with others under a definite arrangement for apportioning the actual expenses among the parties to the arrangement, any amounts received by the utility for interest or return or in reimbursement of taxes or depreciation on the property shall be credited to this account.

Note:--Do not include in this account rents from property constituting an operating unit or system (See account 413 - Income from Utility Plant Leased to Others).

535. Interdepartmental Rents

This account shall include rents credited to the wastewater department on account of rental charges made against other departments (water, etc. of the utility). In the case of property operated under a definite arrangement to allocate the cost among the departments using the property, any reimbursement to the wastewater department for interest, fair return, depreciation or taxes shall be credited to this account.

536. Other Wastewater Revenues

This account shall include revenues for all miscellaneous services and charges billed to customers which are not specifically provided for in other accounts.

Items

1. Fees for changing, connecting or disconnecting service.
2. Profit on maintenance of piping or other installations on customers' premises.
3. Net credit or debit (cost less net salvage and less payment from customers) on closing of work orders for plant installed for temporary service of less than one year (See account 185 - Temporary Facilities).
4. Recovery of expenses in connection with unauthorized taking of wastewater service (billing for service shall be included in the appropriate wastewater revenue account).
5. Profit on the sale of materials and supplies not ordinarily purchased for resale.
6. Physical inspection of service sewer connections other than those connections made by the company.

7. Servicing of customer lateral.
8. Late payment fees.

Reclaimed Water Sales

540. Flat Rate Reuse Revenues

A. This account shall be credited with all revenue for reclaimed water service to residential, commercial and industrial property where the charge is not dependent upon metered reclaimed water consumption but is based on diameter of service, structure size, area front footage or other similar unit.

B. All revenue credited hereto shall be classified to one of the following subaccounts:

540.1 Residential Reuse Revenues
540.2 Commercial Reuse Revenues
540.3 Industrial Reuse Revenues
540.4 Reuse Revenues from Public Authorities
540.5 Other Reuse Revenues

Note:--When service is supplied through a single lateral to property used for both residential and commercial purposes, the total revenue shall be included in subaccount 540.1 or 540.2 according to the principle use of the property.

541. Measured Reuse Revenues

A. This account shall be credited with all revenues for reclaimed water service rendered to residential, commercial or industrial property where the charge is, or may be, in any way dependent on the quantity of reclaimed water consumed.

B. All revenues credited hereto shall be classified to one of the following subaccounts:

541.1 Residential Revenues
541.2 Commercial Revenues
541.3 Industrial Revenues
541.4 Revenues from Public Authorities

Note:--See note following 540 above.

544. Reuse Revenues From Other Systems

This account shall be credited with all revenues derived from amounts charged to other utility systems, such as water systems to defray the cost of the wastewater utility in supplying reclaimed water.

WASTEWATER OPERATION AND MAINTENANCE EXPENSE ACCOUNTS

		.1	.2	.3
		Collection Expenses - Operations	Collection Expenses - Maint.	Pumping Expenses - Operations
701.	Salaries and Wages - Employees	701.1	701.2	701.3
703.	Salaries and Wages - Officers, Directors and Majority Stockholders	703.1	703.2	703.3
704.	Employee Pensions and Benefits	704.1	704.2	704.3
710.	Purchased Wastewater Treatment	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX
711.	Sludge Removal Expense	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX
715.	Purchased Power	715.1	XXXXXXXXX	715.3
716.	Fuel for Power Production	716.1	XXXXXXXXX	716.3
718.	Chemicals	718.1	718.2	718.3
720.	Materials and Supplies	720.1	720.2	720.3
731.	Contractual Services - Eng.	731.1	731.2	731.3
732.	Contractual Services - Acct.	732.1	732.2	732.3
733.	Contractual Services - Legal	733.1	733.2	733.3
734.	Contractual Services - Management Fees	734.1	734.2	734.3
735.	Contractual Services - Testing	735.1	735.2	735.3
736.	Contractual Services - Other	736.1	736.2	736.3
741.	Rental of Building/Real Property	741.1	741.2	741.3
742.	Rental of Equipment	742.1	742.2	742.3
750.	Transportation Expenses	750.1	750.2	750.3
756.	Insurance - Vehicle	756.1	756.2	756.3
757.	Insurance - General Liability	757.1	757.2	757.3
758.	Insurance - Workman's Compensation	758.1	758.2	758.3
759.	Insurance - Other	759.1	759.2	759.3
760.	Advertising Expense	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX
766.	Regulatory commission Expenses - Amortization of Rate Case Expense	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX
767.	Regulatory commission Expense - Other	767.1	767.2	767.3
770.	Bad Debt Expense	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX
775.	Miscellaneous Expenses	775.1	775.2	775.3

WASTEWATER OPERATION AND MAINTENANCE EXPENSE ACCOUNTS

.4 Pumping Expenses - Maint.	.5 Treat. & Disposal Expenses - Operations	.6 Treat. & Disposal Expenses - Maint.	.7 Customer Accounts Expenses	.8 Admin. & General Expenses	.9 Reclaimed Water Treatment Expenses - Opeations
701.4	701.5	701.6	701.7	701.8	701.9
703.4	703.5	703.6	703.7	703.8	703.9
704.4	704.5	704.6	704.7	704.8	704.9
XXXXXXXXX	710.5	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX
XXXXXXXXX	711.5	711.6	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX
XXXXXXXXX	715.5	XXXXXXXXX	715.7	715.8	715.9
XXXXXXXXX	716.5	XXXXXXXXX	716.7	716.8	716.9
718.4	718.5	718.6	XXXXXXXXX	XXXXXXXXX	718.9
720.4	720.5	720.6	720.7	720.8	720.9
731.4	731.5	731.6	731.7	731.8	731.9
732.4	732.5	732.6	732.7	732.8	732.9
733.4	733.5	733.6	733.7	733.8	733.9
734.4	734.5	734.6	734.7	734.8	734.9
735.4	735.5	735.6	735.7	735.8	735.9
736.4	736.5	736.6	736.7	736.8	736.9
741.4	741.5	741.6	741.7	741.8	741.9
742.4	742.5	742.6	742.7	742.8	742.9
750.4	750.5	750.6	750.7	750.8	750.9
756.4	756.5	756.6	756.7	756.8	756.9
757.4	757.5	757.6	757.7	757.8	757.9
758.4	758.5	758.6	758.7	758.8	758.9
759.4	759.5	759.6	759.7	759.8	759.9
XXXXXXXXX	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX	760.8	XXXXXXXXX
XXXXXXXXX	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX	766.8	XXXXXXXXX
767.4	767.5	767.6	767.7	767.8	767.9
XXXXXXXXX	XXXXXXXXX	XXXXXXXXX	770.7	XXXXXXXXX	XXXXXXXXX
775.4	775.5	775.6	775.7	775.8	775.9

WASTEWATER OPERATION AND MAINTENANCE EXPENSE ACCOUNTS

		.10 Reclaimed Water Treatment Expenses - Maint.	.11 Reclaimed Water Distribut. Expenses - Operations	.12 Reclaimed Water Distribut. Expenses - Maint.
701.	Salaries and Wages - Employees	701.10	701.11	701.12
703.	Salaries and Wages - Officers, Directors and Majority Stockholders	703.10	703.11	703.12
704.	Employee Pensions and Benefits	704.10	704.11	704.12
710.	Purchased Wastewater Treatment	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX
711.	Sludge Removal Expense	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX
715.	Purchased Power	XXXXXXXXX	715.11	XXXXXXXXX
716.	Fuel for Power Production	XXXXXXXXX	716.11	XXXXXXXXX
718.	Chemicals	718.10	718.11	718.12
720.	Materials and Supplies	720.10	720.11	720.12
731.	Contractual Services - Eng.	731.10	731.11	731.12
732.	Contractual Services - Acct.	732.10	732.11	732.12
733.	Contractual Services - Legal	733.10	733.11	733.12
734.	Contractual Services - Management Fees	734.10	734.11	734.12
735.	Contractual Services - Testing	735.10	735.11	735.12
736.	Contractual Services - Other	736.10	736.11	736.12
741.	Rental of Building/Real Property	741.10	741.11	741.12
742.	Rental of Equipment	742.10	742.11	741.12
750.	Transportation Expenses	750.10	750.11	750.12
756.	Insurance - Vehicle	756.10	756.11	756.12
757.	Insurance - General Liability	757.10	757.11	757.12
758.	Insurance - Workman's Compensation	758.10	758.11	758.12
759.	Insurance - Other	759.10	759.11	459.12
760.	Advertising Expense	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX
766.	Regulatory commission Expenses - Amortization of Rate Case Expense	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX
767.	Regulatory commission Expense - Other	767.10	767.11	767.12
770.	Bad Debt Expense	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX
775.	Miscellaneous Expenses	775.10	775.11	775.12

WASTEWATER OPERATION AND MAINTENANCE EXPENSE ACCOUNTS

701. Salaries and Wages - Employees

This account shall include the compensation (salaries, bonuses and other consideration of services) paid or accrued to employees of the utility company for work related to operation and maintenance of that utility company. This account shall not include the salaries and wages of officers, directors or majority stockholders of the utility company.

703. Salaries and Wages - Officers, Directors and Majority Stockholders

This account shall include the compensation (salaries, bonuses and other consideration for services) paid or accrued to officers, directors or majority stockholders of the utility company.

704. Employee Pensions and Benefits

This account shall include all accruals under employee pension plans to which the utility has irrevocably committed such funds, and payments for employee accident, sickness, hospital and death benefits or insurance therefor. Include also expenses for medical, educational or recreational activities of employees.

710. Purchased ~~Wastewater~~ Treatment

A. This account shall include the cost at the point of delivery of wastewater treatment provided by another entity.

B. The records supporting this account shall be so kept as to show for each entity from which wastewater treatment is purchased, point of delivery, quantity treated, basis of charges, and the cost of wastewater treatment.

711. Sludge Removal Expense

This account shall include the costs of removal of sludge if such work is performed by persons other than owners, stockholders, and employees of the utility.

715. Purchased Power

This account shall include the cost of all electric power expense incurred by the utility.

716. Fuel For Power Production

A. This account shall include the cost of fuel used in the production of power to operate the pumps and other equipment used in the wastewater treatment process. Records shall be maintained to show the quantity and cost of each type of fuel used.

B. The cost of fuel shall be charged initially to appropriate fuel accounts under account 151 - Plant Materials and Supplies, and cleared to this account on the basis of the fuel used.

718. Chemicals

This account shall include the cost of all chemicals used in the treatment of wastewater. Include also the cost (except salaries and wages includible in accounts 701 - 703) of any chemicals manufactured by the utility and used to provide wastewater service to its customers.

Items

1. Activated carbon
2. Deodorants
3. Caustic soda
4. Chlorine
5. Copper sulphate
6. Enzymes
7. High test hypochlorite
8. Iron sulphate
9. Lime
10. Soda ash
11. Ferric chloride
12. Sulphate of alumina
13. Sulphuric acid
14. Other chemicals

720. Materials and Supplies

This account shall include all materials and supplies used in operation of the wastewater system, other than materials and supplies charged to Contractual Services Account.

731. Contractual Services - Engineering

This account shall include costs paid to outside engineers or engineering firms to perform ongoing, recurring engineering work for the utility. Engineering services for plant items are properly includible in the appropriate plant account. Engineering services for rate relief filings shall be included in account 766 - Regulatory Commission Expenses - Amortization of Rate Case Expense and account 186.1 - Deferred Rate Case Expense, as appropriate.

732. Contractual Services - Accounting

This account shall include costs paid to outside accounting companies to maintain or audit the books and records of the utility. Accounting expenses for rate relief filings shall be included in account 766 - Regulatory Commission Expenses - Amortization of Rate Case Expense and account 186.1 - Deferred Rate Case Expense, as appropriate.

733. Contractual Services - Legal

This account shall include costs paid to outside legal firms to perform legal services for the utility. Legal services for rate proceedings before the Commission shall be included in account 766 - Regulatory Commission Expenses - Amortization of Rate Case Expense or account 186.1 - Deferred Rate Case Expense.

734. Contractual Services - Management Fees

This account shall include contractual costs (other than those properly included in accounts 701 - 703 - Salaries and Wages) paid for the performance of management functions.

735. Contractual Services - Testing

This account shall include costs paid to outside laboratories for testing.

736. Contractual Services - Other

This account shall include those operation costs contracted for which are not included in accounts 730, 731, 732, 733, 734.

741. Rental of Building/Real Property

This account shall include those costs associated with the rental of buildings and/or real property which are properly treated as period costs.

742. Rental of Equipment

This account shall include costs associated with the rental of equipment, except vehicles, used in the operation of the utility. Vehicle rentals and leases are properly included in account 750 - Transportation Expenses.

750. Transportation Expenses

This account shall include all truck, automobile, construction equipment, and other vehicle expense chargeable to utility operations, except depreciation and insurance.

756. Insurance - Vehicle

This account shall include costs associated with insurance of automobile and trucks used for utility purposes.

757. Insurance - General Liability

This account shall include insurance costs associated with general liability coverage of the utility company.

758. Insurance - Workman's Compensation

This account shall include insurance costs associated with workman's compensation coverage for employees of the utility company.

759. Insurance - Other

This account shall include insurance costs associated with coverage for the utility company which are not included in account 756, 757, or 758.

760. Advertising Expenses

Advertising costs not associated with regulatory commission expenses shall be included in this account, if authorized by the Commission. This account shall be maintained so that informational and instructional advertising can be readily identified.

766. Regulatory Commission Expenses - Amortization of Rate Case Expense

This account shall include amortization of account 186.1 - Deferred Rate Case Expense. Costs associated with rate cases shall be first charged to account 186.1 and then amortized as prescribed by the Commission to this account.

767. Regulatory Commission Expenses - Other

This account shall include all expenses (except salaries of regular utility employees) incurred by the utility in connection with formal cases before regulatory commissions, except for rate case expenses which are accounted for as described above. This account shall not include payment of taxes which shall be reported in the Taxes Other Than Income accounts.

770. Bad Debt Expense

This account shall be charged with amounts sufficient to provide for losses from uncollectible utility revenues. Concurrent credits shall be made to account 143.

775. Miscellaneous Expenses

This account shall include all expenses not includible in other operating expenses accounts.

Items

1. Industry association dues for company memberships.
2. Contributions for conventions and meetings of the industry.
3. Communication service not chargeable to other accounts.
4. Trustee, registrar, and transfer agent fees and expenses.
5. Stockholders meeting expenses.
6. Dividend and other financial notices.
7. Printing and mailing dividend checks.
8. Director's fees and expenses.
9. Publishing and distributing annual reports to stockholders.
10. Public notices of financial, operating and other data required by regulatory statutes, not including, however, notices required in connection with security issues or acquisition of property.
11. Write off of expenditures for preliminary surveys, plans, investigations, etc., included in account 183 - Preliminary Survey and Investigation Charges, relative to projects which have been abandoned.

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS B WATER UTILITIES

1996

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NATIONAL ASSOCIATION OF REGULATORY UTILITY COMMISSIONERS

1996 Uniform System of Accounts For Class B Water Utilities

Pursuant to action by the National Association of Regulatory Utility Commissioners, this System of Accounts is recommended to the Commissions represented in the membership of this Association for consideration and for adoption in their respective jurisdictions with such modifications only as they may deem necessary in the public interest.

PREFACE

The 1996 Water and Wastewater Uniform systems of Accounts were proposed by the Subcommittee on Accounts of the Committee on Finance and Technology of the National Association of Regulatory Utility Commissioners (NARUC). The NARUC Executive Committee unanimously approved these uniform systems of accounts at its Summer Committee Meeting held in Los Angeles, California, July 22-25, 1996. We would like to express our appreciation to Marshall Willis of the Florida Public Service Commission for his participation in this project and the many hours he spent rewriting these uniform systems of accounts.

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DEFINITIONS

When used in this system of accounts:

1. "Accounts" means the accounts prescribed in this system of accounts.

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

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. A. "Associated companies" means companies or persons that, directly or indirectly, through one or more intermediaries, control, or are controlled by, or are under common control with, the accounting company.

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

6. "Book cost" means the amount at which property is recorded in these accounts without deduction of related provisions for accrued depreciation, amortization, or for other purposes.

7. "Commission", unless otherwise indicated by the context, means the commission prescribing this system of accounts.

8. "Composite depreciation rate" is a percentage based on the weighted average service life of a number of units of plant, each of which may have a different individual life expectancy. Composite

depreciation rates may be determined for (a) a single depreciable plant account, (b) a single rate for several depreciable accounts or (c) a single composite rate may be determined for all depreciable plant of the utility.

9. "Cost" means the amount of money actually paid for property or service. When the consideration given is other than cash, the value of such consideration shall be determined on a cash basis.

10. "Cost of removal" means the cost of demolishing, dismantling, tearing down or otherwise removing utility plant, including the cost of transportation and handling incidental thereto.

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

12. "Depreciation", as applied to depreciable utility plant, means the loss in service value not restored by current maintenance, incurred in connection with the consumption or prospective retirement of utility plant in the course of providing service from causes which are known to be in current operation and against which the utility is not protected by insurance. Among the causes to be given consideration are wear and tear, decay, action of the elements, inadequacy, obsolescence, changes in the art, changes in demand, and requirements of public authorities.

13. "Discount", as applied to the securities issued or assumed by the utility, 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.

14. "Fire main" means any main forming part of an integrated system used exclusively for fire protection purposes.

15. "Gross-up of contributions in aid of construction" is the method by which a utility extracts, from developers or others, a sum of money sufficient to pay all or a portion of the tax obligation due to the change in the federal tax law in 1987 which resulted in contributions made to utilities in aid of construction (CIAC) being considered ordinary income instead of contributions of capital. Because the sum extracted to pay the tax is also considered income subject to tax, the term tax-on-tax has been used to describe the

additional sum of money that must be extracted in order to pay the tax on the initial amount.

Common gross-up methods include the full gross-up method and the net present value method. Under the full gross-up method, a sum sufficient to meet the full tax obligation, including the tax-on-tax, is extracted. Under the net present value method, the sum extracted is the net present value of the estimated future stream of tax benefits resulting from the depreciation deductions for the contributed asset to be taken on the tax returns of the utility.

16. "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 or debtor that they shall be settled by the issuance of securities or shall not be subject to current settlement.

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

18. "Multiple family dwelling" means a residential structure or group of structures which is capable of separately housing more than one family unit.

19. "Net salvage value" means the salvage value of property retired less the cost of removal.

20. "Nominally issued", as applied to securities issued or assumed by the utility 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 utility, but which have not been sold, or issued direct to trustees of sinking funds in accordance with contractual requirements.

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

22. "Original cost", as applied to utility plant, means the cost of such property to the person first devoting it to the public service.

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

24. "Premium", as applied to the securities issued or assumed by the utility, 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.

25. "Property retired", as applied to utility plant, means property which has been removed, sold, abandoned, destroyed, or which for any cause has been permanently withdrawn from service.

26. "Reclaimed water" means water that has received at least secondary treatment and basic disinfection and is reused after flowing out of a wastewater treatment plant.

27. "Regulatory Assets and Liabilities" are assets and liabilities that result from rate actions of regulatory agencies. Regulatory assets and liabilities arise from specific revenues, expenses, gains or losses that would have been included in determination of net income in one period under the general requirements of the Uniform System of Accounts but for it being probable that; 1) such items will be included in a different period(s) for purposes of developing the rates the utility is authorized to charge for its utility services; or 2) in the case of regulatory liabilities, that refunds to customers, not provided for in other accounts, will be required.

28. "Replacing" or "replacement", when not otherwise indicated in the context, means the construction or installation of utility plant in place of property of retired, together with the removal of the property retired.

29. "Research and development" means expenditures incurred by public utilities which represent research and development costs in the experimental or laboratory sense. The term includes generally all such costs incident to the development of an experimental or pilot model, a plant process, a product, a formula, an invention, or similar property, and the improvement of already existing property of the type mentioned.

30. "Retained earnings" means the accumulated net income of the utility less distributions to stockholders and transfers to other capital accounts, and other adjustments (See account 439 - Adjustments to Retained Earnings).

31. "Retirement units" means those items of utility plant which, when retired, with or without replacement, are accounted for by crediting the original costs.

32. "Reuse" means the deliberate application of reclaimed water, in compliance with Federal and State environmental rules and regulations, for a beneficial purpose.

33. "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.

34. "Service life" means the time between the date utility plant is includible in utility plant in service, or utility plant leased to others, and the date of its retirement. If depreciation is accounted for on a production basis rather than on a time basis, then service life should be measured in terms of the appropriate unit of production.

35. "Service value" means the difference between the original cost and net salvage value of utility plant.

36. "Straight-line remaining life method", as applied to depreciation accounting, means the plan under which the service value of property is charged to operating expenses (and to clearing accounts if used), and credited to the accumulated depreciation account through equal annual charges during its service life. "Remaining life" implies that estimates of future life and salvage will be reexamined periodically and that depreciation rates will be corrected to reflect any changes in these estimates.

37. "Straight-line method" as applied to depreciation accounting means the plan under which the service value of property is charged to operating expenses (and to clearing accounts if used), and credited to the accumulated depreciation account through equal annual charges during its service life. Estimates of the service life and salvage will be reexamined periodically and depreciation rates will be corrected to reflect any changes in these estimates.

38. "Supply main" means any main, pipe, aqueduct or canal the primary purpose of which is to convey water from one unit to another unit in the source of supply, water treatment or pumping plant and generally providing no service connections with customers.

39. "Transmission and distribution main" means any main the primary purpose of which is to convey water, requiring no further processing except incidental chlorination or pressure boosting, from a unit in the source of supply, water treatment or pumping plant and generally providing no service connection with customers.

40. "Utility", as used herein and when not otherwise indicated in the context, means any public utility to which this system of accounts is applicable.

ACCOUNTING INSTRUCTIONS

1. General - Classification of Utilities

A. For the purpose of applying the system of accounts prescribed by the Commission, water utilities are divided into three classes, as follows:

Class A - Utilities having annual water operating revenues of $1,000,000 or more.

Class B - Utilities having annual water operating revenues of $200,000 or more but less than $1,000,000.

Class C - Utilities having annual water operating revenues of less than $200,000.

B. This system of accounts applies to Class B utilities. The system of accounts applicable to Class A and C utilities are issued separately.

C. The class to which any utility belongs shall originally be determined by the average of its annual water operating revenues for the last three consecutive years. Subsequent changes in classification shall be made when the average annual water operating revenues for the three immediately preceding years exceed the upper limit or are less than the lower limit, of the annual water operating revenues of the classification previously applicable to the utility. For a utility with both water and wastewater operations, the classification shall be based on the operation with the highest annual revenues.

2. General - Records

A. Each utility shall keep its books of account, and all other books, records, and memoranda which support the entries in such books of accounts so as to be able to furnish readily full information as to any item included in any account. Each entry shall be supported by such detailed information as will permit a ready identification, analysis, and verification of all facts relevant thereto.

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

C. No utility shall destroy any such books or records unless the destruction thereof is permitted by rules and regulations of the Commission.

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

E. All amounts included in the accounts prescribed herein for utility plant and operating expenses shall be just and reasonable and any payments or accruals by the utility in excess of just and reasonable charges shall be included in account 426 - Miscellaneous Nonutility Expenses.

F. The arrangement or sequence of the accounts prescribed herein shall not be controlling as to the arrangement or sequence in report forms which may prescribed by the Commission.

3. General - Numbering System

A. The account numbering scheme used herein consists of a system of three digit numbers as follows:

100-199	Assets and Other Debits
200-299	Equity, Liabilities and Other Credits
300-349	Water Plant Accounts
400-434	Income Accounts
435-439	Retained Earnings Accounts
460-489	Water Operating Revenue Accounts
600-699	Water Operation and Maintenance Expenses

B. The utility plant and operation and maintenance expense accounts are further subdivided using a suffix of one decimal place as explained in following instructions.

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

D. The numbers prefixed to account titles are solely for convenience of reference and are not a part of the titles. Each utility may adopt such scheme of account numbers as it deems appropriate; provided, however, that is shall keep readily available a list of the account numbers and subdivisions of accounts which it uses and a reconciliation of such numbers and subdivisions with the account numbers and titles provided herein. Further, the records must be kept to permit classification or summarization of each accounting period according to the prescribed accounts.

4. General - Accounting Period

Each utility shall keep its books on a monthly basis so that for each accounting period all transactions applicable thereto, as nearly as may be ascertained, shall be entered in the books of the utility. Each utility shall close its books at the end of each calendar year unless otherwise authorized by the Commission.

5. General - Submittal of Questions

To maintain uniformity of accounting, utilities shall submit questions of doubtful interpretation to the Commission for consideration and decision.

6. General - "Item" Lists

List of "items" appearing in the texts of the accounts or elsewhere herein are for the purpose of more clearly indicating the application of the prescribed accounting. 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.

7. General - Extraordinary Items

It is the intent that net income shall reflect all items of profit and loss during the period with the sole exception of prior period adjustments as described in Accounting Instruction 8. Those items related to the effects of events and transactions which have occurred during the current period and which are not typical or customary business activities of the company shall be considered extraordinary items. Commission approval must be obtained to treat an item as extraordinary. Such request must be accompanied by complete detailed information.

8. General - Prior Period Items

A. All prior period adjustments to retained earnings shall be approved by the Commission. Generally the only type of transactions which will be considered as a prior period adjustment are:

(1) Correction of an error in the financial statements of a prior period; or

(2) Adjustments that result from realization of income tax benefits of preacquisition loss carry forwards of purchased subsidiaries.

B. Prior period adjustments, when approved, shall be charged or credited to account 439 - Adjustments to Retained Earnings, and are not considered in income of the period. Prior period adjustments shall be recorded net of all state and federal income tax effects.

C. Changes in depreciation or amortization estimates or methods are considered changes in accounting estimates rather than accounting errors; and therefor are not subject to prior period adjustments. Any adjustments made to the accumulated amortization or depreciation balances of the utility due to a change in estimate or method shall be offset by a charge or credits to either: an income account; account 186 - Miscellaneous Deferred Debits; or account 253 - Other Deferred Credits, as is directed by the Commission.

9. General - Allocation of Salaries and Expenses of Employees

Charges to utility plant or to a salaries expense account shall be based upon the actual time engaged in either plant construction or providing operation services. In the event actual time spent in the various activities is not available or practicable, salaries should be allocated upon the basis of a study of the time engaged during a representative period. Charges should not be made to the accounts based upon estimates or in an arbitrary fashion.

10. General - Payroll Distribution

Underlying accounting data shall be maintained so that the distribution of the costs of labor charged to the various accounts will be available. The utility may utilize clearing accounts in its accounting process; however, the use of clearing accounts does not relieve the utility from the responsibility of providing a distribution of the costs of labor or from being able to substantiate its labor charged with sufficient source documents.

11. General - Operating Reserves

Accretions to operating reserve accounts made by charges to operating expenses shall not exceed a reasonable provision for the expense. Material balances in such reserve accounts shall not be diverted from the purpose for which provided, unless the permission of the Commission is first obtained.

12. General - Accounting for Other Departments

If the utility also operates other utility departments, such as electric, wastewater, gas, etc., it shall keep such accounts for the other departments as may be prescribed by proper authority and in the absence of prescribed accounts, it shall keep such accounts

as are proper or necessary to reflect the results of operating each other department.

13. Utility Plant - To be Recorded at Cost

A. All amounts included in the accounts for utility plant acquired as an operating unit or system, shall be stated at the cost incurred by the person who first devoted the property to utility service. All other utility plant shall be included in the accounts at the cost incurred by the utility except as otherwise provided in the texts of the intangible plant accounts. Where the term "cost" is used in the detailed plant accounts, it shall have the meaning stated in this paragraph (See Definition 9).

B. When the consideration given for property is other than cash, the value of such consideration shall be determined on a cash basis. In the entry recording such transaction, the actual consideration shall be described with sufficient particularity to identify it. The utility shall 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 shall be made to the utility plant accounts for interest, insurance, or other expenditures occasioned solely by such form of payment.

D. Utility plant accounts shall be charged with construction costs (estimated, if not known) of the utility plant contributed by others or constructed by the utility using contributed cash or its equivalent. For contributed utility plant, the accumulated depreciation or amortization account shall be charged with the estimated amount of depreciation or amortization applicable to the property at the time it was contributed to the utility. Account 271 - Contributions in Aid of Construction shall be credited with the net of the amounts charged to the plant and the accumulated depreciation of amortization accounts. For plant constructed using contributed cash or its equivalent, account 271 - Contributions in Aid of Construction shall be credited with the amount of the cash or its equivalent contribution.

14. Utility Plant - Components of Construction Cost

The cost of construction of property chargeable to the utility plant accounts shall include, where applicable, the cost labor, materials and supplies, transportation, work done by others for the utility, injuries and damages incurred in construction work, privileges and permits, special machine service, allowance for funds used during construction and such portion of general engineering, administrative salaries and expenses, insurance, taxes and other analogous items as may be properly includible in

construction cost.

Note: -- The cost of individual items of equipment of less than $400 or of short life, including small portable tools and implements, shall not be charged to utility plant accounts unless the correctness of the accounting therefor is verified by current inventories. The cost shall be charged to the appropriate operating expense or clearing accounts, according to the use of such items, or, if such items are consumed directly in construction work, the cost shall be included as part of the cost of the construction unit.

15. Utility Plant - 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 accounting utility, legal expenses, insurance, injuries and damages, relief and pensions, taxes and allowance for funds used during construction, shall be charged to particular jobs or units on the basis of the amounts of such overheads reasonably applicable thereto, so that each job or unit shall bear its equitable proportion of such costs and that the entire costs of the unit, both direct and overhead, shall be deducted from the plant accounts at the time the property is retired.

B. As far as practicable, the determination of payroll charges includible in construction overheads shall be based on time card distributions thereof. Where this procedure is impractical, special studies shall be made periodically of the time of supervisory employees devoted to construction activities so that only such overhead costs as have a definite relation to construction shall be capitalized. The addition to direct construction costs of arbitrary percentages or amounts to cover assumed overhead costs is not permitted.

16. Utility Plant - Purchased or Sold

A. When utility plant constituting an operating unit or system is acquired by purchase, merger, consolidation, liquidation, or otherwise, the costs of acquisition, including expenses incidental thereto properly includible in utility plant, shall be charged to account 104 - Utility Plant Purchased or Sold.

B. The accounting for the acquisition shall then be completed as follows:

(1) The original cost of plant, estimated if not known, shall be credited to account 104 - Utility Plant Purchased or Sold, and concurrently charged to the appropriate utility plant in service accounts and account 102 - Utility Plant

Leased to Others and account 103 - Property Held for Future Use, and account 105 - Construction Work in Progress, as appropriate.

(2) The requirements for accumulated provision for depreciation and amortization applicable to the original cost of the properties purchased, if required by the Commission to be recorded by the accounting utility determined with due regard to operating practices of the purchaser and his plans regarding such property, and giving consideration also to the effect on such requirements of any rehabilitation expenditures (see Paragraph C), shall be charged to account 104 - Utility Plant Purchased or Sold, and concurrently credited to the appropriate account for accumulated depreciation or amortization.

(3) The cost to the utility of any nonutility plant shall be transferred to account 121 - Nonutility Property.

(4) The amount of contributions in aid of construction applicable to the property acquired, and which the purchaser may be required to record, shall be charged to account 104 - Utility Plant Purchased or Sold, and concurrently credited to account 271 - Contributions in Aid of Construction.

(5) The amount of accumulated amortization applicable to contributed property, and which the purchaser may be required to record, shall be credited to account 104 - Utility Plant Purchased or Sold and concurrently debited to account 272 - Accumulated Amortization of Contributions in Aid of Construction, according to the regulatory treatment of the Commission.

(6) The amount remaining in account 104 - Utility Plant Purchased or Sold, shall then be closed to account 114 - Utility Plant Acquisition Adjustments.

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

D. When any property acquired as an operating unit or system includes duplicate or other plant, which will be retired by the accounting utility in the reconstruction of the acquired property or its consolidation with previously owned property, the accounting for such property shall be presented to the Commission.

E. In connection with the acquisition of utility plant, the utility shall procure, if possible, all existing records relating to the property acquired, or certified copies thereof, and shall preserve such records in conformity with regulations or practices governing the preservation of records of its own construction.

F. When utility plant constituting an operating unit or system is sold, conveyed, or transferred to another by sale, merger, consolidation, or otherwise, the book cost of the property sold or transferred to another shall be credited to the appropriate utility plant accounts, including amounts carried in account 114 - Utility Plant Acquisition Adjustments, and the amounts (estimated if not known) carried with respect thereto in the accounts for accumulated depreciation and amortization and in account 252 - Advances for Construction, and account 271 - Contributions in Aid of Construction, shall be charged to such accounts and the contra entries made to account 104 - Utility Plant Purchased or Sold. Unless otherwise ordered by the Commission, the difference, if any between (a) the net amount of debits and credits and (b) the consideration received for the property (less commissions and other expenses of making the sale) shall be included in account 414 - Gains (Losses) From Disposition of Utility Property (See account 104 - Utility Plant Purchased or Sold).

Note:--In cases where existing utilities merge or consolidate because of financial or operating reasons or statutory requirements rather than as a means of transferring title of purchased properties to a new owner, the accounts of the constituent utilities, with the approval of the Commission, may be combined. In the event original cost has not been determined, the resulting utility shall proceed to determine such cost as outlined herein.

17. Utility Plant - Accounting for Capital and Operating Leases

A. For each lease entered into, the utility shall maintain sufficient documents and other background information as necessary to determine whether the lease is a capital or operating lease. This information includes but is not limited to:

(1) Evidence or documents of ownership;
(2) Signed copies of the lease agreement;
(3) Estimated life of the leased property;
(4) Evidence as to the value of the leased property;
(5) Evidence as to the lessor's implicit interest rate (if available);
(6) Evidence as to the lessee's borrowing rate; and
(7) The amount and disposition of executory costs (taxes, maintenance and insurance).

B. Leases shall be accounted for by the utility as described in Statement of Financial Accounting Standards Nos. 13 (as amended)

and 71 published by the Financial Accounting Standards Board; however, the Commission may elect to approve the entries made to the utilities accounts in recording the effect of utility leases.

C. Capitalized leases shall be recorded in the appropriate plant in service account(s) which describe the type of asset leased. These records shall be maintained in sufficient detail such that the utility will be able to report the number, general nature, and residual balances of all capitalized leased assets as well as any related leasehold amortization balances and the balance of any leasehold obligations.

18. Utility Plant - Expenditures on Leased Property

A. The cost of substantial initial improvements (including repairs, rearrangements, additions and betterments) made in the course of preparing for utility property leased for a period of more than one year, and the cost of subsequent substantial additions, replacements, or betterments to such property, shall be charged to the utility plant account appropriate for the class of property leased. If the service life of the improvements is terminable by action of the lease, then the cost, less net salvage, of the improvements shall be spread over the life of the lease by charges to account 407.1 - Amortization of Limited Term Plant. However, if the service life is not terminated by action of the lease, but by depreciation proper, then the cost of the improvements, less net salvage, shall be accounted for as depreciable plant.

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 shall be charged to the account in which the rent is included.

19. Utility Plant - Land and Land Rights

A. The accounts for land and land rights include the cost of land owned in fee by the utility and rights, interests, and privileges held by the utility in land owned by others, such as leaseholds, easements, water and water power rights, diversion rights, submersion rights, rights of way, and other like interests in land. Do not include in the accounts for land, land rights, and rights of way costs incurred in connection with first clearing and grading of land and rights of way and the damage costs associated with the construction and installation of plant. Such costs shall be included in the appropriate plant accounts directly benefited.

B. Where special assessments for public improvements provide for deferred payments, the full amount of the assessments shall be

charged to the appropriate land account and the unpaid balance shall be carried in an appropriate liability account. Interest on unpaid balances shall be charged to the appropriate interest expense account. If any part of the cost of public improvements is included in the general tax levy, the amount thereof shall be charged to the appropriate tax account.

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

D. Any difference between the amount received from the sale of land or land rights, less agents' commissions and other costs incident to the sale, and the book cost of such land or rights, shall be included in account 414 - Gains (Losses) from Disposition of Utility Property, unless a reserve therefore has been authorized and provided or, less otherwise authorized or required by the Commission. Appropriate adjustments of the accounts shall be made with respect to any structures or improvements located on land sold.

E. The cost of buildings and other improvements (other than public improvements) shall not be included in the land accounts. If at the time of acquisition of any interest in land, such interest extends to buildings or other improvements (other than public improvements), which are then devoted to water operations, the land and improvements shall be separately appraised and the cost allocated to land and buildings or improvements on the basis of the appraisals. If the improvements are removed or wrecked without being used in operations, the cost of removing or wrecking shall be charged and the salvage credited to the account in which the cost of the land is recorded.

F. When the purchase of land for utility operations requires the purchase of more land than needed for such purposes, the charge to the specific land account shall be based upon the cost of the land purchased, less the fair market value of that portion of the land which is not to be used in utility operations. The portion of the cost measured by the fair market value of the land not to be used shall be included in account 103 - Property Held for Future Use, or account 121 - Nonutility Property, as appropriate.

G. Provision shall 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 407.1 - Amortization of Limited Term Plant).

20. Utility Plant - Structures and Improvements

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

B. The cost of specially provided foundation, not intended to outlast the machinery for apparatus for which provided, and the cost of angle irons, castings, etc., installed at the base of any item of equipment, shall be charged to the same account as the cost of the machinery, apparatus, or equipment.

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

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

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

21. Utility Plant - Equipment

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

B. Exclude from equipment accounts hand and other portable tools, which are likely to be lost or stolen or which have a value of less than $400 or short life, unless the correctness of the accounting therefor as utility plant is verified by current inventories. Special tools acquired and included in the purchase price of equipment shall be included in the appropriate plant account. Portable drills and similar tool equipment when used in connection with the operation and maintenance of a particular plant or department or in "stores", shall be charged to the plant account appropriate for their use.

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

D. The equipment accounts shall include the necessary costs of testing or running a plant or part thereof during an experimental or test period prior to becoming available for service. The utility shall furnish the Commission with full particulars of and justification for any test or experimental run extending beyond a period of thirty days.

E. The cost of efficiency or other tests made subsequent to the date equipment becomes available for service shall be charged to the appropriate expense accounts, except that tests to determine whether equipment meets the specifications and requirements as to efficiency, performance, etc., 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 utility plant account.

22. Utility Plant - Additions and Retirements

A. For the purpose of avoiding undue refinement in accounting for additions to and retirements and replacements of utility plant, all property shall be considered as consisting of (1) retirement units and (2) minor items of property. Each utility shall use such list of retirement units as is in use by it at the effective date hereof or as may be prescribed by the Commission, with the option, however, of using smaller units, provided the utility's practice in this respect is consistent.

B. The addition and retirement of retirement units shall be accounted for as follows:

(1) When a retirement unit is added to the utility plant, the cost thereof shall be added to the appropriate utility plant account, except that when units are acquired in the acquisition of any utility plant constituting an operating system, they shall be accounted for as provided in Instruction 16.

(2) When a retirement unit is retired from utility plant, with or without replacement, the book cost thereof shall be credited to the utility plant account in which it is included, determined in the manner set forth in paragraph D, below. If the retirement unit is of a depreciable class, the book cost of the unit retired and credited to utility plant shall be charged to the accumulated depreciation applicable to such property. The cost of removal and the salvage shall be charged or credited, as appropriate, to such depreciation account.

C. The addition and retirement of minor items of property shall be accounted for as follows:

(1) When a minor item of property which did not previously exist is added to plant and a substantial addition results, the cost thereof shall be accounted for in the same manner as for the addition of a retirement unit, as set forth in paragraph B(1), above, otherwise the charge shall be to the appropriate maintenance expense account.

(2) When a minor item of property is retired and not replaced, the book cost thereof shall be credited to the utility plant account in which it is included; and, in the event the minor item is a part of a depreciable plant, the account for accumulated depreciation shall be charged with the book cost and cost of removal and

credited with the salvage. If, however, the book cost of the minor item retired and not replaced has been or will be accounted for by its inclusion in the retirement unit of which is a part when such unit is retired, no separate credit to the property account is required when such 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 shall be charged to the maintenance expense account appropriate for the item, except that if the replacement effects a substantial betterment (the primary aim of which is to make the property affected more useful, more efficient, of greater durability, or of greater capacity), the excess cost of the replacement over the estimated cost at current prices of replacing without betterment shall be charged to the appropriate utility plant account.

D. The book cost of the utility plant retired shall be the amount at which such property is included in the utility plant accounts, including all components of construction costs. The book cost shall be determined from the utility's records and if this cannot be done, it shall be estimated. When it is impracticable to determine the book cost of each unit, due to the relatively large number or small cost thereof, an appropriate average book cost of the units, with due allowance for any differences in size and character, shall be used as the book cost of the units retired.

E. The book cost of land retired shall be credited to the appropriate land account. If the land is sold, the difference between the book cost and the sale price of the land (less commissions and other expenses of making the sale) shall be included in account 414 - Gains (Losses) from Disposition of Utility Property, unless otherwise authorized or required by the Commission. If the land is not used in utility service but is retained by the utility, the book cost shall be charged to account 103 - Property Held for Future Use, or account 121 - Nonutility Property, as appropriate.

F. The book cost less net salvage of utility plant retired shall be charged in its entirety to account 108 - Accumulated Depreciation and 110 - Accumulated Amortization of Utility Plant in Service. Any amounts which, by approval or order of the Commission, are charged to account 182 - Extraordinary Property Losses, shall be credited to account 108 - Accumulated Depreciated and 110 - Accumulated Amortization of Utility Plant in Service.

G. In some instances the unexpected early retirement of a major unit of property, which would eliminate or seriously deplete the existing depreciation reserve, may require accounting treatment which differs from that described in paragraph B above. In such instances the Commission may authorize or order the loss on retirement (less any tax savings) to be charged to income in the current year or transferred to account 186 - Miscellaneous Deferred Debits, and amortized in future periods. Such accounting treatment shall be used only when specifically authorized or directed by the Commission.

23. Utility Plant - Transfers of Property

A. When property is transferred from one utility plant account to another, from one utility department to another, such as from water to wastewater, from one operating division or area to another, to or from Utility Plant in Service, Utility Plant Leased to Others and Property Held for Future Use, the transfer shall be recorded by transferring the original cost thereof from the one account, department, or location to the other. Any related amounts carried in the accounts for accumulated depreciation or amortization shall be transferred in accordance with the segregation of such accounts.

B. When depreciable property is transferred from the utility plant accounts to account 121 - Nonutility Property, the transfer shall be accomplished by crediting the utility plant accounts and charging the accumulated depreciation with the book cost of the item transferred; the accumulated depreciation shall then be credited and account 121 - Nonutility Property, concurrently charged with the market value of the property transferred. If the property is sold within a relatively short time, a debit or credit shall be made to accumulated depreciation to adjust the estimated salvage to the amount actually realized.

24. Utility Plant - Common Plant

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

B. Utility plant designated as common utility plant shall be classified according to the detailed utility plant accounts appropriate for the property.

C. The utility shall be prepared to show at any time and to report to the Commission annually, or more frequently, if required, and by utility plant accounts (301 to 348) the following: (1) the book cost of common utility plant (2) the allocation of such cost to the respective departments using the common utility plant and (3) the basis of the allocation.

D. The accumulated depreciation and amortization of the utility shall be segregated so as to show the amount applicable to the property classified as common utility plant.

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

25. Utility Plant - Multiple Use

Land, rights of way and structures used jointly for several functions shall be classified according to the major use thereof.

26. Utility Plant - Plant Account Matrix

A. Class B utilities are required to subdivide the plant accounts into "functional" operations. Each object account shall be subdivided as shown in the plant account matrix shown on page 76. The subaccounts are to be designated by adding a suffix of one decimal place to the three digit account number.

B. The "functional" operations for the water system are listed below along with the designated suffix:

.1 Intangible plant
.2 Source of supply and pumping plant
.3 Water treatment plant
.4 Transmission and distribution plant
.5 General Plant

27. Operating Income - Depreciation Expense

A. Depreciation charges shall be computed using either the straight-line remaining life method (See definition 36) or the straight-line method (See definition 37), according to which method has been approved by the Commission. Composite depreciation rates (See definition 8) may be used with prior Commission approval. When at all possible, separate depreciation charges shall be computed for both contributed plant and for plant generating

investment tax credits including progress payment investment tax credits.

B. When the straight-line remaining life method is used, the rates shall be reviewed periodically and adjusted as required, so that the depreciation accrual will bear a reasonable relationship to the remaining life, the estimated net future salvage, cost of plant in service and to the balance of accumulated depreciation accrued in prior periods.

C. When the straight-line method is used, the rates shall be reviewed periodically and adjusted as required, so that the depreciation accrual will bear a reasonable relationship to the service life, the estimated net salvage, and the cost of plant in service.

D. Amortization of contributions in aid of construction (CIAC), if recognized by the Commission, shall be credited to account 403 - Depreciation Expense. The concurrent debit is to account 272 - Accumulated Amortization of CIAC. The resulting balance in the depreciation expense account will be net of CIAC amortization. CIAC shall be amortized over a period equal to the estimated service life of the related contributed asset. A group composite or overall composite rate, which ever is applicable, may be used for CIAC that can not be directly related to a particular plant asset.

28. Operating Income - Income Taxes

A. Current income tax provision

(1) The utility shall initially debit account 409 - Income Taxes, and credit account 236 - Accrued Taxes, to record its estimated current income tax liability. As the exact amounts of taxes become known, the current tax accruals shall be adjusted by debits or credits to these accounts unless such adjustments are properly includible in account 214 - Appropriated Retained Earnings or account 215 - Unappropriated Retained Earnings, so that these accounts as nearly as can be ascertained shall include the actual taxes payable by the utility.

(2) The accruals for income taxes shall be apportioned among utility departments and to Other Income and Deductions so that, as nearly as practicable, each tax shall be included in the expenses of the utility department or Other Income and Deductions, shall be related to the income which gave rise to the tax. The income tax effect of amounts recorded in account 214 - Appropriated Retained Earnings or account 215 - Unappropriated Retained Earnings, shall be recorded in

that amount.

B. Interperiod Tax Allocation - Depreciation

(1) The Federal Economic Recovery Tax Act of 1981 (ERTA).

ERTA provides that a utility claiming accelerated depreciation (Accelerated Cost Recovery System (ACRS)) must use a normalized method of accounting for federal income taxes on its regulated books of account and for ratemaking purposes. A utility must use the same depreciation method and service lives in computing federal income tax expense when establishing cost of service for ratemaking purposes as is used in its regulated books of account, or if it uses a different method, it must make adjustments to a reserve to reflect the deferral of taxes resulting from such differences. Similarly, in order to claim investment tax credits, a utility must defer the entire balance of investment tax credits on its books of account and amortize the balance over the life of the related property.

C. Comprehensive Interperiod Income Tax Allocation - Other Than Depreciation.

(1) Certain regulatory bodies have required comprehensive interperiod income tax allocation of all material book-tax timing differences other than depreciation differences. They have reasoned that where there are timing differences between the period 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 period in which the differences reverse using the deferred tax method. In general, comprehensive interperiod tax allocation should be followed whenever transactions enter into the determination of pretax accounting income for the period even though some transactions may affect the determination of taxes payable in a different period, as further qualified below.

(2) Utilities are not required to utilize comprehensive interperiod income tax allocation until the deferred income taxes are included as an expense in the rate level by the regulatory authority having rate jurisdiction over the utility. Where comprehensive interperiod tax allocation accounting is not practiced, the utility shall include as a note to each financial statement, prepared for public use, a footnote explanation setting forth the utility's accounting policies with respect to interperiod tax allocation and describing the treatment for ratemaking purposes of the tax timing difference by regulatory authorities having jurisdiction.

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

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

EXAMPLE

The following example shows how the various transactions are recorded:

a. A utility purchases depreciable plant at a cost of $10,000. The plant has a 10 year life with no salvage.

b. The utility's federal taxable income from utility operations, before the effect of depreciation is $30,000 (46% tax rate).

c. ACRS depreciation for each year is $800, $1400, $1200, $1000, $1000, $1000, $900, $900, $900, $900.

d. Book depreciation for each year using half year convention in year placed in service is: $500, $1000, $1000, $1000, $1000, $1000, $1000, $1000, $1000, $1000, $500.

e. Investment tax credit is $800 ($10,000 x 8%) in order to use 100% of the $10,000 cost for ACRS depreciation.

f. Deferred taxes are calculated by subtracting tax depreciation from book depreciation and multiplying by the tax rate. If tax depreciation is greater than book, debit Account 410 and credit Account 282. If book depreciation is greater than tax, debit Account 282 and credit Account 410.

	Account Number	Account Title	Debit	Credit
Year 1				
1-a	409.10	Income Taxes, Utility Operating Income	$12,632	
	236.1	Accrued Taxes, Utility Operating Income		$12,632
		To record taxes estimated be payable for period (.46($30,000 - $800)) - $800		
1-b	410.10	Deferred Income Taxes	138	
	282	Accumulated Deferred Income Taxes - Liberalized Depreciation		138
		To record deferral of a portion of taxes based on the difference between straight-line depreciation and ACRS depreciation (.46($500-$800). NOTE:--The deferred tax balance of $138 would either be deducted from rate		

	Account Number	Account Title	Debit	Credit
		base or be included in capital structure at zero cost.		
1-c	412.10	Investment Tax Credits Deferred to Future Periods, Utility Operations	800	
	255.1	Accumulated Deferred Investment Tax Credits, Utility Operations		800
		To record the investment tax credits realized and deferred to future years in accordance with provisions of either the "General Rule"/Option 1 Treatment or the "Special Rule for Ratable Flow - through"/Option 2 Treatment ($10,000 x 8%).		
1-d	255.1	Accumulated Deferred Investment Tax Credits, Utility Operations	40	
	412.30	Investment Tax Credits Restored to Nonoperating Income, Utility Operations		40
		To record ratable amortization over the book depreciable life of the investment tax credits deferred to future periods (.50 ($800 (1/10))). NOTE:--The net balance of deferred investment tax credits ($800 - $40) would be either deducted from rate base or included in capital structure at zero cost. This treatment is followed by utilities subject to the "General Rule"/Option 1 Treatment.		
1-e	255.1	Accumulated Deferred Investment Tax Credits, Utility Operations	40	
	412.11	Investment Tax Credits Restored to Operating Income, Utility Operations.		40
		To record ratable flow-through over the asset's book depreciable life of investment tax credits deferred to future periods (.50($800 (1/10))). NOTE:--The net balance of deferred ITC ($800-$40) would earn the overall		

	Account Number	Account Title	Debit	Credit
		rate of return. This treatment is followed by utilities subject to "Special Rule for Ratable Flow-through"/Option 2 Treatment.		
Year 2				
2-a	409.10	Income Taxes, Utility Operating Income	$13,156	
	236.1	Accrued Taxes, Utility Operating Income		$13,156
		To record taxes estimated to be payable for period .46($30,000 - $1,400).		
2-b	410.10	Deferred Income Taxes	184	
	282	Accumulated Deferred Income Taxes-Liberalized Depreciation		184
		To record deferral of a portion of taxes based on the difference between straight-line depreciation and ACRS depreciation (.46($1000-$1400)). NOTE:--The cumulative balance of deferred taxes ($138 + $184) would be either deducted from rate base or included in capital structure at zero cost.		
2-c	255.1	Accumulated Deferred Investment Tax Credits, Utility Operations	80	
	412.30	Investment Tax Credits Restored to Nonoperating Income, Utility Operations		80
		To record ratable amortization over the asset's book depreciable life of the ITC deferred to future periods ($800 (1/10)). NOTE:--The net balance of deferred ITC ($800 - ($40 + $80)) would be either deducted from rate base or included in capital structure at zero cost. This treatment is followed by utilities subject to the "General Rule"/Option 1 Treatment.		

	Account Number	Account Title	Debit	Credit
2-d	255.1	Accumulated Deferred Investment Tax Credits, Utility Operations	80	
	412.11	Investment Tax Credits Restored to Operating Income, Utility Operations		80
		To record ratable flow-through over the asset's book depreciable life of investment tax credits deferred to future period ($800(1/10)). NOTE:-- The net balance of deferred ITC ($800-($40 + $80)) would earn the overall rate of return. This treatment is followed by utilities subject to the "Special Rule for Ratable Flow-Through"/Option 2 Treatment.		
Year 3				
3-a	409.10	Income Taxes, Utility Operating Income	13,248	
	236.1	Accrued Taxes, Utility Operation Income		13,248
		To record taxes estimated to be payable for the period (.46($30,000-$1,200)).		
3-b	410.10	Deferred Income Taxes	92	
	282	Accumulated Deferred Income Taxes - Liberalized Depreciation		92
		To record deferral of a portion of taxes based on the difference between straight-line depreciation and ACRS depreciation (($1,000-$1,200).46). The cumulative balance of deferred taxes ($138 + $184 + $92) would be either deducted from rate base or included in capital structure at zero cost.		
3-c	255.1	"General Rule"/Option 1 Treatment	80	
	412.30	utilities would record the same entry as in Year 2 for amortization of ITC. The net balance deducted from rate base or included in capital structure at zero cost would be ($800-($40 + 2 ($80))).		80

ACCOUNTING INSTRUCTIONS

	Account Number	Account Title	Debit	Credit
3-d	255.1	"Special Rule for Ratable Flow-Through"/Option 2 Treatment utilities would record the same entries recorded in Year 2 for ratable flow-through of ITC. The net ITC balance earning the overall rate of return would be $600.	80	
	412.11			80
Year 4				
4-a	409.10	Income Taxes, Utility Operating Income	13,340	
	236.1	Accrued Taxes, Utility Operating Income		13,340
		To record taxes estimated to be payable for the period (.46($30,000-$1,000)).		
4-b	410.10	No entry would be made related to deferred taxes because book and tax depreciation are equal. The cumulative balance of $414 would continue to be deducted from rate base or included in capital structure at zero cost.		
	282			
4-c	255.1	"General Rule"/Option 1 Treatment utilities. Same entry as Year 2 Net deferred balance either deducted from rate base or included in capital structure at zero cost would be ($800-($40+3($80))).	80	
	412.30			80
4-d	255.1	"Special Rule for Ratable Flow-Through"/Option 2 Treatment utilities. Same entry as Year 2. Net balance earning the overall rate of return would be $520.	80	
	412.11			80
Year 5				
5-a	409.10	Same entry as Year 4.	13,340	
	236.1			13,340
5-b	410.10	See Year 4.		
	282			

	Account Number	Account Title	Debit	Credit
5-c	255.1	"General Rule"/Option 1 Treatment	80	
	412.30	utilities. Same entry as Year 2. Net ITC balance deducted from rate base or included in capital structure is $440.		80
5-d	255.1	"Special Rule for Ratable Flow-	80	
	412.11	Through"/Option 2 Treatment utilities. Same entry as Year 2. Net ITC balance earning overall rate of return is $440.		80
Year 6				
6-a	409.10	Same entry as Year 4.	13,340	
	236.1			13,340
6-b	410.10	See Year 4.		
	282			
6-c	255.1	"General Rule"/Option 1 Treatment	80	
	412.30	utilities same entry as Year 2. Net ITC balance deducted from rate base or included in capital structure at zero cost is $360.		80
6-d	255.1	"Special Rule for Ratable Flow-	80	
	412.11	Through"/Option 2 Treatment utilities. Same entry as Year 2. Net ITC balance earning the overall rate of return is $360.		80
Year 7				
7-a	409.10	Income Taxes, Utility Operating Income	13,386	
	236.1	Accrued Taxes, Utility Operating Income		13,386
		To record taxes estimated to be payable for the period (.46($30,000 - $900)).		
7-b	282	Accumulated Deferred Income Taxes - Liberalized Depreciation	46	
	410.10	Deferred Income Taxes To record reversal of taxes		46

	Account Number	Account Title	Debit	Credit
		deferred in prior years ($1000 - $900).46). NOTE:--The net deferred tax balance deducted from rate base or included in capital structure at zero cost is $368.		
7-c	255.1 412.30	"General Rule"/Option 1 Treatment utilities. Same entries as Year 2. Net ITC balance deducted from rate base or included in capital structure at zero cost is $280.	80	80
7-d	255.1 412.11	"Special Rule for Ratable Flow-Through"/Option 2 Treatment utilities. Same entry as Year 2. NOTE:--Net ITC balance earning the overall rate of return is $280.	80	80
Year 8				
8-a	409.10 236.1	Same entry as Year 7.	13,386	13,386
8-b	282 410.10	Same entry as Year 7. NOTE:--Net balance deducted from rate base or included in capital structure at zero cost is $322.	46	46
8-c	255.1 412.30	"General Rule"/Option 1 Treatment utilities. Same entry as Year 2. NOTE:--Net ITC balance deducted from rate base or included in capital structure at zero cost is $200.	80	80
8-d	255.1 412.11	"Special Rule for Ratable Flow-Through"/Option 2 Treatment utilities. Same entry as Year 2. NOTE:--Net ITC balance earning the overall rate of return is $200.	80	80
Year 9				
9-a	409.10 236.1	Same entry as Year 7.	13,386	13,386

	Account Number	Account Title	Debit	Credit
9-b	282	Same entry as Year 7. NOTE:--	46	
	410.10	Net balance of deferred taxes deducted from rate base or included in capital structure at zero cost is $276.		46
9-c	255.1	"General Rule"/Option 1 Treatment	80	
	412.30	utilities. Same entry as Year 2. NOTE:--Net balance ITC deducted from rate base or included in capital structure at zero cost is $120.		80
9-d	255.1	"Special Rule for Ratable Flow-	80	
	412.11	Through"/Option 2 Treatment utilities. Same entry as Year 2. NOTE:--Net balance ITC earning overall rate of return is $120.		80
Year 10				
10-a	409.10	Same entry as Year 7.	13,386	
	236.1			13,386
10-b	282	Same entry as Year 7. NOTE:--	46	
	410.10	Net balance deferred taxes deducted from rate base or included in capital structure at zero cost is $230.		46
10-c	255.1	"General Rule"/Option 1 Treatment	80	
	412.30	utilities. Same entry as Year 2. NOTE:--Net balance ITC deducted from rate base or included in capital structure at zero cost is $40.		80
10-d	255.1	"Special Rule for Ratable Flow-	80	
	412.11	Through"/Option 2 Treatment utilities. Same entry as Year 2. NOTE:--Net balance ITC earning overall rate of return is $40.		80
Year 11				
11-a	409.10	Income Taxes, Utility Operating Income	13,800	
	236.1	Accrued Taxes, Utility Operating Income		13,800

	Account Number	Account Title	Debit	Credit
		To record taxes estimated to be payable for period (.46($30,000)).		
11-b	282	Accumulated Deferred Income Taxes Liberalized Depreciation	230	
	410.10	Deferred Income Taxes		230
		To record reversal of taxes deferred in prior years (($500 - 0).46). NOTE:--There is no longer a deferred tax balance to be deducted from rate base or included in capital structure at zero cost.		
11-c	255.1	"General Rule"/Option 1 Treatment	40	
	412.30	utilities. Same entry as Year 1. NOTE:--There is no longer an ITC balance to be deducted from rate base or included in capital structure at zero cost.		40
11-d	255.1	"Special Rate for Ratable Flow-	40	
	412.11	Through"/Option 2 Treatment utilities. Same entry as Year 1. NOTE:--There is no longer an ITC balance to earn the overall rate of return.		40

29. Operating Income - Clearing Accounts

A. The purpose of a clearing account is to temporarily accumulate in one account costs of a specific type which affect more than a single account, and which subsequently will be apportioned among utility plant accounts, operating expense accounts and other appropriate accounts.

B. The use of clearing accounts is optional. In addition to the payroll clearing account, a utility may use such additional clearing accounts as it finds useful. However, all operating expenses must be recorded in the accounts prescribed by this manual and the utility remains responsible for providing the underlying source documents as if all entries were made directly without the use of a clearing account.

30. Operating Income - Accrual Accounting

A. Monthly accounting using the accrual method is required. During the accounting period, certain amounts may have been earned although collection is not to be made until the subsequent period, and certain expenses may have been incurred, although payment is not to be made until a subsequent period. At the end of the accounting period the revenues and expenses shall be recognized by charging the appropriate expense account and corresponding liability or receivable account.

B. A reversing entry will be necessary at the beginning of the subsequent period.

31. Operating Income - Operation and Maintenance Expense Account Matrix

A. Class B utilities are required to subdivide the operation and maintenance expenses into functions. Each object account shall be subdivided by the functions as shown in the matrix schedule which proceeds the Operation and Maintenance Expense Accounts (page 116). The function will be designated by adding an additional one digit suffix to the basic object account.

B. The "functional" operations for the water system are listed with the designated suffix:

.1 Source of supply and pumping expenses - operations
.2 Source of supply and pumping expenses - maintenance
.3 Water treatment expenses - operations
.4 Water treatment expenses - maintenance
.5 Transmission and distribution expenses - operations
.6 Transmission and distribution expenses - maintenance
.7 Customer accounts expense
.8 Administrative and general expenses

32. Operating Income - Regulatory Assets and Liabilities

Regulatory debits and credits will often be used to reconcile differences between the requirements of Generally Accepted Accounting Principles, regulatory practice and federal, state, and local tax laws. For example, when there is a change in a federal, state or local income tax rate, Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes, (SFAS 109) requires that adjustments be made to existing debit and credit deferred tax balances through the income statement in the year in which the change is known or can be reasonably estimated. However, the Tax Reform Act of 1986 requires the effect of a federal income tax rate change to be recognized over a different period. Some state tax codes piggy-back the provisions of the federal tax code. Regulatory agencies may require that SFAS 109 be implemented in a revenue neutral way or they may accept the period of time and

method required by tax law for the adjustment of deferred income tax balances. These different requirements can be accommodated through the use of Account 186 - Miscellaneous Deferred Debits, Account 253 - Other Deferred Credits, Account 407.4 - Amortization of Regulatory Assets and Account 407.5 - Amortization of Regulatory Liabilities. By debiting and crediting these accounts, as appropriate, the difference between the existing deferred tax balances and the re-stated deferred tax balances can be flowed through the income statement as required by SFAS 109, without affecting the revenue requirement or violating the normalization requirements of the Internal Revenue Code. Further, the differences can be retained on the balance sheet so there is also no effect on either rate base or the utility's allowed rate of return.

BALANCE SHEET ACCOUNTS

Assets and Other Debits

Utility Plant

101. Utility Plant in Service
102. Utility Plant Leased to Others
103. Property Held for Future Use
104. Utility Plant Purchased or Sold
105. Construction Work in Progress
108. Accumulated Depreciation of Utility Plant in Service
110. Accumulated Amortization of Utility Plant in Service
114. Utility Plant Acquisition Adjustments
115. Accumulated Amortization of Utility Plant Acquisition Adjustments

Other Property and Investments

121. Nonutility Property
122. Accumulated Depreciation and Amortization of Nonutility Property
123. Investment in Associated Companies
124. Utility Investments
125. Other Investments
127. Other Special Funds

Current and Accrued Assets

131. Cash
    131.1 Cash on Hand
    131.2 Cash in Bank
132. Special Deposits
134. Working Funds
135. Temporary Cash Investments
141. Customer Accounts Receivable
142. Other Accounts Receivable
143. Accumulated Provision for Uncollectible Accounts--Cr.
144. Notes Receivable
145. Accounts Receivable from Associated Companies
146. Notes Receivable from Associated Companies
151. Plant Material and Supplies
162. Prepayments
171. Accrued Interest and Dividends Receivable
174. Miscellaneous Current and Accrued Assets

Deferred Debits

181. Unamortized Debt Discount and Expense
182. Extraordinary Property Losses
186. Miscellaneous Deferred Debits
190. Accumulated Deferred Income Taxes

BALANCE SHEET ACCOUNTS

Equity Capital and Liabilities

Equity Capital

201. Common Stock Issued
204. Preferred Stock Issued
211. Other Paid-In Capital
212. Discount on Capital Stock
213. Capital Stock Expense
214. Appropriated Retained Earnings
215. Unappropriated Retained Earnings
216. Reacquired Capital Stock

218. Proprietary Capital (for proprietorships and partnerships only)

Long-Term Debt

221. Bonds
223. Advances from Associated Companies
224. Other Long-Term Debt

Current and Accrued Liabilities

231. Accounts Payable
232. Notes Payable
233. Accounts Payable to Associated Companies
234. Notes Payable to Associated Companies
235. Customer Deposits
236. Accrued Taxes
237. Accrued Interest
238. Accrued Dividends
239. Matured Long-Term Debt
240. Matured Interest
241. Miscellaneous Current and Accrued Liabilities

Deferred Credits

251. Unamortized Premium on Debt
252. Advances for Construction
253. Other Deferred Credits
255. Accumulated Deferred Investment Tax Credits

Operating Reserves

261. Property Insurance Reserve
262. Injuries and Damages Reserve
263. Pensions and Benefits Reserve
265. Miscellaneous Operating Reserves

Contributions in Aid of Construction

271. Contributions in Aid of Construction
272. Accumulated Amortization of Contributions in Aid of Construction

Accumulated Deferred Income Taxes

281. Accumulated Deferred Income Taxes - Accelerated Amortization
282. Accumulated Deferred Income Taxes - Liberalized Depreciation
283. Accumulated Deferred Income Taxes - Other

BALANCE SHEET ACCOUNTS

Utility Plant

101. Utility Plant in Service

A. This account is the control account for plant accounts 301 through 348.

B. This account shall include the original cost of utility plant, included in the plant accounts prescribed herein and in similar accounts for other utility departments, owned and used by the utility in its utility operations, and having an expected life in service of more than one year from date of installation, including such property owned by the utility but held by nominees. Separate subaccounts shall be maintained hereunder for each utility department and/or division.

C. The cost of additions to and betterments of property leased from others, which are includible in this account, shall be recorded in subdivisions separate and distinct from those relating to owned property (See Accounting Instruction 17).

102. Utility Plant Leased to Others

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

B. The property included in this account shall be classified according to the detailed accounts prescribed for utility plant in service and this account shall be maintained in such detail as though the property were used by the owner in its utility operations.

103. Property Held for Future Uses

A. This account shall include the original cost of property owned and held for future use in utility service under a definite plan for such use. There shall be included herein property acquired but never used by the utility in utility service, but held for such service in the future under a definite plan, and property previously used by the utility in utility service, but retired from such service and held pending its reuse in the future, under a definite plan, in utility service.

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

C. Gains or losses from the sale of land and land rights or other disposition of such property previously recorded in this account and not placed in utility service shall, unless otherwise authorized or required by the Commission, be recorded directly in account 414 - Gains (Losses) from Disposition of Utility Property. However, when determined to be significant by the Commission the gain or loss shall be transferred to account 253 - Other Deferred Credits, or account 186 - Miscellaneous Deferred Debits. Such deferred amounts shall then be amortized to account 414 - Gains (Losses) from Disposition of Utility Property, unless otherwise authorized or required by the Commission.

D. The property included in this account shall be classified according to the detailed accounts prescribed for utility plant in service and the account shall be maintained in such detail as though the property were in service. Separate subaccounts shall be maintained hereunder for each utility department for which plant is held for future use.

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

104. Utility Plant Purchased or Sold

A. This account shall be charged with the cost of utility plant acquired as an operating unit or system by purchase, merger, consolidation, liquidation, or otherwise, and shall be credited with the selling price of like property transferred to others pending the distribution to appropriate accounts in accordance with Accounting Instruction 16.

B. Within six months from the date of acquisition or transfer of property recorded herein, the utility shall file with the Commission the proposed journal entries to clear from this account the amounts recorded herein.

105. Construction Work in Progress

A. This account shall include the total of balances of work orders for utility plant in process of construction but not ready for service at the date of the balance sheet.

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

108. Accumulated Depreciation of Utility Plant in Service

A. This account shall reflect the depreciation accumulated on plant used in water utility service.

B. This account shall be credited with:

(1) Amounts charged to account 403 - Depreciation Expense, representing currently accruing depreciation of water plant (which excludes contributed plant).

(2) Amounts equal to those concurrently charged to account 272 - Accumulated Amortization of Contributions in Aid of Construction, representing currently accruing amortization of contributed plant, if recognized by the Commission.

(3) Amounts charged to account 182 - Extraordinary Property Losses, when authorized by the Commission.

(4) Amounts representing the balance of accumulated depreciation of plant acquired from others.

C. At the time of retirement of utility plant, this account shall be charged with the book cost of the property retired and the cost of removal, and shall be credited with the salvage value and any other amounts recovered, such as insurance. When retirements, cost of removal and salvage are entered originally in retirement work orders, the net total of such work orders may be included in a separate subaccount hereunder. Upon completion of the work order, the proper distribution to subdivisions of this account shall be made.

D. The utility should maintain separate subaccounts corresponding with the depreciable plant accounts, in which the accumulated depreciation total is segregated.

E. When transfers of plant are made from one utility plant account to another, or from one or to another utility department, or from one or to nonutility property, the accounting for the related accumulated depreciation shall be as provided in Accounting Instruction 23.

F. The utility is restricted in its use of the provisions for depreciation to the purposes set forth above. It shall not divert any portion of this account or make any use thereof without authorization by the Commission.

110. Accumulated Amortization of Utility Plant in Service

A. This account shall reflect the amortization accumulated on plant used in water utility service.

B. This account shall be credited with:

(1) Amounts charged to account 407.1 - Amortization of Limited Term Plant, for the current amortization of limited term investments. It shall be credited also with amounts which may be charged to account 407.3 - Amortization of Other Utility Plant, or to account 426 - Miscellaneous Nonutility Expenses, to amortize intangible or other utility plant which does not have a definite or terminable life and is not subject to charges for depreciation expense.

(2) Amounts charged to account 413 - Income from Utility Plant Leased to Others, for the current amortization of limited term or other investments subject to amortization included in account 102 - Utility Plant Leased to Others.

C. When any property to which this account applies is sold, relinquished, or otherwise retired from service, this account shall be charged with the amount previously credited in respect to such property. The book cost of the property so retired less the amount chargeable to this account and less the new proceeds realized at retirement shall be included in account 414 - Gains (Losses) from Disposition of Utility Property, unless otherwise authorized or required by the Commission.

D. The utility is restricted in its use of the accumulated amortization account to the purposes set forth above. It shall not transfer any portion of this account or make any other use thereof without authorization by the Commission.

E. The utility should maintain separate subaccounts corresponding with the amortizable plant accounts, in which the accumulated amortization total is segregated.

114. Utility Plant Acquisition Adjustments

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

B. This account shall be subdivided so as to show the amounts included herein for each property acquisition and the amounts applicable to each utility department and to utility plant in service and utility plant leased to others (See Accounting Instruction 16).

C. The amounts recorded in this account with respect to each property acquisition shall be amortized, or otherwise disposed of, as the Commission may approve or direct.

115. Accumulated Amortization of Utility Plant Acquisition Adjustments

This account shall be credited or debited with amounts which are includible in account 406 - Amortization of Utility Plant Acquisition Adjustments, or account 426 - Miscellaneous Nonutility Expenses, for the purpose of providing for the extinguishment of amounts in account 114 - Utility Plant Acquisition Adjustments.

Other Property and Investments

121. Nonutility Property

A. This account shall include the book cost of land, structures, equipment or other tangible or intangible property owned by the utility, but not used in utility service and not properly includible in account 103 - Property Held for Future Use.

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

Note:--For transfers from utility plant accounts (see Accounting Instruction 23B).

122. Accumulated Depreciation and Amortization of Nonutility Property

This account shall included the accumulated depreciation and amortization applicable to property other than utility plant.

123. Investment in Associated Companies

A. This account shall include the book cost of investments in securities issued or assumed by associated companies (See definition 5) and investment advances to such companies, including interest accrued thereon when such interest is not subject to current settlement. Include also the offsetting entry to the recording of amortization of discount or premium on interest bearing investments (See account 419 - Interest and Dividend Income).

B. The account shall be maintained in such manner as to show the investment in securities of, and advances to, each associated

company together with full particulars regarding any of such investments that are pledged.

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

Note B:--Securities of associated companies held as temporary cash investments are includible in account 135 - Temporary Cash Investments.

Note C:--Balances in open accounts with associated companies, which are subject to current settlement, are includible in account 145 - Accounts Receivable from Associated Companies.

Note D:--The utility may write down the cost of any security in recognition of a decline in the value thereof. Securities shall be written off or written down to a nominal value if there is no reasonable prospect of substantial value. Fluctuations in market value shall not be recorded but a permanent impairment in the value of securities shall be recognized in the accounts. When securities are written off or written down, the amount of the adjustment shall be charged to account 426 - Miscellaneous Nonutility Expenses, or to an appropriate account for provisions for loss in value established as a separate subdivision of this account.

124. Utility Investments

This account shall include book cost of investments in securities issued or assumed by nonassociated companies for the purpose of insuring adequate water service (i.e., source of water supply).

125. Other Investments

A. This account shall include the book cost of investments in securities issued or assumed by nonassociated companies, investment advances to such companies, and any investments not accounted for elsewhere. Include also the offsetting entry to the recording of amortization of discount or premium on interest bearing investments (See account 419 - Interest and Dividend Income).

B. The cost of capital stock of the utility reacquired by it under a definite plan for resale pursuant to authorization by the Board of Directors may, if permitted by statutes, be included in a separate subdivision of this account (see also account 211 - Other Paid in Capital, and account 216 - Reacquired Capital Stock).

C. The records shall be maintained in such manner as to show the amount of each investment and the investment advances to each person.

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

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

Note C:--See Note D of account 123.

127. Other Special Funds

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

Note:--Amounts deposited with a trustee under the terms of an irrevocable trust agreement for pensions or other employee benefits shall not be included in this account.

Current and Accrued Assets

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

131. Cash

A. This account shall include the amount of cash on hand or on deposit in banks.

B. The following subaccounts shall be maintained:

131.1 Cash on Hand.
131.2 Cash in Bank.

132. Special Deposits

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

134. Working Funds

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

135. Temporary Cash Investments

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

B. This account shall be so maintained as to show separately temporary cash investments in securities of associated companies and of others. Records shall be kept of any pledged investments.

141. Customer Accounts Receivable

A. This account shall include amounts due from customers for utility service. This account shall not include amounts due from associated companies.

142. Other Accounts Receivable

A. This account shall include amounts due the utility upon open accounts, plus merchandising, jobbing and contract work, other than amounts due from associated companies and from customers for utility services.

B. This account shall be maintained so as to show separately amounts due on subscriptions to capital stock and from officers and employees, but the amount shall not include amounts advanced to officers or others as working funds (See account 134 - Working Funds).

143. Accumulated Provision for Uncollectible Accounts--Cr.

A. This account shall be credited with amounts provided for losses on accounts receivable which may become uncollectible, and also with collections on accounts previously charged hereto. Concurrent charges shall be made to account 670 - Bad Debt Expense, for amounts applicable to utility operations, and to corresponding accounts for other operations. Records shall be maintained so as to show the write-offs of accounts receivable for each utility department.

B. This account shall be subdivided to show the provision applicable to the following classes of accounts receivable:

(1) Utility Customers
(2) Merchandising, Jobbing and Contract Work
(3) Officers and Employees
(4) Other

Note A:--Accretions to this account shall not be made in excess of a reasonable provision against losses of the character provided for.

Note B:--If provisions for uncollectible notes receivable or for uncollectible receivables from associated companies are necessary, separate subaccounts therefor shall be established under the account in which the receivable is carried.

144. Notes Receivable

This account shall include the book cost, not includible elsewhere, or all collectible obligations in the form of notes receivable and similar evidences (except interest coupons) of money due on demand or within one year from the date of issue, except, however, notes receivable from associated companies (See account 135 - Temporary Cash Investments, and account 146 - Notes Receivable from Associated Companies).

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

145. Accounts Receivable from Associated Companies

See account 146.

146. Notes Receivable from Associated Companies

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

Note A:--On the balance sheet, accounts receivable from an associated company may be set off against accounts payable to the same company.

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

151. Plant Material and Supplies

A. This account shall include the cost of fuel on hand and unapplied materials and supplies (except meters) purchased primarily for use in the utility business for construction, operation and maintenance purposes. It shall include also the book cost of materials recovered in connection with construction, maintenance or accumulated depreciation, respectively, and included herein as follows:

(1) Reusable materials consisting of large individual items shall be included in this account at original cost, estimated if not known.

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

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

B. Materials and supplies issued shall be credited hereto and charged to the appropriate construction, operating expense, or other account on the basis of a unit price determined by the use of cumulative average, first-in-first-out, or such other method of inventory accounting as conforms with accepted accounting standards consistently applied.

C. Inventories of materials, supplies, fuel, etc., shall be taken at least annually and the necessary adjustments shall be made to bring this account into agreement with the actual inventories.

In affecting the adjustments, large differences which can be assigned to important classes of materials shall be equitably adjusted among the accounts to which such classes of materials have been charged since the previous inventory. Other differences shall be equitably apportioned among the accounts to which materials have been charged.

Items

1. Invoice price of materials less cash or other discounts.
2. Freight, switching or other transportation charges when practicable to include as part of the cost of particular materials to which they relate.
3. Customs, duties and excise taxes.
4. Costs of inspection and special tests prior to acceptance.
5. Insurance and other directly assignable charges.

Note A:--Where expenses applicable to materials purchased cannot be directly assigned to particular purchases, they may be charged to a stores expense clearing account and distributed therefrom to the appropriate account.

Note B:--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 utility plant or expense account.

162. Prepayments

A. This account shall include the amounts of rents, insurance, interest and like disbursements made in advance of the period to which they apply. As the periods covered by such prepayments expire, credit this account and charge the proper operating expense or other account with the amount applicable to the period.

B. This account shall include the amounts of taxes paid in advance of the period in which they are chargeable to income, except amounts chargeable to water and/or wastewater plant under construction and minor amounts which may be charged direct to the final accounts. As the term expires for which the taxes are paid, this account shall be credited at monthly intervals and the appropriate account charged (Note also 408.10, 408.13, 409.10, 408.20, 409.20, 409.30).

C. This account shall be kept or supported in such manner as to disclose the amount of each class of prepayments.

171. Accrued Interest and Dividends Receivable

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

Note A:--Interest which is not subject to current settlement shall not be included herein but in the account in which is carried the principal on which the interest is accrued.

Note B:--Interest and dividends receivable from associated companies shall be included in account 145 - Accounts Receivable from Associated Companies.

174. Miscellaneous Current and Accrued Assets

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

Deferred Debits

181. Unamortized Debt Discount and Expense

A. This account shall include the total of the debit balance of discount and expense for all classes of long-term debt.

B. The discount and expense shall be amortized over the life of the respective issues under a plan which will distribute the amounts equitably over the life of the securities. The amortization shall be charged to account 428 - Amortization of Debt Discount and Expense. The utility may, however, accelerate the writing off of discount and expense where the amounts are insignificant unless otherwise ordered by the Commission.

182. Extraordinary Property Losses

A. When authorized or directed by the Commission, this account shall include extraordinary losses, net of income taxes, on property abandoned or otherwise retired from service which are not provided for by accumulated depreciation or amortization and which could not reasonably have been foreseen and provided for, and extraordinary losses, such as unforeseen damages to property, which could not reasonably have been anticipated and which are not covered by insurance or other provisions.

B. The entire cost, less net salvage, of depreciable property retired shall be charged to accumulated depreciation. If all, or a portion, of the loss is to be included in this account, accumulated depreciation shall then be credited and this account charged with

the amount properly chargeable hereto.

186. Miscellaneous Deferred Debits

A. This account shall include the following classes of items:

(1) Expenditures for preliminary surveys, plans, investigations, etc., made for the purpose of determining the feasibility of projects under contemplation. If construction results, this account shall be credited with the amount applicable thereto and the appropriate plant accounts shall be charged with an amount which does not exceed the expenditures which may reasonable be determined to contribute directly and immediately and without duplication to plant. If the work is abandoned, the charge shall be to account 426 - Miscellaneous Nonutility Expenses, or to the appropriate operating expense accounts (See account 675 - Miscellaneous Expenses).

(2) Undistributed balances in clearing accounts at the date of the balance sheet. Balances in clearing accounts shall be substantially cleared not later than the end of the calendar year unless items held therein relate to a future period.

(3) Balances representing expenditures for work in progress other than on utility plant. This includes jobbing and contract work in progress.

(4) Losses on disposition of property, net of income taxes, deferred by authorization of the Commission.

(5) Large and significant research and development expenditures (See definition 26), deferred by authorization of the Commission, except those properly includible in account 105 - Construction Work in Progress. The amortization of deferred research and development expenditures and those research and development expenditures which are minor recurring shall be charged to account 675 - Miscellaneous Expenses.

(6) Balances representing the deferred portion of rate case expense.

(7) Regulatory created assets, not included in other accounts, resulting from the ratemaking actions of regulatory agencies. (See Definition 27.) The amounts included in this account are to be established by those charges which would have been included in net income determination in the current period under the general requirements of the Uniform System of Account but for it being probable that such items will be

included in a different period(s) for purposes of developing the rates that the utility is authorized to charge for its utility services. When specific identification of the particular source of a regulatory asset cannot be made, such as in plant phase-ins, Account 407.5 - Amortization of Regulatory Liabilities shall be credited. The amounts recorded in this account are generally to be charged, concurrently with the recording of the amount 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 407.5 shall be charged to Account 407.4 - Amortization of Regulatory Assets, concurrent with the recovery of the amounts in rates.

If rate recovery of all or part of an amount included in this account is disallowed, the disallowed amount shall be charged to Account 426 - Miscellaneous Non-utility Expenses, or Account 434 - Extraordinary Deductions, in the year of the disallowance.

(8) Other debit balances, the proper final disposition of which is uncertain, and unusual or extraordinary expenses, not included in other accounts, which are in the process of being written-off.

B. Separate subaccounts shall be established and maintained for each of the above classes of deferred items. The records supporting the entries to each subaccount shall be so kept that the utility can furnish full information as to the cost, nature and purpose of each item included therein.

190. Accumulated Deferred Income Taxes

A. This account shall be debited and account 411.10 - Provision for Deferred Income Taxes - Credit, Utility Operating Income, or account 411.20 - Provision for Deferred Income Taxes - Credit, Other Income and Deductions, as appropriate, shall be credited with an amount equal to that by which income taxes payable for the year are higher because of the inclusion of certain items in income for tax purposes, which items for general accounting purposes will not be fully reflected in the utility's determination of annual net income until subsequent years.

B. This account shall be credited and account 410 - Deferred Federal, State or Local Income Taxes, or account 410.20 - Provision for Deferred Income Taxes, Other Income and Deductions, as appropriate, shall be debited with an amount equal to that by which income taxes payable for the year are lower because of prior payment of taxes as provided by paragraph A above, because of differences in timing for tax purposes of particular items of income or income deductions from that recognized by the utility for

general accounting purposes. Such credit to this account and debit to account 410, or 410.20 shall, in general, represent the effect on taxes payable in the current year of the smaller amount of book income recognized for tax purposes as compared to the amount recognized in the utility's current accounts with respect to the item or class of items for which deferred tax accounting by the utility was authorized by the Commission.

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

D. The utility is restricted in its use of this account to the purpose set forth above. It shall not make use of the balance in this account or any portion thereof except as provided in the text of this account, without prior approval of 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 utility's income accounts has been completed, or other disposition made shall be debited to account 410 - Deferred Income Taxes, or account 410.2 - Provision for Deferred Income Taxes - Other Income and Deductions, as appropriate, or otherwise disposed of as the Commission may authorize or direct (See Accounting Instruction 28).

Equity Capital

201. Common Stock Issued

See account 204.

204. Preferred Stock Issued

A. These accounts shall include the par value or the stated value of stock without par value if such stock has a stated value, and, if not, the cash value of the consideration received for such nonpar stock, of each class of capital stock actually issued, including the par or stated value of such capital stock in account 216 - Reacquired Capital Stock.

B. When the actual cash value of the consideration received is more or less than the par or stated value of any stock having a par or stated value, the difference shall be credited or debited, as the case may be, to the premium or discount account for the particular class and series.

C. When capital stock is retired, this account shall be charged with the amount at which such stock is carried herein.

D. A separate ledger account, with a descriptive title, shall be maintained for each class and series of stock. The supporting records shall show the shares nominally issued, actually issued, and nominally outstanding.

Note:--When a levy or assessment, except a call for payment on subscriptions, is made against holders of capital stock, the amount collected upon such levy or assessment shall be credited to account 211 - Other Paid in Capital; provided, however, that the credit shall be made to account 212 - Discount on Capital Stock, to the extent of any remaining balance of discounts on the issue of stock.

211. Other Paid-In Capital

This account shall include the balance of all other credits for paid-in capital not includible in the capital stock accounts, and shall be kept to show the source of the credits includible herein.

Items

1. Premium received on original issues of capital stock.
2. Donations received from stockholders consisting of capital stock or reduction of debt of the utility, and the cash value of other assets received as a donation.
3. Reduction in par or stated value of capital stock.
4. Gain on resale or cancellation of reacquired capital stock.
5. Miscellaneous paid-in capital.

Note:--Premium on capital stock shall not be set off against expenses. Further, a premium received on an issue of a certain class or series of stock shall not be set off against expenses of another issue of the same class or series.

212. Discount on Capital Stock

A. This account shall include, in a separate subdivision for each class and series of capital stock, all discount on the original issuance and sale of capital stock, including additional capital stock of a particular class or series as well as first issues.

B. When capital stock which has been actually issued is retired, the amount in this account applicable to the shares retired shall be written off to account 211 - Other Paid-In Capital, provided, however, that the amount shall be charged to account 439 - Adjustments to Retained Earnings, to the extent that it exceeds the balance in account 211 and provided, further, that in no event shall debits in excess of accumulated credits from the retirement of stock be charged to account 211.

C. The utility may amortize the balance in this account by systematic charges to account 426 - Miscellaneous Nonutility Expenses.

213. Capital Stock Expense

A. This account shall include in a separate subdivision for each class and series of stock all commissions and expenses incurred in connection with the original issuance and sale of capital stock, including additional capital stock of a particular class or series as well as first issues.

B. When capital stock which has been actually issued by the utility is retired, the amount in this account applicable to the shares retired shall be written-off to account 211 - Other Paid-In Capital, to the extent of gains on resale or cancellation of reacquired stock includible therein.

C. The utility may amortize the balance carried in this account by systematic charges to account 426 - Miscellaneous Nonutility Expenses.

Note:--Expenses in connection with the reacquisition or resale of the utility's capital stock shall not be included herein.

214. Appropriated Retained Earnings

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

215. Unappropriated Retained Earnings

This account shall include the balance, either debit or credit, of unappropriated retained earnings. It shall not include items includible in any subaccount of account 211 - Other Paid-In Capital.

216. Reacquired Capital Stock

A. This account shall include in a separate subdivision for each class and series of capital stock the cost of capital stock actually issued by the utility and reacquired by it and not retired or cancelled, except, however, stock which is held by trustees in sinking or other funds.

B. When reacquired capital stock is retired or cancelled, the difference between its cost, including commissions and expenses paid in connection with the reacquisition, and its par or stated value plus any premium and less any discount and expenses

applicable to the shares retired, shall be debited or credited, as appropriate, to account 211 - Other Paid-In Capital.

C. When reacquired capital stock is resold by the utility, the difference between the amount received on the resale of the stock, less expenses incurred in the resale, and the cost of the stock included in this account shall be accounted for as outlined in paragraph B.

Note A:--See account 125 - Other Investments, for permissive accounting treatment of stock reacquired under a definite plan for resale.

Note B:--The accounting for reacquired stock shall be as prescribed herein unless otherwise specifically required by statute.

218. Proprietary Capital (for proprietorships and partnerships only)

A. This account shall be credited with the investment of a sole proprietor, or partners, in an unincorporated water utility.

B. At the end of each calendar year the net income or loss for the year shall be entered in this account.

C. Accounting adjustments not properly attributable to operations of the current period shall be charged or credited to this account.

Note A:--When the utility is owned by a partnership, a separate account shall be kept to show the net equity of each member therein and the transactions affecting the interest of each such partner.

Note B:--This account may be restricted to the amount considered by the proprietor to be the permanent investment in the business, subject to change only by additional investment by the proprietor or the withdrawal of portions thereof not representing net income. When this option is taken, earned surplus accounts shall be maintained.

Long-Term Debt

221. Bonds

A. Separate accounts shall be maintained hereunder for unmatured bonds of each class and series. Each such account shall be subdivided, so as to show: (1) the face value of the actually issued and unmatured bonds, which have not been retired or cancelled; also, the face value of such bonds issued by others, the payment of which has been assumed by the utility, (2) the face value of bonds actually issued or assumed by the utility and reacquired by it and not paid, retired, or cancelled. The account

for reacquired debt shall not include securities which are held by trustees in sinking or other funds.

B. When bonds are reacquired, the difference between face value, adjusted for unamortized discount, expense or premium and the amount paid upon reacquisition, shall be debited or credited, as appropriate, to account 421 - Nonutility Income, or account 426 - Miscellaneous Nonutility Expense.

223. Advances from Associated Companies

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

B. The records supporting the entries to these accounts shall be so kept that the utility can furnish complete information concerning each note and open account.

224. Other Long-Term Debt

A. This account shall include, until maturity, all long-term debt not otherwise provided for. This covers such items as receiver's certificates, real estate mortgages executed or assumed, assessments for public improvements, notes and unsecured certificates of indebtedness not owned by associated companies, receipts outstanding for long-term debt, and other obligations maturing more than one year from date of issuance and assumption.

B. Separate subaccounts shall be maintained for each class of obligation, and records shall be maintained to show separately for each class all details as to date of obligation, date of maturity, interest dates and rates, security for the obligation, etc.

Note:--Miscellaneous long-term debt reacquired shall be accounted for in accordance with the procedure set forth in account 221 - Bonds.

Current and Accrued Liabilities

231. Accounts Payable

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

232. Notes Payable

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

233. Accounts Payable to Associated Companies

See account 234.

234. Notes Payable to Associated Companies

This account shall include amounts owing to associated companies on notes, drafts, acceptances, or other similar evidences of indebtedness, an open accounts payable on demand or within a time not exceeding one year from date of issue or creation.

Note:--Exclude from this account notes which are includible in account 223 - Advances from Associated Companies.

235. Customer Deposits

This account shall include all amounts deposited with the utility by customers as security for the payment of bills.

236. Accrued Taxes

A. This account shall be credited with the amount of taxes accrued during the accounting period, corresponding debits being made to the appropriate accounts for tax charges. Such credits may be based upon estimates, but from time to time during the year as the facts become known, the amount of the periodic credits shall be adjusted so as to include as nearly as can be determined in each year the taxes applicable thereto. Any amount representing a prepayment of taxes applicable to a period subsequent to the date of the balance sheet, shall be shown under account 162 - Prepayments.

B. If accruals for taxes are found to be insufficient or excessive, correction therefor shall be made through current tax accruals. However, if such corrections are so large as to seriously distort current expenses, see Accounting Instruction 8.

C. Accruals for taxes shall be based upon the net amounts payable after credit for any discounts, but shall not include any amounts for interest on tax deficiencies or refunds. Interest received on refund shall be credited to account 419 - Interest and Dividend Income, and interest paid on deficiencies shall be charged to account 427.5 - Interest Expense - Other.

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

237. Accrued Interest

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

238. Accrued Dividends

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

239. Matured Long-Term Debt

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

240. Matured Interest

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

241. Miscellaneous Current and Accrued Liabilities

This account shall include the amount of all other current and accrued liabilities not provided for elsewhere appropriately designated and supported so as to show the nature of each liability.

Deferred Credits

251. Unamortized Premium on Debt

A. This account shall include the total of the credit balances in the discount, expense and premium accounts, for all classes of long-term debt, including receivers' certificates.

B. The premium and expense shall be amortized over the life of the respective issues under a plan which will distribute the amounts equitably over the life of the securities. The amortization shall be credited to account 429 - Amortization of

Premium on Debt.

252. Advances for Construction

This account shall include advances by or in behalf of customers for construction which are to be refunded either wholly or in part. When a person is refunded the entire amount to which he is entitled according to the agreement or rule under which the advance was made, the balance, if any, remaining in this account shall be credited to account 271 - Contributions in Aid of Construction.

253. Other Deferred Credits

A. This account shall include the following classes of credits:

(1) Gains on disposition of property, net of income taxes, deferred by authorization of the Commission, advance billings and receipts and other deferred credit items, not provided elsewhere, including amounts which cannot be entirely cleared or disposed of until additional information has been received.

(2) Regulatory created liabilities, not included in other accounts, imposed on the utility by the ratemaking actions of regulatory agencies. (See Definition 27.) The amounts to be included in this account are to be established by those credits which would have been included in net income determinations in the current period under the general requirements of the Uniform System of Accounts but for it being probable that: 1) such items will be included in a different period(s) for purposes of developing rates that the utility is authorized to charge for its utility services; or 2) refunds to customers, not provided for in other accounts, will be required. When specific identification of the particular source of the regulatory liability cannot be made or when the liability arises from revenues collected pursuant to tariffs on file with a regulatory agency. Account 407.4 - Amortization of Regulatory Assets, shall be debited. The amounts recorded in this account generally are to be credited to the same account that would have been credited if included in income when earned except; 1) all regulatory liabilities established through the use of Account 407.4 shall be credited to Account 407.5 - Amortization of Regulatory Liabilities; and 2) in the case of refunds, a cash account or other appropriate account should be credited when the obligation is satisfied.

B. If it is later determined that any regulatory liabilities recorded in this account will not be returned to customers through rates or refunds, such amounts shall be credited to Account 421 - Nonutility Income in the year such determination is made.

C. Separate subaccounts shall be established and maintained for each of the above classes of deferred credits. The records supporting the entries to each subaccount shall be so kept that the utility can furnish full information as to the cost, nature and purpose of each item included therein.

255. Accumulated Deferred Investment Tax Credits

A. This account shall be credited with all investment tax credits deferred by companies which have elected to follow deferral accounting, partial or full, rather than recognizing in the income statement the total benefits of the tax credit as realized. After such election, a company may not transfer amounts from this account, except as authorized herein and in accounts 412.11 Investment Tax Credits Restored to Operating Income, 412.20 Investment Tax Credits - Net, Nonutility Operations, and account 412.30 - Investment Tax Credits Restored to Nonoperating Income, Utility Operations, or with approval of the Commission.

B. Where the company's accounting provides that investment tax credits are to be passed on to customers, this account shall be debited and account 412.11 credited with a proportionate amount determined in relation to the book depreciable life of all utility property or utility property to which the tax credits relate or such lesser period of time as allowed by a regulatory agency having rate jurisdiction. If, however, the deferral procedure provides that investment tax credits are not passed on to customers, the proportionate restorations to income shall be credited to account 412.30.

C. Subdivisions of this account by department shall be maintained for deferred investment tax credits that are related to nonutility or other operations. Contra entries affecting such account subdivisions shall be appropriately recorded. Use of deferral or nondeferral accounting procedures adopted for nonutility or other operations are to be followed on a consistent basis.

D. Separate records for each utility department, and nonutility or other operations shall be maintained identifying the properties giving rise to the investment tax credits for each year with the appropriate service life of such properties and any unused balances of such credits. Such records are not necessary unless the tax credits are deferred.

Operating Reserves

261. Property Insurance Reserve

A. This account shall include amounts reserved by the utility for self-insurance against losses through accident, fire, flood, or

other hazards to its own property or property leased from others. A schedule of risks covered by this reserve shall be maintained, giving a description of the property involved, the character of the risks covered and the rates used.

B. Charges shall be made to this account for losses covered by self-insurance. Details of these charges shall be maintained according to the year the casualty occurred which gave rise to the loss.

262. Injuries and Damages Reserve

A. This account shall be credited with amounts to be charged to account 658 - Insurance - Workman's Compensation, or other appropriate accounts, to meet the probable liability, not covered by insurance, for deaths or injuries to employees and others, and for damages to property neither owned nor held under lease by the utility.

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

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

263. Pensions and Benefits Reserve

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

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

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

Note:--If employee pension or benefit plan funds are included among the assets of the utility but are held by outside trustees, payments into such funds, or accruals therefore, shall not be included in this account unless required payments are made on a periodic basis to the outside trustees of the various funds.

265. Miscellaneous Operating Reserves

A. This account shall include all operating reserves maintained by the utility which are not provided for elsewhere.

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

Note:--This account includes only such reserves as may be created for operating purposes and does not include any reservations of income the credits for which should be carried in account 214 - Appropriated Retained Earnings.

Contributions in Aid of Construction

271. Contributions in Aid of Construction

A. This account shall include:

1. Any amount or item of money, services or property received by a utility, from any person or governmental agency, any portion of which is provided at no cost to the utility, which represents an addition or transfer to the capital of the utility, and which is utilized to offset the acquisition, improvement or construction costs of the utility's property, facilities, or equipment used to provide utility services to the public.

2. Amounts transferred from account 252 - Advances for Construction, representing unrefunded balances of expired contracts or discounts resulting from termination of contracts in accordance with the Commission's rules and regulations.

3. Compensation received from governmental agencies and others for relocation of water mains or other plants.

4) Any amount of money received by a utility, any portion of which is provided at no cost to the utility, which represents an addition or transfer to the capital of the utility and which is utilized to offset the federal, state or local income tax effect of taxable contributions in aid of construction, taxable amounts transferred from Account 252 - Advances for Construction, and taxable compensation received from governmental agencies and others for relocation of water mains or other plants shall be reflected in a sub-account of this account.

B. The credits to this account shall not be transferred to any other account without the approval of the Commission.

C. The records supporting the entries to this account shall be so kept that the utility can furnish information as to the purpose of each donation, the conditions, if any, upon which it was made, the amount of donations from (a) states, (b) municipalities, (c) customers, and (d) others, and the amount applicable to each utility department.

Note:--There shall not be included in this account advances for construction which are ultimately to be repaid wholly or in part (See account 252 - Advances for Construction).

272. Accumulated Amortization of Contributions in Aid of Construction

A. This account shall reflect the amortization accumulated on account 271 - Contributions in Aid of Construction, if recognized by the Commission.

B. Specifically, balances in account 271 which represent contributions of depreciable plant shall be amortized by charges to this account over a period equal to the estimated service life of the related contributed asset. A group or overall composite rate may be used for contributed balances that cannot be directly related to a plant asset.

C. The concurrent credit for the amortization recorded in this account shall be made to account 403 - Depreciation Expense.

D. If a regulatory body allows the amortization of any portion of the monies collected to pay the tax obligation caused by the receipt of CIAC, such amortization shall also be reflected in a sub-account of this account. Specifically, balances in account 271 which represent monies collected for the gross-up of CIAC (See Definition 15.) shall be amortized by charges to this account over a period determined by the regulatory body.

Accumulated Deferred Income Taxes

Before using the deferred tax accounts provided below, refer to Accounting Instruction 28 (B) and (C). Interperiod Income Tax Allocation - Depreciation and Comprehensive Interperiod Income Tax Allocation - Other.

Public utilities shall use the accounts provided below for prior accumulations of deferred taxes on income for additional provisions. Prior to any use of these accounts, the utility must file with the Commission, for the purpose of obtaining authorization, its proposed plan of accounting for deferred taxes on income. The utility shall not use these accounts unless such use has been authorized by the Commission. If deferred tax accounting is initiated with respect to any property such

accounting shall not be discontinued on that property without prior approval of the Commission.

The utility is restricted in its use of these accounts to the purposes set forth therein. It shall not make any transfers from these accounts or make any use thereof except as provided in the text of the accounts without prior approval of the Commission. It shall not transfer the balance in these accounts or any portion thereof to retained earnings 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 plant on which there is a related balance in these accounts, the deferred tax account shall be debited with an amount equal to the related income tax expense, if any, arising from such disposition and account 411 - Provision for Deferred Income Taxes-Credit, shall be credited. When the remaining balance, after consideration of any related income tax expenses, is not significant, the deferred tax account shall be debited and account 411 credited with such balance. If after consideration of any related income tax expense, and the remaining amount is significant, then the Commission shall authorize or direct how such amount shall be accounted for at the time approval for the disposition of account is granted. When plant is disposed of by transfer to a wholly owned subsidiary, the related balance in the deferred tax account shall also be transferred. When the disposition relates to retirement of an item or items under a group method of depreciation where there is no tax effect in the year of retirement, no entries are required in the deferred tax account if it can be determined that the related balances would be necessary to be retained to offset future group item tax deficiencies.

Note:--Public utilities having more than one utility department and/or nonutility property and which have deferred taxes on income with respect thereto shall classify such deferrals in the accounts provided elsewhere so as to allow ready identification of items relating to each utility department and to Other Income and Deductions.

281. Accumulated Deferred Income Taxes - Accelerated Amortization

A. This account shall include tax deferral resulting from adoption of the principles of Comprehensive Interperiod Income Tax Allocation - Other described in Accounting Instruction 28 (c) of this system of accounts that relate to property for which the utility have availed itself of the use of accelerated (5-year) amortization of (1) certified defense facilities as permitted by Section 168 of the Internal Revenue Code and (2) certified pollution control facilities as permitted by Section 169 of the Internal Revenue Code.

B. This account shall be credited and accounts 410.10 - Deferred Income Taxes, or account 410.20 - Provision for Deferred Income Taxes, Other Income and Deductions, as appropriate, shall be debited with tax effects related to property described in paragraph A above where taxable income is lower than pretax accounting income due to differences between the periods in which revenues and expense transactions affect taxable income and the periods in which they enter into the determination of pretax accounting income.

C. This account shall be debited and accounts 411.10 - Provision for Deferred Income Taxes - Credit, Utility Operating Income, or 411.20 - Provision for Deferred Income Taxes-Credit, Other Income and Deductions, as appropriate, shall be credited with tax effects related to property described in paragraph A above where taxable income is higher than pretax accounting income due to differences between the periods in which revenues and expenses transactions affect taxable income and the periods in which they enter into the determination of pretax accounting income.

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

282. Accumulated Deferred Income Taxes - Liberalized Depreciation

A. This account shall include all credit tax deferrals resulting from adoption of the principles of comprehensive interperiod income tax allocation described in Accounting Instruction 28 of this system of accounts other than those deferrals which are includible in accounts 281 - Accumulated Deferred Income Taxes - Accelerated Amortization, and account 283 - Accumulated Deferred Income Taxes - Other.

B. This account shall be credited and accounts 410.10 Deferred Income Taxes, or 410.20 - Provision for Deferred Income Taxes, Other Income and Deductions, as appropriate, shall be debited with tax effects related to property described in paragraph A above where taxable income is lower than pretax accounting income due to differences between the periods in which revenue and expense transactions affect taxable income and the periods in which they enter into the determination of pretax accounting income.

C. This account shall be debited and accounts 411.10 - Provision for Deferred Income Taxes - Credit, Utility Operating Income, or 411.20 - Provision for Deferred Income Taxes - Credit, Other Income and Deductions, as appropriate, shall be credited with tax effects related to property described in paragraph A above where taxable

income is higher than pretax accounting income due to differences between the periods in which revenue and expense transactions affect taxable income and the periods in which they enter into the determination of pretax accounting income.

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

283. Accumulated Deferred Income Taxes - Other

A. This account shall include all credit tax deferrals resulting from the adoption of the principles of comprehensive interperiod income tax allocation described in Accounting Instruction 28 of this system of accounts other than those deferrals which are includible in accounts 281 - Accumulated Deferred Income Taxes - Accelerated Amortization, and 282 - Accumulated Deferred Income Taxes - Liberalized Depreciation.

B. This account shall be credited and account 410 - Provision for Deferred Income Taxes, shall be debited with tax effects related to items described in paragraph A above where taxable income is lower than pretax accounting income due to differences between the periods in which revenue and expense transactions affect taxable income and the periods in which they enter into the determination of pretax accounting income.

C. This account shall be debited and accounts 411.10 - Provision for Deferred Income Taxes - Credit, Utility Operating Income or 411.20 - Provision for Deferred Income Taxes - Credit, Other Income and Deductions, as appropriate, shall be credited with tax effects related to items described in paragraph A above where taxable income is higher than pretax accounting income due to differences between the periods in which revenues and expense transactions affect taxable income and the periods in which they enter into the determination of pretax accounting income.

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

E. For ratemaking purposes, the balance in accounts 281, 282, and 283 - Accumulated Deferred Income Taxes - Accelerated Amortization, Liberalized Depreciation, and Other, net of any balance in account 190 - Accumulated Deferred Income Taxes, shall either be deducted from rate base by all companies having a net

credit balance of deferred taxes or shall be included in capital structure as zero cost funds. The treatment shall be determined by the regulatory body having jurisdiction over the regulated operations of the utility. Where regulated operations are subject to the jurisdiction of more than one regulatory body, each regulatory body shall establish the ratemaking treatment of those deferrals related to operations under its jurisdiction.

WATER UTILITY PLANT ACCOUNTS

	.1
	Intangible Plant
301. Organization	301.1
302. Franchises	302.1
303. Land and Land Rights	XXXXXXXXXXX
304. Structures and Improvements	XXXXXXXXXXX
305. Collecting and Impounding Reservoirs	XXXXXXXXXXX
306. Lake, River and Other Intakes	XXXXXXXXXXX
307. Wells and Springs	XXXXXXXXXXX
308. Infiltration Galleries and Tunnels	XXXXXXXXXXX
309. Supply Mains	XXXXXXXXXXX
310. Power Generation Equipment	XXXXXXXXXXX
311. Pumping Equipment	XXXXXXXXXXX
320. Water Treatment Equipment	XXXXXXXXXXX
330. Distribution Reservoirs and Standpipes	XXXXXXXXXXX
331. Transmission and Distribution Mains	XXXXXXXXXXX
333. Services	XXXXXXXXXXX
334. Meters and Meter Installations	XXXXXXXXXXX
335. Hydrants	XXXXXXXXXXX
336. Backflow Prevention Devices	XXXXXXXXXXX
339. Other Plant and Miscellaneous Equipment	339.1
340. Office Furniture and Equipment	XXXXXXXXXXX
341. Transportation Equipment	XXXXXXXXXXX
342. Stores Equipment	XXXXXXXXXXX
343. Tools, Shop and Garage Equipment	XXXXXXXXXXX
344. Laboratory Equipment	XXXXXXXXXXX
345. Power Operated Equipment	XXXXXXXXXXX
346. Communication Equipment	XXXXXXXXXXX
347. Miscellaneous Equipment	XXXXXXXXXXX
348. Other Tangible Plant	XXXXXXXXXXX

WATER UTILITY PLANT ACCOUNTS

.2 Source of Supply and Pumping Plant	.3 Water Treatment Plant	.4 Transmission and Distribution Plant	.5 General Plant
XXXXXXXXXXXXXX	XXXXXXXXXXXX	XXXXXXXXXXXX	XXXXXXXXXXXX
XXXXXXXXXXXXXX	XXXXXXXXXXXX	XXXXXXXXXXXX	XXXXXXXXXXXX
303.2	303.3	303.4	303.5
304.2	304.3	304.4	304.5
305.2	XXXXXXXXXXXX	XXXXXXXXXXXX	XXXXXXXXXXXX
306.2	XXXXXXXXXXXX	XXXXXXXXXXXX	XXXXXXXXXXXX
307.2	XXXXXXXXXXXX	XXXXXXXXXXXX	XXXXXXXXXXXX
308.2	XXXXXXXXXXXX	XXXXXXXXXXXX	XXXXXXXXXXXX
309.2	XXXXXXXXXXXX	XXXXXXXXXXXX	XXXXXXXXXXXX
310.2	XXXXXXXXXXXX	XXXXXXXXXXXX	XXXXXXXXXXXX
311.2	311.3	311.4	XXXXXXXXXXXX
XXXXXXXXXXXXXX	320.3	XXXXXXXXXXXX	XXXXXXXXXXXX
XXXXXXXXXXXXXX	XXXXXXXXXXXX	330.4	XXXXXXXXXXXX
XXXXXXXXXXXXXX	XXXXXXXXXXXX	331.4	XXXXXXXXXXXX
XXXXXXXXXXXXXX	XXXXXXXXXXXX	333.4	XXXXXXXXXXXX
XXXXXXXXXXXXXX	XXXXXXXXXXXX	334.4	XXXXXXXXXXXX
XXXXXXXXXXXXXX	XXXXXXXXXXXX	335.4	XXXXXXXXXXXX
XXXXXXXXXXXXXX	XXXXXXXXXXXX	336.4	XXXXXXXXXXXX
339.2	339.3	339.4	XXXXXXXXXXXX
XXXXXXXXXXXXXX	XXXXXXXXXXXX	XXXXXXXXXXXX	340.5
XXXXXXXXXXXXXX	XXXXXXXXXXXX	XXXXXXXXXXXX	341.5
XXXXXXXXXXXXXX	XXXXXXXXXXXX	XXXXXXXXXXXX	342.5
XXXXXXXXXXXXXX	XXXXXXXXXXXX	XXXXXXXXXXXX	343.5
XXXXXXXXXXXXXX	XXXXXXXXXXXX	XXXXXXXXXXXX	344.5
XXXXXXXXXXXXXX	XXXXXXXXXXXX	XXXXXXXXXXXX	345.5
XXXXXXXXXXXXXX	XXXXXXXXXXXX	XXXXXXXXXXXX	346.5
XXXXXXXXXXXXXX	XXXXXXXXXXXX	XXXXXXXXXXXX	347.5
XXXXXXXXXXXXXX	XXXXXXXXXXXX	XXXXXXXXXXXX	348.5

WATER UTILITY PLANT ACCOUNTS

The water utility plant accounts have been designed utilizing an account matrix. The matrix employs a list of object accounts which in effect act as control accounts. The object accounts are further segregated by the matrix into classifications by functions or subaccounts. The instructions for segregating the object accounts to the function subaccounts are contained in Accounting Instruction 24. Listed below are the object account descriptions.

301. Organization

This account shall include all fees paid to federal or state governments for the privilege of incorporation and expenditures incident to organizing the corporation, partnership or other enterprise and putting it into readiness to do business. A sample of items to be included in this account are listed below.

1. Actual cost of obtaining certificates authorizing an enterprise to engage in the public utility business.
2. Fees and expenses for incorporation.
3. Fees and expenses for mergers or consolidations.
4. Office expenses incident to organizing the utility.
5. Stock and minute books and corporate seal.

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

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

302. Franchises

A. This account shall include amounts paid to the federal government, to a state or to a political subdivision thereof in consideration for franchises, consents or certificates, running in perpetuity or for a specified term of more than one year, together with necessary and reasonable expenses incident to procuring such franchises, consents or certificates of permission and approval, including expenses of organizing and merging separate corporations, where statutes require solely for the purpose of acquiring franchise.

B. If a franchise or certificate is acquired by assignment, the charge to this account in respect thereof shall not exceed the amount paid therefor by the utility to the assignor, nor shall it exceed the amount paid by the original grantee, plus the expense of acquisition to such grantee. Any excess of the amount actually paid by the utility over the amount above specified shall be charged to account 426 - Miscellaneous Nonutility Expenses.

C. When any franchise has expired, the book cost thereof shall be credited hereto and charged to account 426 - Miscellaneous Nonutility Expenses, or to account 110 - Accumulated Amortization of Utility Plant in Service, as appropriate.

D. Records supporting this account shall be kept so as to show separately the book cost of each franchise.

Note:--Annual or other periodic payments under franchises shall not be included herein but in the appropriate expense account.

303. Land and Land Rights

This account shall include the cost of land and land rights used in connection with source of supply, pumping, water treatment plant, transmission and distribution, and general plant operations (See Accounting Instruction 19). A sample of items to be included in this account are listed below:

1. Bulkheads buried, not requiring maintenance or replacement.
2. Cost, first, of acquisition including mortgages and other liens assumed (but not subsequent interest thereon).
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, etc., 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 such costs are attributable to structures or plant equipment erected or to be erected or installed on such 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 utility on public property.
22. Labor and expenses in connection with securing rights of way, where performed by company employees and company agents.

304. Structures and Improvements

This account shall include cost in place of structures and improvements used in connection with source of supply, pumping, water treatment, transmission and distribution and general plant (See Accounting Instruction 20). A sample of items to be included in this account are listed below:

1. Architects' plans and specifications including supervision.
2. Boilers, furnaces, piping, wiring, fixtures and machinery for heating, lighting, signaling, ventilating and air conditioning systems, plumbing, vacuum cleaning systems, incinerator and smoke pipe, flues, etc.
3. Bulkheads, including dredging, riprap fill, piling, decking, concrete, fenders, etc., when exposed and subject to maintenance and replacement.
4. Commissions and fees to brokers, agents, architects and others.
5. Conduit (not to be removed) with its contents.
6. Damages to abutting property during construction.
7. Drainage systems.

8. Elevators, cranes, hoists, etc., and the machinery for operating them.
9. Excavation, including shoring, bracing, bridging, refill and disposal of excess excavated material, cofferdams around foundations, pumping water from cofferdam during construction, test borings.
10. Fences and fence curbs (not including protective fences isolating items of equipment, which should be charged to the appropriate equipment account).
11. Fire protection systems when forming a part of a structure.
12. Flagpole.
13. Floor covering (permanently attached).
14. Foundations and piers for machinery, constructed as a permanent part of a building or other item listed herein.
15. Grading and clearing when directly occasioned by the building of a structure.
16. Intrasite communication system, poles, pole fixtures, wires and cables.
17. Landscaping, lawns, shrubbery, etc.
18. Leases, voiding upon purchase, to secure possession of structures.
19. Leased property, expenditures on.
20. Lighting fixtures and outside lighting systems.
21. Marquee, permanently attached to building.
22. Painting, first cost.
23. Permanent paving, concrete, brick, flagstone, asphalt, etc., within the property lines.
24. Partitions, including movable.
25. Permits and privileges.
26. Water and wastewater systems, for general use.
27. Power boards for services to a building.
28. Retaining walls except when identified with land.
29. Roadways.
30. Roofs.
31. Scales, connected to and forming a part of a structure.
32. Sidewalks, culverts, curbs and streets constructed by the utility on its property.
33. Sprinkling systems.
34. Sump pumps and pits.
35. Stacks -- brick, steel, or concrete, when set on foundation forming part of general foundation and steelwork of a building.
36. Steel inspection during construction.
37. Storage facilities constituting a part of a building.
38. Storm doors and windows.
39. Tanks, constructed as part of a building or as distinct structural units.
40. Temporary heating during construction (net cost).
41. Temporary water connection during construction (net cost).

42. Temporary shanties and other facilities used during construction (net cost).
43. Topographical maps.
44. Tunnels, intake and discharge, when constructed as part of a structure, including sluice gates and those constructed to house mains.
45. Vaults constructed as part of a building.
46. Watchmen's sheds and clock systems (net cost when used during construction only).
47. Water basins or reservoirs.
48. Water front improvements.
49. Water supply piping, hydrants and wells.
50. Water meters and supply system for a building or for general company purposes.
51. Yard surfacing, gravel, concrete, or oil (First cost only).
52. Plant metering.

305. Collecting and Impounding Reservoirs

This account shall include the cost in place of structures and improvements used for impounding, collecting and storing water in the source of supply system. A sample of items to be included in this account are listed below:

1. Aerators (when installed as an integral part of collecting and impounding reservoirs).
2. Bridges and culverts.
3. Clearing land.
4. Dams.
5. Drainage conduits.
6. Embankments.
7. Fish ladders and elevators.
8. Fences.
9. Gate houses and equipment.
10. Landscaping.
11. Lighting systems.
12. Retaining walls.
13. Roads and paths.
14. Sewers.
15. Spillways and channels.
16. Any other permanent improvement to collecting and impounding reservoirs.

306. Lake, River and Other Intakes

This account shall include the cost installed of lake, river and other intakes used as a source of water supply. A sample of items to be included in this account are listed below:

1. Clearing land.
2. Conduits.
3. Cribs.
4. Fences.
5. Gate houses and equipment.
6. Intake pipes (up to suction header).
7. Intake wells.
8. Lighting systems.
9. Screens and racks.

307. Wells and Springs

This account shall include the cost installed of wells and springs used as a source of water supply. A sample of items to be included in this account are listed below:

1. Clearing land.
2. Collecting basins.
3. Collecting pipes.
4. Fences.
5. Landscaping.
6. Lighting systems.
7. Overflow spillways and channels.
8. Sewers.
9. Springs and appurtenances.
10. Wells, casings and appurtenances, including cost of test wells and nonproductive wells drilled as part of a project resulting in a source of water within the same supply area.

308. Infiltration Galleries and Tunnels

This account shall include the cost installed of infiltration galleries and tunnels used as a source of water supply. A sample of items to be included in this account are listed below:

1. Conduits.
2. Gate houses and equipment.
3. Piping.

309. Supply Mains

This account shall include the cost installed of supply mains, pipes, aqueducts and canals and their appurtenances. A sample of items to be included in this account are listed below:

1. Air chambers.
2. Blow-offs and overflows.
3. Bridges and culverts.
4. Canals.
5. Electrolysis control equipment.

6. Manholes.
7. Municipal inspection or permits.
8. Pavement disturbed, including cutting and replacing pavement, pavement base and sidewalks.
9. Pipes, aqueducts or conduits.
10. Placing mains and accessories.
11. Special castings.
12. Sterilizing new mains.
13. Surge tanks.
14. Trenching, including shoring, bracing, bridging, pumping, backfill and disposal of excess excavated material.
15. Tunnels.
16. Valves, valve vaults and appurtenances.

310. Power Generation Equipment

A. This account shall include the cost installed of any equipment used for the production of power principally used in pumping operations.

B. Subaccounts shall be maintained hereunder for the cost of equipment used for each type of power generating equipment.

311. Pumping Equipment

This account shall include the cost of pumping equipment driven by electric power, diesel engines, steam engines and hydraulic water wheels and turbines. A sample of items to be included in this account are listed below:

1. Engines, motors, water wheels and turbines for driving pumps.
2. Pumps, including setting, gearing, shafting and belting.
3. Water piping within station, including valves.
4. Auxiliary equipment for engines and pumps such as oiling systems, cooling systems, condensers, etc.
5. Oil supply lines and accessories.
6. Regulating, recording and measuring devices.
7. Foundations, frames and bed plates.
8. Ladders, stairs and platforms if a part of pumping unit.

320. Water Treatment Equipment

This account shall include the cost installed of apparatus, equipment and other facilities used for the treatment of water. A sample of items to be included in this account are listed below:

1. Aerators (when installed as an integral part of the water treatment plant).
2. Chemical treating plant.
3. Clear water basin.

4. Filter plant.
5. Mixing chambers.
6. Sedimentation or coagulation basin.
7. Softening plant.
8. Disinfection equipment.
9. Reverse osmosis membranes.

Note:--Protecting superstructures shall be included in account 304 - Structures and Improvements.

330. Distribution Reservoirs and Standpipes

This account shall include the cost in place of reservoirs, tanks, standpipes, and appurtenances used in storing water for distribution (See Accounting Instruction 24). A sample of items to be included in this account are listed below:

1. Aerators (when installed as an integral part of distribution reservoirs).
2. Bridges and culverts.
3. Clearing land.
4. Dams.
5. Embankments.
6. Fences.
7. Foundations.
8. Gates and gate houses.
9. Landscaping.
10. Lighting systems.
11. Piping system within reservoirs.
12. Retaining walls.
13. Roads and paths.
14. Rust-proofing apparatus.
15. Sewer drain or storm sewer.
16. Spillways and channels.
17. Standpipes.
18. Tanks.
19. Towers.
20. Valves.

331. Transmission and Distribution Mains

A. This account shall include the cost installed of transmission and distribution mains and appurtenances. A sample of items to be included in this account are listed below:

1. Air chambers.
2. Blow-offs and overflows.
3. Bridges and culverts.
4. Electrolysis control equipment.
5. Gauges and recorders.
6. Jointing and jointing material.

7. Manholes.
8. Meters and appurtenances.
9. Municipal inspection or permits.
10. Pavement disturbed, including cutting and replacing pavement, pavement base and sidewalks.
11. Pipes.
12. Fire mains.

B. Records supporting this account shall be so kept as to show separately the cost of mains of different sizes and types and of each tunnel, bridge, or river crossing.

333. Services

A. This account shall include the cost installed of service pipes and accessories leading to the customers' premises.

B. A complete service begins with the connection on the main and extends to but does not include the connection with the customer's meter. A stub service extends from the main to the property line, or the curb stop (curb stop cock).

C. Services which have been used but have become inactive shall be retired from utility plant in service immediately if there is no prospect for reuse, and, in any event, shall be retired by the end of the second year following that during which the service became inactive unless reused in the interim.

Items

1. Corporation stops or tees.
2. Gate valves and boxes.
3. Goose necks.
4. Jointing and jointing material.
5. Municipal inspection or permits.
6. Pavements disturbed, including cutting and replacing pavement, pavement base and sidewalks.
7. Pipes.
8. Placing pipes and accessories.
9. Protection of street openings.
10. Service or curb boxes.
11. Service or curb stops (curb stop cocks).
12. Tapping main.
13. Tapping saddle.

Note:--When a customer pays all or a part of the cost of the service and such cost is properly includible in this account, the amount borne or contributed by the customer shall be credited to account 271 - Contributions in Aid of Construction.

334. Meters and Meter Installations

A. This account shall include the cost of meters, devices and appurtenances attached thereto, used for measuring the quantity of water delivered to users, whether actually in service or held in reserve. It shall also include the cost of labor employed, materials used and expenses incurred in connection with the original installation of a customer's meters and devices and appurtenances attached thereto.

B. When a meter and/or meter installation is permanently retired from service, the amount at which it is included herein shall be credited to this account.

C. The records covering meters shall be so kept that the utility can furnish information as to the number of meters of each type and size in service and in reserve as well as the location of each meter included in this account.

D. A sample of items to be included in this account are listed below:

1. Meters, including badging and initial testing.
2. Remote meter registers.
3. Installation labor (first installation only).
4. Meter coupling.
5. Meter bars.
6. Meter yokes.
7. Meter fittings, connections and shelves.
8. Meter vaults or boxes.
9. Stops.

Note A:--This account shall not include meters for recording the output of a supply or treatment plant, or those located on mains. It includes only those meters to record water delivered to customers, including company use and for those used elsewhere in the system if a type available for general use.

Note B:--The utility shall maintain a statistical record to show separately the number of each type and size of meter or group of types and sizes as carried in the continuing property record. Underlying records shall be kept so that the utility can determine readily for each such classification the number of company-owned meters in service (subdivided between active and inactive) and the number of meters carried herein but not in service, the latter to include meters undergoing repairs; and the number of meters in service owned by customers.

Note C:--When a customer pays all or a part of the cost of the meter and such cost is properly includible in this account, the amount borne or contributed by the customer shall be credited to account 271 - Contributions in Aid of Construction.

335. Hydrants

A. This account shall include the cost installed of hydrants in service owned by the utility. A sample of items to be included in this account are listed below:

1. Connections to main.
2. Excavation, backfill, and disposal of excess excavated material.
3. Hydrants and fittings, including barrel and shoe.
4. Manholes.
5. Pavement disturbed, including cutting and replacing pavement, pavement base and sidewalks.
6. Pipe including leads and drains.
7. Tee at main.
8. Valves and valve boxes.

336. Backflow Prevention Devices

A. This account shall include the cost of backflow prevention devices, and appurtenances attached thereto, used for preventing the backflow of water, whether actually in service or held in reserve. It shall also include the cost of labor employed, materials used and expenses incurred in connection with the original installation of a customer's backflow prevention device and appurtenances attached thereto unless done in conjunction with a meter installation.

B. When a backflow prevention device is permanently retired from service, the amount at which it is included herein shall be credited to this account.

C. The records covering backflow prevention devices shall be so kept that the utility can furnish information as to the number of backflow prevention devices of each type and size in service and in reserve as well as the location of each backflow prevention device included in this account.

339. Other Plant and Miscellaneous Equipment

This account shall include the cost installed of all other intangible, source of supply and pumping, water treatment and transmission and distribution plant not provided for in the foregoing accounts.

340. Office Furniture and Equipment

A. This account shall include the cost of office furniture and equipment owned by the utility and devoted to utility service, and not permanently attached to buildings, except the cost of such furniture and equipment which the utility elects to assign to other plant accounts on a functional basis. A sample of items to be included in this account are listed below:

1. Book cases and shelves.
2. Desk, chairs, and desk equipment.
3. Drafting room equipment.
4. Electronic data processing equipment.
5. Filing, storage and other cabinets.
6. Floor covering.
7. Library and library equipment.
8. Mechanical office equipment such as accounting machines, typewriters, etc.
9. Safes.
10. Tables.

B. If the utility has equipment includible in this account at more than one location, separate records shall be maintained for each location.

341. Transportation Equipment

This account shall include the cost of transportation vehicles used for utility purposes. A sample of items to be included in this account are listed below:

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.

342. Stores Equipment

A. This account shall include the cost of equipment used for the receiving, shipping, handling and storage of materials and supplies.

B. If the utility has equipment includible in this account at more than one location, separate records shall be maintained for each location. A sample of items to be included in this account are listed below:

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.

343. Tools, Shop and Garage Equipment

This account shall include the cost of tools, implements, and equipment used in construction, repair work, general shops and garages and not specifically provided for or includible in other accounts. A sample of items to be included in this account are listed below:

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

30. Tool racks.
31. Vises.
32. Welding apparatus.
33. Work benches.

344. Laboratory Equipment

A. This account shall include the cost installed of laboratory equipment used for general laboratory purposes and not specifically provided for or includible in other departmental or functional plant accounts. A sample of items to be included in this account are listed below:

1. Autoclaves.
2. Barometers.
3. Cameras.
4. Centrifuge.
5. Distilling apparatus.
6. Furnaces.
7. Microscopes.
8. Ovens.
9. Pitometers.
10. Rain gauges.
11. Refrigerators.
12. Scales.
13. Sterilizers.
14. Stop watches.
15. Testing machines.
16. Thermometers.
17. Voltmeters.
18. Other bacteriological, electric, chemical hydraulic or research equipment.

B. If the utility has equipment includible in this account at more than one location, separate records shall be maintained for each location.

345. Power Operated Equipment

This account shall include the cost of power operated equipment used in construction of repair work exclusive of equipment includible in other accounts. Include, also, the tools and accessories acquired for use with such equipment and the vehicle on which such equipment is mounted. A sample of items to be included in this account are listed below:

1. Air compressors, including driving unit and vehicle.
2. Back filling machines.
3. Boring machines.
4. Bulldozers.
5. Cranes and joists.

6. Diggers.
7. Engines.
8. Pile drivers.
9. Pipe cleaning machines.
10. Pipe coating or wrapping machines.
11. Tractors -- Crawler type.
12. Trenchers.
13. Other power operated equipment.

Note:--It is intended that this account include only such large units as are generally self-propelled or mounted on moveable equipment.

346. Communication Equipment

This account shall include the cost installed of telephone, telegraph and wireless equipment for general use in connection with utility operations. A sample of items to be included in this account are listed below:

1. Antennae.
2. Booths.
3. Cables.
4. Distribution boards.
5. Extension cords.
6. Gongs.
7. Handsets, manual and dial.
8. Insulators.
9. Intercommunicating sets.
10. Loading coils.
11. Operators desks.
12. Poles and fixtures used wholly for telephone and telegraph wires.
13. Radio transmitting and receiving sets.
14. Remote control equipment and lines.
15. Sending keys.
16. Storage batteries.
17. Switchboards.
18. Teleautograph circuit connections.
19. Telegraph receiving sets.
20. Telephone and telegraph circuits.
21. Testing instruments.
22. Towers.
23. Underground conduit used wholly for telephone or telegraph wires and cable wires.

347. Miscellaneous Equipment

This account shall include the cost of equipment, apparatus, etc., used in utility operations, and which is not includible in any other account. A sample of items to be included in this

account are listed below:

1. Hospital and infirmary equipment.
2. Kitchen equipment.
3. Recreation equipment.
4. Radios.
5. Restaurant equipment.
6. Soda fountains.
7. Operator's cottage furnishings.
8. Electric signs advertising the corporate name or symbol, plant or facility name, or otherwise serving only the general purpose of acquainting the public with the facilities and services of the utility.
9. Other miscellaneous equipment.

Note:--Miscellaneous equipment of the nature indicated above wherever practicable shall be included in the utility plant accounts on a functional basis.

348. Other Tangible Plant

This account shall include the cost of tangible utility plant not provided for elsewhere.

INCOME ACCOUNTS

Utility Operating Income

400. Operating Revenues
401. Operating Expenses
403. Depreciation Expense
406. Amortization of Utility Plant Acquisition Adjustment
407. Amortization Expense
    - 407.1 Amortization of Limited Term Plant
    - 407.2 Amortization of Property Losses
    - 407.3 Amortization of Other Utility Plant
    - 407.4 Amortization of Regulatory Assets
    - 407.5 Amortization of Regulatory Liabilities
408. Taxes Other Than Income
    - 408.10 Utility Regulatory Assessment Fees
    - 408.13 Other Taxes and Licenses
409. Income Taxes
    - 409.10 Federal Income Taxes, Utility Operating Income
410. Provision for Deferred Income Taxes
    - 410.10 Deferred Federal Income Taxes
411. Provision for Deferred Income Taxes - Credit
    - 411.10 Provision for Deferred Income Taxes - Credit, Utility Operating Income
412. Investment Tax Credits
    - 412.10 Investment Tax Credits Deferred to Future Periods, Utility Operations
    - 412.11 Investment Tax Credits Restored to Operating Income, Utility Operations
413. Income From Utility Plant Leased to Others
414. Gains (Losses) From Disposition of Utility Property

Other Income and Deductions

415. Revenues From Merchandising, Jobbing and Contract Work
416. Costs and Expenses of Merchandising, Jobbing and Contract Work
419. Interest and Dividend Income
420. Allowance for Funds Used During Construction
421. Nonutility Income
426. Miscellaneous Nonutility Expenses

Taxes Applicable to Other Income and Deductions

408. Taxes Other Than Income
    - 408.20 Taxes Other Than Income, Other Income and Deductions
409. Income Taxes
    - 409.20 Income Taxes, Other Income and Deductions
410. Provision for Deferred Income Taxes
    - 410.20 Provision for Deferred Income Taxes, Other Income and Deductions
411. Provision For Deferred Income Taxes - Credit
    - 411.20 Provision for Deferred Income Taxes - Credit, Other Income and Deductions

412. Investment Tax Credits
    412.20 Investment Tax Credits - Net, Nonutility Operations
    412.30 Investment Tax Credits Restored to Nonoperating Income, Utility Operations

Interest Expense

427. Interest Expense
    427.1 Interest on Debt to Associated Companies
    427.2 Interest on Short-Term Debt
    427.3 Interest on Long-Term Debt
    427.4 Interest on Customer Deposits
    427.5 Interest - Other
428. Amortization of Debt Discount and Expense
429. Amortization of Premium on Debt

Extraordinary Items

433. Extraordinary Income
434. Extraordinary Deductions
409. Income Taxes
    409.30 Income Taxes, Extraordinary Items

INCOME ACCOUNTS

Operating Income

400. Operating Revenues

This is the revenue control account which totals the accounts recorded in water revenue accounts 460 through 480.

401. Operating Expenses

This is the operating expense control account which totals the amounts recorded in operating expense accounts 601 through 675 for water systems.

403. Depreciation Expenses

A. This account shall be charged with depreciation credited to account 108 - Accumulated Depreciation of Water Plant and credited with amortization debited to account 272 - Accumulated Amortization of Contributions in Aid of Construction. Depreciation shall be accrued on a straight-line remaining life basis or straight-line basis, as required by the Commission. A single composite depreciation rate may be used if approval from the Commission is obtained.

Note A:--See Accounting Instruction 27, for more detailed instructions on depreciation accounting.

B. Depreciation for property not used in water operations is charged to account 426 - Miscellaneous Nonutility Expenses, and is credited to account 122 - Accumulated Depreciation and Amortization of Nonutility Property.

406. Amortization of Utility Plant Acquisition Adjustments

This account shall be debited or credited, as the case may be, only upon the approval of the Commission, for the purpose of providing for the extinguishment of the amount in account 114 - Utility Plant Acquisition Adjustments.

407. Amortization Expense

This account shall be the control account for amortization accounts totaling the amounts in accounts 407.1 to 407.3.

407.1 Amortization of Limited Term Plant

This account shall include amortization charges applicable to amounts included in the utility plant accounts for limited term franchises, licenses, patent rights, limited term interests in land, and expenditures on leased property where the service life of the improvements is terminable by action

of the lease. The charges to this account shall be such as to distribute the book cost of each investment evenly over the period of benefit to the utility (See account 110 - Accumulated Amortization of Utility Plant in Service).

407.2 Amortization of Property Losses

This account shall be charged with amounts credited to account 182, Extraordinary Property Losses, when the Commission has authorized the amount in the latter account to be amortized by charges to operating expenses.

407.3 Amortization of Other Utility Plant

A. When authorized by he Commission, this account shall include charges for amortization of intangible or other utility plant in service which does not have a definite or terminable life and which is not subject to depreciation expense.

B. This account shall be supported in such detail as to show the amortization applicable to each investment being amortized, together with the book cost of the investment and the period of the amortization.

407.4 Amortization of Regulatory Assets

This account shall be debited, when appropriate, with the amounts credited to Account 253 - Other Deferred Credits, to record regulatory liabilities imposed on the utility by the ratemaking actions of regulatory agencies. This account shall also be debited, when appropriate, with the amounts credited to Account 186 - Miscellaneous Deferred Debits, concurrent with the recovery of such amounts in rates.

407.5 Amortization of Regulatory Liabilities

This account shall be credited, when appropriate, with amounts debited to Account 186 - Miscellaneous Deferred Debits, to establish regulatory assets. This account shall also be credited, when appropriate, with the amounts debited to Account 253 - Other Deferred Credits, concurrent with the return of such amount to customers through rates.

408. Taxes Other Than Income

A. These accounts shall include the amount of ad valorem, gross revenue or gross receipts taxes, regulatory agency general assessments for purposes of public utility regulation, state unemployment insurance, franchise taxes, federal excise taxes,

social security taxes, and all other taxes assessed by federal state, county, municipal, or other local governmental authorities, except income taxes.

B. These accounts shall be charged in each accounting period with the amounts of taxes which are applicable thereto, with concurrent credits to account 236 - Accrued Taxes, or account 162 - Prepayments, as appropriate. When it is not possible to determine the exact amounts of taxes, the amounts shall be estimated and adjustments made in current accruals as the actual tax levies become known.

C. The charges to these accounts shall be made or supported so as to show the amount of each tax and the basis upon which each charge is made. In the case of a utility rendering more than one utility service, taxes of the kind includible in these accounts shall be assigned directly to the utility department the operation of which gave rise to the tax in so far as practicable. Where the tax is not attributable to a specific utility department, it shall be distributed among the utility departments or nonutility operations on an equitable basis after appropriate study to determine such basis.

Note A:--Special assessments for street and similar improvements shall be included in the appropriate utility plant or nonutility property account.

Note B:--Taxes specifically applicable to construction shall be included in the cost of construction.

Note C:--Gasoline and other sales taxes shall be charged as far as practicable to the same account as the materials on which the tax is levied.

Note D:--Social security and other forms of payroll taxes shall be distributed to utility departments and to nonutility functions on a basis related to payroll. Amounts applicable to construction shall be charged to the appropriate plant account.

Note E:--Interest on tax refunds or deficiencies shall not be included in these accounts but in account 419 - Interest and Dividend Income, or 427.5 - Interest - Other, as appropriate.

408.10 Utility Regulatory Assessment Fees

This account shall include those general fees assessed by regulatory agencies for the purpose of public utility regulation.

408.13 Other Taxes and Licenses

This account shall include all other taxes and licenses relating to utility operating income not properly accounted for elsewhere.

408.20 Taxes Other Than Income, Other Income and Deductions

This account shall include those taxes recorded in account 408 - Taxes Other Than Income, which relate to Other Income and Deductions.

409. Income Taxes

A. These accounts shall 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 shall be made to account 236 - Accrued Taxes, and as the exact amounts of taxes become known, the current tax accruals shall be adjusted by charges or credits to these accounts unless such adjustments are properly included in account 439 - Adjustments to Retained Earnings, so that these accounts as nearly as can be ascertained shall include the actual taxes payable by the utility (See Accounting Instruction 8 for prior period adjustments).

B. The accruals for local, state and federal income taxes shall be apportioned to Utility Operating Income (by department/division), Other Income and Deductions and Extraordinary Items so that, as nearly as practicable, each tax included in the expenses of the utility department, Other Income and Deductions or Extraordinary Items, shall be related to the income which gave rise to the tax. The income tax effect of the amounts recorded in account 439 - Adjustments to Retained Earnings, shall be recorded in that account. The tax effects relating to interest charges, other than interest specifically applicable to indebtedness on property in account 121 shall be included in account 409.10 - Income Taxes, Utility Operating Income.

C. This account shall be maintained according to the subaccounts 409.10, 409.20 and 409.30 inclusive, as shown below.

Note A:--Taxes assumed by the utility on interest shall be charged to account 427.5 - Interest Other.

Note B:--Interest on tax refunds or deficiencies shall not be included in this account but in account 419 - Interest and Dividend Income, or account 427.5 - Interest - Other, as appropriate.

Note C:--See Accounting Instruction 28.

409.10 Income Taxes, Utility Operating Income

This account shall include the amount of those federal, state, and local income taxes reflected in account 409 - Income Taxes, which relate to utility operating income after interest charges and other tax adjustments. This account shall be maintained so as to allow ready identification of tax effects (both positive and negative) relating to Utility Operating Income (by department/division), Utility Plant Leased to Others and Other Utility Operating Income.

409.20 Income Taxes, Other Income and Deductions

This account shall include those local, state, and federal income taxes reflected in account 409 - Income Taxes, (both positive and negative), which relate to Other Income and Deductions.

409.30 Income Taxes, Extraordinary Items

This account shall include those local, state, and federal income taxes (both positive and negative) which relate to Extraordinary Items.

410. Provision for Deferred Income Taxes

A. Accounts 410.10, and 410.20 shall be debited and accounts 281, 282, or 283 Accumulated Deferred Income Taxes - Accelerated Amortization, Liberalized Depreciation, or Other, shall be credited with amounts equal to any current deferrals of taxes on income or any allocations of deferred taxes originating in prior periods, as provided by the texts of accounts 190, 281, 282, and 283. No credit amounts appropriately includible in account 411.10 or 411.20 shall be netted against entries required to be made to these accounts.

B. This account shall be maintained according to the subaccounts 410.10, and 410.20 inclusive, as shown below.

Note:--See Accounting Instruction 28.

410.10 Deferred Income Taxes

This account shall include the amounts of those deferrals of federal, state, and local income taxes and allocations of deferred federal income taxes which relate to Utility Operating Income (by department/division).

410.20 Provision for Deferred Income Taxes, Other Income and Deductions

This account shall include the amount of those deferred federal, state and local income taxes reflected in account 410 - Provision for Deferred Income Taxes, which relate to Other Income and Deductions.

411. Provision for Deferred Income Taxes - Credit

Accounts 411.10 and 412.20 shall be credited, and accounts 281, 282, or 283, Accumulated Deferred Income Taxes - Accelerated Amortization, Liberalized Depreciation or Other, shall be debited, with amounts equal to any allocations of deferred taxes originating in prior periods or any current deferrals of taxes on income, as provided by the texts of accounts 190, 281, 282, and 283. No debit amounts appropriately includible in account 410.10, or 410.20 shall be netted against entries required to be made to these accounts.

411.10 Provision For Deferred Income Taxes - Credit, Utility, Operating Income

This account shall include the amounts of those allocations of deferred federal, state and local income taxes and deferrals of federal, state and local income taxes, credit which relate to Utility Operating Income (by department/division).

411.20 Provision For Deferred Income Taxes - Credit, Other Income and Deductions

This account shall include the amounts of those allocations of deferred taxes and deferrals of taxes, credit, which relate to Other Income and Deductions.

412. Investment Tax Credits

A. This account shall be debited with the total amount of investment tax credits used in calculating the reported current year's income taxes payable.

Account 255 - Accumulated Deferred Investment Tax Credits, shall be credited with an equal amount of investment tax credits debited to this account. Investment tax credits related to property used in utility operations shall be debited to subaccount 412.10 - Investment Tax Credits Deferred to Future Periods, Utility Operations. Those investment tax credits related to property used in nonutility operations shall be debited to account 412.20 - Investment Tax Credits - Net, Nonutility Operations.

B. A company which has deferred its investment tax credits shall amortize these deferred credit amounts by crediting this account and debiting account 255 - Accumulated Deferred Investment Tax credits. Such annual amortization shall be allocated proportionately over the service lives of all assets or of the assets generating the credits. The proportional amounts shall be determined in relation to the method of depreciation actually used on the regulated books of account.

(1) In amortizing the deferred investment tax credits related to property used in utility operations, the annual proportional amount credited to account 412 - Investment Tax Credits may or may not be passed on to customers in accordance with the Internal Revenue Code section applicable to the company. Where the company is subject to Section 46 (f)(2) of the code which provides a "Special rule for ratable flow-through" or Option 2 treatment, the annual proportional amortization is to be credited to subaccount 412.11 - Investment Tax Credits Restored to Operating Income, Utility Operations. Where the company is subject to Code Section 46 (f)(1), which is the "General Rule" or Option 1 treatment, the annual proportional amortization shall be credited to subaccount 412.30 - Investment Tax Credits Restored to Nonoperating Income, Utility Operations.

(2) In amortizing the deferred investment tax credits related to property used in nonutility operations, the annual amount shall be credited to subaccount 412.20, Investment Tax Credits - Net, Nonutility Operations.

C. This account shall be maintained so that the debits and credits relating to each allowable percentage of credit, i.e., 3%, 4%, 6%, 7%, 8%, 10%, etc., may be readily identified.

D. This account shall be maintained so that the debits and credits relating to each utility department/division and each nonutility operation may be readily identified.

E. This account shall be maintained according to subaccounts 412.10, 412.11, 412.20 and 412.30 as shown below.

412.10 Investment Tax Credits Deferred to Future Periods, Utility Operations

This account shall be debited and account 255 - Accumulated Deferred Investment Tax Credits, shall be credited with the amounts of realized investment tax credits deferred to future periods related to property used in utility operations (department/division).

412.11 Investment Tax Credits Restored to Operating Income, Utility Operations

This account shall be credited and account 255 - Accumulated Deferred Investment Tax Credits, shall be debited with the proportionate amounts of deferred investment tax credits related to property used in utility operations being restored to operating income in accordance with the "Special Rule for Ratable Flow-through" or Option 2 treatment as provided in the Revenue Act of 1971, the Tax Reduction Act of 1975 or the Economic Recovery Tax Act of 1981.

412.20 Investment Tax Credits - Net, Nonutility Operations

A. This account shall be debited and account 255 - Accumulated Deferred Investment Tax Credits, shall be credited with the amounts of realized investment tax credits deferred to future periods which relate to property used in nonutility operations.

B. This account shall be credited and account 255 - Accumulated Deferred Investment Tax Credits shall be debited with the proportionate amounts of deferred investment tax credits related to property used in nonutility operations being restored to nonoperating income.

412.30 Investment Tax Credits Restored to Nonoperating Income, Utility Operations

This account shall be credited and account 255 - Accumulated Deferred Investment Tax Credits shall be debited with the proportionate amounts of deferred investment tax credits related to property used in utility operations being restored to nonoperating income in accordance with the "General Rule" or Option 1 as provided by the Revenue Act of 1971, the Tax Reduction Act of 1975 and the Economic Recovery Tax Act of 1981.

413. Income from Utility Plant Leased to Others

A. This account shall include, revenues from utility property constituting a distinct operating unit or system leased by the utility to others, and which property is properly includible in account 102 - Utility Plant Leased to Others, and the expenses attributable to such property. A series of subaccounts shall be maintained for each operating unit or system leased to show separately revenues and expenses.

B. The detail expenses shall be kept or supported so as to show separately the following:

(1) Operation;
(2) Depreciation; and
(3) Amortization.

C. The related taxes shall be recorded in the appropriate subsidiary accounts and the control account 408 - Taxes Other than Income and Account 409 - Income Taxes. Records shall be maintained such that these taxes associated with leased plant are separately identifiable.

414. Gain (Losses) from Disposition of Utility Property

A. This account shall include, when authorized by the Commission, gains and losses from the sale, conveyance, exchange or transfer of utility property to another. The income tax attributable to gains and losses recorded in this account shall be recorded in the appropriate subsidiary account and control account 409 - Income Taxes.

B. This account shall be maintained so that the transactions and details underlying each gain or loss will be readily identifiable.

Other Income and Deductions

415. Revenues from Merchandising, Jobbing, and Contract Work

416. Cost and Expenses of Merchandising, Jobbing, and Contract Work

A. These accounts shall include respectively, all revenues derived from the sale of merchandise and jobbing or contract work, including any profit or commission accruing to the utility on jobbing work performed by it as agent under contracts whereby it does jobbing work for another for a stipulated profit or commission, and all expenses incurred in such activities.

B. Records in support of these accounts shall be so kept as to permit ready summarization of revenues, costs and expenses by such major items as are feasible.

Note:--Related operating taxes shall be recorded in account 408.20 - Taxes Other Than Income Taxes, Other Income and Deductions, and income taxes shall be recorded in account 409.20, Income Taxes, Other Income and Deductions.

419. Interest and Dividend Income

This account shall include interest revenues on securities, loans, notes, advances, special deposits, tax refunds and all other

interest bearing assets and dividends on stocks of other companies, whether the securities are carried as investments or included in sinking or other special funds accounts.

420. Allowance for Funds Used During Construction

This account shall include concurrent credits for allowance for funds used during construction based upon the net cost of funds used for construction purposes and a reasonable rate upon other funds when so used. Appropriate regulatory approval shall be obtained for "a reasonable rate".

421. Nonutility Income

In this account is entered all income not includible in operating revenue accounts 460 through 474 or in account 419 - Interest and Dividend Income. Items in this account shall include:

1. Gross income from nonutility operations; and
2. Net gain on sale of nonutility property.

426. Miscellaneous Nonutility Expenses

This account shall contain all expenses other than expenses of utility operations and interest expense. Items which are included in this account are:

1. Expenses disallowed in a proceeding before the Commission.
2. Amortization of an Acquisition Adjustment not approved by the Commission.
3. Depreciation associated with plant not used and useful in the public service.
4. Depreciation of Nonutility Plant.
5. Imprudent expenses.
6. Donations for charitable, social or community welfare purposes.
7. Life insurance on officers and employees where utility is beneficiary (net premiums less increase in cash surrender value of policies).
8. Penalties or fines for violations of statutes pertaining to regulation.
9. Expenditures for the purpose of:
   a. Influencing public opinion with respect to the election or appointment of public officials, or the adoption, repeal, revocation or modification of referenda, legislation or ordinances.
   b. Influencing public opinion with respect to obtaining approval, modification or revocation of franchises.
   c. Influencing the decisions of public officials not including such expenditures which are directly

related to appearances before regulatory or other governmental bodies in connection with the utility's existing or proposed operations.

10. Loss relating to investments in securities written-off or written-down.
11. Loss on sale of investments.
12. Loss on reacquisition, resale or retirement of utility's debt securities.
13. Preliminary survey and investigation expenses related to abandoned projects, when not written-off to the appropriate operating expense account.
14. Golf club dues, social club dues and service club dues (Kiwanis, Rotary, etc.) house charges and items of a similar nature whether such expenditures are made directly by the utility or indirectly by payment or reimbursement to associated companies, officers, or other employees, or by any other direct or indirect means.

427. Interest Expense

This account shall be the control account for recording interest expense and shall total the sum of accounts 427.1 through 427.5.

427.1 Interest on Debt to Associated Companies

This account shall record interest incurred with related companies.

427.2 Interest on Short-Term Debt

This account shall record interest expense associated with short-term debt (principal due in 1 year or less).

427.3 Interest on Long-Term Debt

This account shall record interest expense associated with long-term debt (principal due in more than one year).

427.4 Interest on Customer Deposits

This account shall record interest expense associated with customer deposits.

427.5 Interest-Other

This account shall include in each accounting period all interest charges not provided for elsewhere.

428. Amortization of Debt Discount and Expense

A. This account shall include in each accounting period the portion of unamortized debt discount and expense on outstanding long-term debt which is applicable to such period. Amounts charged to this account shall be credited concurrently to account 181 - Unamortized Debt Discount and Expense.

B. This account shall be so kept or supported as to show the debt discount and expense on each class and series of long-term debt.

429. Amortization of Premium on Debt

A. This account shall include in each accounting period the portion of unamortized net premium on outstanding long-term debt which is applicable to such period. Amounts credited to this account shall be charged concurrently to account 251 - Unamortized Premium on Debt.

B. This account shall be so kept or supported as to show the premium on each class and series of long-term debt.

Extraordinary Items

433. Extraordinary Income

Upon approval of the regulatory authority this account shall be credited with nontypical, noncustomary, infrequently recurring gains, which would significantly distort the current year's income computed before extraordinary items, if reported other than as extraordinary items. The applicable income tax effects of the account shall be recorded in account 409.30 - Income Taxes, Extraordinary Items.

434. Extraordinary Deductions

Upon approval of the Commission this account shall be debited with nontypical, noncustomary, infrequently recurring losses, which would distort the current year's income, if not reported separately. The applicable income tax effects shall be recorded in account 409.30 -Income Taxes, Extraordinary Items.

435. Balance Transferred From Income
436. Appropriations of Retained Earnings
437. Dividends Declared - Preferred Stock
438. Dividends Declared - Common Stock
439. Adjustments to Retained Earnings

RETAINED EARNINGS ACCOUNTS

435. Balance Transferred from Income

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

436. Appropriations of Retained Earnings

This account shall include appropriations of retained earnings.

Items

1. Appropriations required under terms of mortgages, orders or courts, contracts or other agreements.
2. Appropriations required by action of regulatory authorities.
3. Other appropriations made at option of utility for specific purposes.

437. Dividends Declared - Preferred Stock

A. This account shall include amounts declared payable out of retained earnings as dividends on actually outstanding preferred or prior lien capital stock issued by the utility.

B. Dividends shall 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 shall be described with sufficient detail to identify it.

438. Dividends Declared - Common Stock

A. This account shall include amounts declared payable out of retained earnings as dividends on actually outstanding common capital stock issued by the utility.

B. Dividends shall 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 shall be described with sufficient detail to identify it.

439. Adjustments to Retained Earnings

A. This account shall include significant nonrecurring transactions relating to prior periods. Other than transactions of capital stock as specified in paragraph B below, all entries to this account must receive prior Commission approval. These transactions are generally limited to those adjustments which:

(1) correct an error in the financial statements of a prior period; or

(2) adjustments that result from realization of income tax benefits of preacquisition loss carry forwards of purchased subsidiaries.

This account shall also include the related income tax effects (state and federal) on items included herein. All items included in this account shall be sufficiently described in the entries relating thereto as to permit ready analysis.

B. Debits due to losses on reacquisition, resale or retirement of the company's own capital stock shall be included in this account.

C. Changes in depreciation or amortization estimates or methods are considered changes in accounting estimates rather than accounting errors and therefore are not subject to prior period adjustments. Any adjustments made to the accumulated amortization or depreciation balances of the utility due to a change in estimate or method shall be offset by a charge or credit to either: an income account; account 186 - Miscellaneous Deferred Debits; or account 253 - Other Deferred Credits, as is directed by the Commission.

WATER OPERATING REVENUE ACCOUNTS

Water Sales

460. Unmetered Water Revenue
461. Metered Water Revenue
    461.1 Metered Sales to Residential Customers
    461.2 Metered Sales to Commercial Customers
    461.3 Metered Sales to Industrial Customers
    461.4 Metered Sales to Public Authorities
    461.5 Metered Sales to Multiple Family Dwellings
462. Fire Protection Revenue
    462.1 Public Fire Protection
    462.2 Private Fire Protection
464. Other Sales to Public Authorities
465. Sales to Irrigation Customers
466. Sales for Resale
467. Interdepartmental Sales

Other Water Revenues

469. Guaranteed Revenues
470. Forfeited Discounts
471. Miscellaneous Service Revenues
472. Rents From Water Property
473. Interdepartmental Rents
474. Other Water Revenues

WATER OPERATING REVENUE ACCOUNTS

Water Sales

460. Unmetered Water Revenue

A. This account shall include the net billing for water supplied for residential, commercial and industrial (except irrigation) purposes where the charge is not dependant in any way on the quantity of water delivered but is based on diameter of service pipe, room, foot of frontage or other similar unit.

B. Records shall be maintained so that the estimated quantity of water sold and the amount of revenue under each rate schedule shall be readily available.

461. Metered Water Revenue

A. This account shall include the net billing for measured water supplied for residential, commercial or industrial (except irrigation) purposes where the total charge is, or may be, in any way dependent on the quantity of water delivered.

B. Records shall be maintained so that the quantity of water sold and the amount of revenue under each rate schedule shall be readily available.

C. This account shall be subdivided at least as follows:

461.1 Metered Sales to Residential Customers
461.2 Metered Sales to Commercial Customers
461.3 Metered Sales to Industrial Customers
461.4 Metered Sales to Public Authorities
461.5 Metered Sales to Multiple Family Dwellings

Note:--This account includes all revenues under service classifications which consist of a rate for a specified diameter of service pipe, or per meter, fixture, room, foot of frontage, or other similar unit, plus an additional charge or an adjustment dependent upon the quantity of water delivered.

462. Fire Protection Revenue

A. Include herein all revenue from public agencies and others for hydrant charges, private fire protection service, street sprinkling, sewer flushing and similar sources.

B. The following subaccounts shall be used:

462.1 Public Fire Protection
462.2 Private Fire Protection

464. Other Sales to Public Authorities

A. This account shall include the net billing for water supplied to municipalities, or other municipal subdivisions or agencies of state or federal governments, billed under special contracts or agreements or service classifications applicable only to public authorities.

B. Records shall be maintained so that the quantity (estimated if not metered) of water sold and the amount of revenue under each contract, agreement or rate schedule shall be readily available.

Note:--Do not include herein revenues from water supplied for fire protection or for resale, or from sales billed under general service classifications (See accounts 460, 461, 462 and 466).

465. Sales to Irrigation Customers

A. This account shall include the net billing for water supplied for commercial irrigation purposes, under distinct irrigation rates, billed under either metered or flat rate tariff schedules.

B. Records shall be maintained so that the quantity (estimated if not metered) of water sold and the amount of revenue under each rate schedule shall be readily available.

C. This account shall be subdivided as follows:

465.1 Metered Sales to Irrigation Customers
465.2 Flat Rate Sales to Irrigation Customers

466. Sales for Resale

A. This account shall include the net billing for water supplied (including stand-by service) to other water utilities or to public authorities for resale purposes.

B. Records shall be maintained so that the quantity (estimated if not metered) of water sold and the amount of revenue under each rate schedule shall be readily available.

Note:--Where the contract is reciprocal, i.e., where either party thereto may take water from the other, the total amount receivable for water supplied to the other party shall be included herein and the total amount payable for water received from the other party shall be charged to account 610 - Purchased Water.

467. Interdepartmental Sales

A. This account shall include amounts charged by the water department at tariff or other specified rates for water supplied by it to other utility departments.

B. Records shall be maintained so that the quantity of water supplied each other department and the charges therefor shall be readily available.

Other Water Revenues

469. Guaranteed Revenues

This account shall be credited with revenue received from developers or other persons for a period of time prior to water service being established. Normally, this type of revenue is usually received to reserve or guarantee the availability of plant capacity when needed.

470. Forfeited Discounts

This account shall include the amount of discounts forfeited or additional charges imposed because of failure of customers to pay their water bills on or before a specified date.

471. Miscellaneous Service Revenues

This account shall include revenues for all miscellaneous water related services and charges billed to customers which are not specifically provided for in other accounts.

Items

1. Fees for changing, or reconnecting service.
2. Profit on maintenance of appliances, piping or other installations on customers' premises.
3. Net credit or debit (cost less net salvage and less payment from customers) on closing of work order for plant installed for temporary service of less than one year (See account 185 - Temporary Facilities).
4. Recovery of expenses in connection with unauthorized taking of water (billing for the water used shall be included in the appropriate water revenue account).
5. Late payment fees.

472. Rents from Water Property

A. This account shall include rents received for the use by others of land, buildings and other property devoted to water operations by the utility.

B. When property owned by the utility is operated jointly with others under a definite arrangement for apportioning the actual expenses among the parties to the arrangement, any amounts received by the utility for interest or return or in reimbursement of taxes or depreciation on the property shall be credited to this account.

Note:--Do not include in this account rents from property constituting an operating unit or system (See account 413 - Income from Utility Plant Leased to Others).

473. Interdepartmental Rents

This account shall include rents credited to the water department on account of rental charges made against other departments (gas, electric, etc. of the utility). In the case of property operated under a definite arrangement to allocate the cost among the departments using the property, any reimbursement to the water department for interest, fair return, depreciation or taxes shall be credited to this account.

Note:--Charges for water supplied other utility departments shall not be included in this account, but in account 467 - Interdepartmental Sales.

474. Other Water Revenues

This account shall include revenues derived from water operations not includible in any of the foregoing accounts.

Items

1. Commission on sales or distribution of water of others when sold under rates filed by such others.
2. Compensation for minor incidental services provided for others such as customer billing, engineering, etc.
3. Profit or loss on sale of material and supplies not ordinarily purchased for resale and not handled through merchandising and jobbing accounts.
4. Sale of steam, but not including sales made by a steam heating department or transfers of steam under joint facility operations.

WATER OPERATION AND MAINTENANCE EXPENSE ACCOUNTS

		.1 Source of Supply and Expenses - Operations	.2 Source of Supply and Expenses - Maint.	.3 Water Treatment Expenses - Operations
601.	Salaries and Wages - Employees	601.1	601.2	601.3
603.	Salaries and Wages - Officers, Directors and Majority Stockholders	603.1	603.2	603.3
604.	Employee Pensions and Benefits	604.1	604.2	604.3
610.	Purchased Water	310.1	XXXXXXXXX	XXXXXXXXX
615.	Purchased Power	615.1	XXXXXXXXX	615.3
616.	Fuel for Power Production	616.1	XXXXXXXXX	616.3
618.	Chemicals	618.1	618.2	618.3
620.	Materials and Supplies	620.1	620.2	620.3
631.	Contractual Services - Eng.	631.1	631.2	631.3
632.	Contractual Services - Acct.	632.1	632.2	632.3
633.	Contractual Services - Legal	633.1	633.2	633.3
634.	Contractual Services - Management Fees	634.1	634.2	634.3
635.	Contractual Services - Testing	635.1	635.2	635.3
636.	Contractual Services - Other	636.1	636.2	636.3
641.	Rental of Building/Real Property	641.1	641.2	641.3
642.	Rental of Equipment	642.1	642.2	642.3
650.	Transportation Expenses	650.1	650.2	650.3
656.	Insurance - Vehicle	656.1	656.2	656.3
657.	Insurance - General Liability	657.1	657.2	657.3
658.	Insurance - Workman's Compensation	658.1	658.2	658.3
659.	Insurance - Other	659.1	659.2	659.3
660.	Advertising Expense	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX
666.	Regulatory commission Expenses - Amortization of Rate Case Expense	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX
667.	Regulatory commission Expense - Other	667.1	667.2	667.3
668.	Water Resource Conservation Expense	668.1	XXXXXXXXX	XXXXXXXXX
670.	Bad Debt Expense	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX
675.	Miscellaneous Expenses	675.1	675.2	675.3

WATER OPERATION AND MAINTENANCE EXPENSE ACCOUNTS

.4 Water Treatment Expenses - Maint.	.5 Trans. & Dist. Expenses - Operations	.6 Trans. & Dist. Expenses - Maint.	.7 Customer Accounts Expenses	.8 Admin. & Ceneral Expenses
601.4	601.5	601.6	601.7	601.8
603.4	603.5	603.6	603.7	603.8
604.4	604.5	604.6	604.7	604.8
XXXXXXXXX	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX
XXXXXXXXX	615.5	XXXXXXXXX	615.7	615.8
XXXXXXXXX	616.5	XXXXXXXXX	616.7	616.8
618.4	618.5	618.6	XXXXXXXXX	XXXXXXXXX
620.4	620.5	620.6	620.7	620.8
631.4	631.5	631.6	631.7	631.8
632.4	632.5	632.6	632.7	632.8
633.4	633.5	633.6	633.7	633.8
634.4	634.5	634.6	634.7	634.8
635.4	635.5	635.6	635.7	635.8
636.4	636.5	636.6	636.7	636.8
641.4	641.5	641.6	641.7	641.8
642.4	642.5	642.6	642.7	642.8
650.4	650.5	650.6	650.7	650.8
656.4	656.5	656.6	656.7	656.8
657.4	657.5	657.6	657.7	657.8
658.4	658.5	658.6	658.7	658.8
659.4	659.5	659.6	659.7	659.8
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XXXXXXXXX	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX	666.8
667.4	667.5	667.6	667.7	667.8
XXXXXXXXX	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX
XXXXXXXXX	XXXXXXXXX	XXXXXXXXX	670.7	XXXXXXXXX
675.4	675.5	675.6	675.7	675.8

WATER OPERATION AND MAINTENANCE EXPENSE ACCOUNTS

601. Salaries and Wages - Employees

This account shall include the compensation (salaries, bonuses and other consideration of services) paid or accrued to employees of the utility company for work related to operation and maintenance of that utility company. This account shall not include the salaries and wages of officers, directors or majority stockholders of the utility company.

603. Salaries and Wages - Officers, Directors and Majority Stockholders

This account shall include the compensation (salaries, bonuses and other consideration for services) paid or accrued to officers, directors or majority stockholders of the utility company.

604. Employee Pensions and Benefits

This account shall include all accruals under employee pension plans to which the utility has irrevocably committed such funds, and payments for employee accident, sickness, hospital and death benefits or insurance therefor. Include also expenses for medical, educational or recreational activities of employees.

610. Purchased Water

A. This account shall include the cost at the point of delivery of water purchased for resale.

B. The records supporting this account shall be so kept as to show for each supplier from which water is purchased, point of delivery, quantity purchased, basis of charges, and the cost of water purchased.

615. Purchased Power

This account shall include the cost of all electric power expense incurred by the utility.

616. Fuel For Power Production

A. This account shall include the cost of fuel used in the production of power to operate the pumps. Records shall be maintained to show the quantity and the cost of each type of fuel used.

B. The cost of fuel shall be charged initially to appropriate fuel accounts under account 151 - Plant Materials and Supplies, and cleared to this account on the basis of the fuel used.

618. Chemicals

This account shall include the cost of all chemicals used in the treatment of water. Include also the cost (except salaries and wages includible in accounts 600 - 603) of any chemicals manufactured by the utility and used to provide water services to its customers.

Items

1. Activated carbon
2. Ammonia
3. Caustic soda
4. Chlorine
5. Copper sulphate
6. Fluorine compound
7. High test hypochlorite
8. Iron sulphate
9. Lime
10. Soda ash
11. Sodium chloride
12. Sulphate of alumina
13. Sulphuric acid
14. Other chemicals

620. Materials and Supplies

This account shall include all materials and supplies used in operation and maintenance of the water system, other than materials and supplies charged to Contractual Services Account.

631. Contractual Services - Engineering

This account shall include costs paid to outside engineers or engineering firms to perform ongoing, recurring work for the utility. Engineering services for plant items are properly includible in the appropriate plant account. Engineering services for rate relief filings shall be included in account 666 - Regulatory Commission Expenses - Amortization of Rate Case Expense and account 186 - Miscellaneous Deferred Debits.

632. Contractual Services - Accounting

This account shall include costs paid to outside accounting companies to maintain or audit the books and records of the utility. Accounting expenses for rate relief filings shall be included in account 666 - Regulatory Commission Expenses - Amortization of Rate Case Expense and account 186 - Miscellaneous Deferred Debits.

633. Contractual Services - Legal

This account shall include costs paid to outside legal firms to perform legal services for the utility. Legal services for rate proceedings before the Commission shall be included in account 666 - Regulatory Commission Expenses - Amortization of Rate Case Expense or account 186 - Miscellaneous Deferred debits.

634. Contractual Services - Management Fees

This account shall include contractual costs (other than those properly included in accounts 600 - 603 - Salaries and Wages) paid for the performance of management functions.

635. Contractual Services - Testing

This account shall include costs paid to outside laboratories for testing.

636. Contractual Services - Other

This account shall include those operations costs contracted for which are not included in accounts 631, 632, 633, 634.

641. Rental of Building/Real Property

This account shall include costs associated with the rental of buildings and/or real property which are properly treated as period costs.

642. Rental of Equipment

This account shall include costs associated with the rental of equipment, except vehicles, used in the operation of the utility. Vehicle rentals and leases are properly included in account 650 - Transportation Expenses.

650. Transportation Expenses

This account shall include all truck, automobile, construction equipment, and other vehicle expense chargeable to utility operations, except depreciation and insurance.

656. Insurance - Vehicle

This account shall include costs associated with insurance of automobile and trucks used for utility purposes.

657. Insurance - General Liability

This account shall include insurance costs associated with general liability coverage of the utility company.

658. Insurance - Workman's Compensation

This account shall include insurance costs associated with workman's compensation coverage for employees of the utility company.

659. Insurance - Other

This account shall include insurance costs associated with coverage for the utility company which are not included in account 656, 657, or 658.

660. Advertising Expenses

Advertising costs not associated with regulatory commission expenses shall be included in this account, if authorized by the Commission. This account shall be maintained so that informational and instructional advertising can be readily identified.

666. Regulatory Commission Expenses - Amortization of Rate Case Expense

This account shall include amortization of account 186.1 - Deferred Rate Case Expense. Costs associated with rate cases shall be first charged to account 186.1 and then amortized as prescribed by the Commission to this account.

667. Regulatory Commission Expenses - Other

This account shall include all expenses (except salaries of regular utility employees) incurred by the utility in connection with formal cases before regulatory commissions, except for rate case expenses which are accounted for as described above. This account shall not include payment of taxes which shall be reported in the Taxes Other Than Income accounts.

668. Water Resource Conservation Expense

A. This account shall include costs incurred to promote conservation efforts within a utility's service area. This account shall also include any amounts charged by governmental entities for conservation purposes.

B. This account shall include amounts required by a regulatory authority to be paid to other utility systems, such as wastewater systems to defray the costs of the wastewater utility in supplying reclaimed water for reuse purposes.

B. The records supporting this account shall be so kept as to show for each supplier from which water is purchased, point of delivery, quantity purchased, basis of charges, and the cost of water purchased.

670. Bad Debt Expense

This account shall be charged with amounts sufficient to provide for losses from uncollectible utility revenues. Concurrent credits shall be made to account 143.

675. Miscellaneous Expenses

This account shall include all expenses not includible in other operating expenses accounts.

Items

1. Industry association dues for company memberships.
2. Contributions for conventions and meetings of the industry.
3. Communication service not chargeable to other accounts.
4. Trustee, registrar, and transfer agent fees and expenses.
5. Stockholders meeting expenses.
6. Dividend and other financial notices.
7. Printing and mailing dividend checks.
8. Director's fees and expenses.
9. Publishing and distributing annual reports to stockholders.
10. Public notices of financial, operating and other data required by regulatory statutes, not including, however, notices required in connection with security issues or acquisition of property.
11. Write off of expenditures for preliminary surveys, plans, investigations, etc., included in account 183 - Preliminary Survey and Investigation Charges, relative to projects which have been abandoned.

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NATIONAL ASSOCIATION
OF
REGULATORY UTILITY
COMMISSIONERS

1996
Uniform System of Accounts
For
Class B
Wastewater Utilities

Pursuant to action by the National Association of Regulatory Utility Commissioners, this System of Accounts is recommended to the Commissions represented in the membership of this Association for consideration and for adoption in their respective jurisdictions with such modifications only as they may deem necessary in the public interest.

PREFACE

The 1996 Water and Wastewater Uniform systems of Accounts were proposed by the Subcommittee on Accounts of the Committee on Finance and Technology of the National Association of Regulatory Utility Commissioners (NARUC). The NARUC Executive Committee unanimously approved these uniform systems of accounts at its Summer Committee Meeting held in Los Angeles, California, July 22-25, 1996. We would like to express our appreciation to Marshall Willis of the Florida Public Service Commission for his participation in this project and the many hours he spent rewriting these uniform systems of accounts.

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DEFINITIONS

When used in this system of accounts:

1. "Accounts" means the accounts prescribed in this system of accounts.

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

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. A. "Associated companies" means companies or persons that, directly or indirectly, through one or more intermediaries, control, or are controlled by, or are under common control with, the accounting company.

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

6. "Book cost" means the amount at which property is recorded in these accounts without deduction of related provisions for accrued depreciation, amortization, or for other purposes.

7. "Commission", unless otherwise indicated by the context, means the commission prescribing this system of accounts.

8. "Composite depreciation rate" is a percentage based on the weighted average service life of a number of units of plant, each of which may have a different individual life expectancy. Composite

depreciation rates may be determined for (a) a single depreciable plant account, (b) a single rate for several depreciable accounts or (c) a single composite rate may be determined for all depreciable plant of the utility.

9. "Cost" means the amount of money actually paid for property or service. When the consideration given is other than cash, the value of such consideration shall be determined on a cash basis.

10. "Cost of removal" means the cost of demolishing, dismantling, tearing down or otherwise removing utility plant, including the cost of transportation and handling incidental thereto.

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

12. "Depreciation", as applied to depreciable utility plant, means the loss in service value not restored by current maintenance, incurred in connection with the consumption or prospective retirement of utility plant in the course of providing service from causes which are known to be in current operation and against which the utility is not protected by insurance. Among the causes to be given consideration are wear and tear, decay, action of the elements, inadequacy, obsolescence, changes in the art, changes in demand, and requirements of public authorities.

13. "Discount", as applied to the securities issued or assumed by the utility, 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.

14. "Gross-up of contributions in aid of construction" is the method by which a utility extracts, from developers or others, a sum of money sufficient to pay all or a portion of the tax obligation due to the change in the federal tax law in 1987 which resulted in contributions made to utilities in aid of construction (CIAC) being considered ordinary income instead of contributions of capital. Because the sum extracted to pay the tax is also considered income subject to tax, the term tax-on-tax has been used to describe the additional sum of money that must be extracted in order to pay the tax on the initial amount.

Common gross-up methods include the full gross-up method and the net present value method. Under the full gross-up method, a sum sufficient to meet the full tax obligation, including the tax-on-tax, is extracted. Under the net present value method, the sum extracted is the net present value of the estimated future stream of tax benefits resulting from the depreciation deductions for the contributed asset to be taken on the tax returns of the utility.

15. "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 or debtor that they shall be settled by the issuance of securities or shall not be subject to current settlement.

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

17. "Multiple family dwelling" means a residential structure or group of structures which is capable of separately housing more than one family unit.

18. "Net salvage value" means the salvage value of property retired less the cost of removal.

19. "Nominally issued", as applied to securities issued or assumed by the utility 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 utility, but which have not been sold, or issued direct to trustees of sinking funds in accordance with contractual requirements.

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

21. "Original cost", as applied to utility plant, means the cost of such property to the person first devoting it to the public service.

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

23. "Plant sewer" means any sewer, pipe, aquaduct canal, or other conduit the primary purpose of which is to convey treatment plant fluids from one unit to another within the treatment plant.

24. "Plant discharge sewers" means any sewer, pipe, aquaduct canal, or other conduit the primary purpose of which is to convey treatment plant effluent to its point of discharge.

25. "Premium", as applied to the securities issued or assumed by the utility, 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.

26. "Property retired", as applied to utility plant, means property which has been removed, sold, abandoned, destroyed, or which for any cause has been permanently withdrawn from service.

27. "Reclaimed water" means water that has received at least secondary treatment and basic disinfection and is reused after flowing out of a wastewater treatment plant.

28. "Regulatory Assets and Liabilities" are assets and liabilities that result from rate actions of regulatory agencies. Regulatory assets and liabilities arise from specific revenues, expenses, gains or losses that would have been included in determination of net income in one period under the general requirements of the Uniform System of Accounts but for it being probable that; 1) such items will be included in a different period(s) for purposes of developing the rates the utility is authorized to charge for its utility services; or 2) in the case of regulatory liabilities, that refunds to customers, not provided for in other accounts, will be required.

29. "Replacing" or "replacement", when not otherwise indicated in the context, means the construction or installation of utility plant in place of property of retired, together with the removal of the property retired.

30. "Research and development" means expenditures incurred by public utilities which represent research and development costs in the experimental or laboratory sense. The term includes generally all such costs incident to the development of an experimental or pilot model, a plant process, a product, a formula, an invention, or similar property, and the improvement of already existing property of the type mentioned.

31. "Retained earnings" means the accumulated net income of the utility less distributions to stockholders and transfers to other capital accounts, and other adjustments (See account 439 - Adjustments to Retained Earnings).

32. "Retirement units" means those items of utility plant which, when retired, with or without replacement, are accounted for by crediting the original costs.

33. "Reuse" means the deliberate application of reclaimed water, in compliance with Federal and State environmental rules and regulations, for a beneficial purpose.

35. "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.

36. "Service life" means the time between the date utility plant is includible in utility plant in service, or utility plant leased to others, and the date of its retirement. If depreciation is accounted for on a production basis rather than on a time basis, then service life should be measured in terms of the appropriate unit of production.

37. "Service value" means the difference between the original cost and net salvage value of utility plant.

38. "Straight-line remaining life method", as applied to depreciation accounting, means the plan under which the service value of property is charged to operating expenses (and to clearing accounts if used), and credited to the accumulated depreciation account through equal annual charges during its service life. "Remaining life" implies that estimates of future life and salvage will be reexamined periodically and that depreciation rates will be corrected to reflect any changes in these estimates.

39. "Straight-line method" as applied to depreciation accounting means the plan under which the service value of property is charged to operating expenses (and to clearing accounts if used), and credited to the accumulated depreciation account through equal annual charges during its service life. Estimates of the service life and salvage will be reexamined periodically and depreciation rates will be corrected to reflect any changes in the estimates.

40. "Utility", as used herein and when not otherwise indicated in the context, means any public utility to which this system of accounts is applicable.

ACCOUNTING INSTRUCTIONS

1. General - Classification of Utilities

A. For the purpose of applying the system of accounts prescribed by the Commission, wastewater utilities are divided into three classes, as follows:

Class A - Utilities having annual wastewater operating revenues of $1,000,000 or more.

Class B - Utilities having annual wastewater operating revenues of $200,000 or more but less than $1,000,000.

Class C - Utilities having annual wastewater operating revenues of less than $200,000.

B. This system of accounts applies to Class B utilities. The system of accounts applicable to Class A and C utilities are issued separately.

C. The class to which any utility belongs shall originally be determined by the average of its annual wastewater operating revenues for the last three consecutive years. Subsequent changes in classification shall be made when the average annual wastewater operating revenues for the three immediately preceding years exceed the upper limit or are less than the lower limit, of the annual wastewater operating revenues of the classification previously applicable to the utility. For a utility with both water and wastewater operations, the classification shall be based on the operation with the highest annual revenues.

2. General - Records

A. Each utility shall keep its books of account, and all other books, records, and memoranda which support the entries in such books of accounts so as to be able to furnish readily full information as to any item included in any account. Each entry shall be supported by such detailed information as will permit a ready identification, analysis, and verification of all facts relevant thereto.

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

C. No utility shall destroy any such books or records unless the destruction thereof is permitted by rules and regulations of the Commission.

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

E. All amounts included in the accounts prescribed herein for utility plant and operating expenses shall be just and reasonable and any payments or accruals by the utility in excess of just and reasonable charges shall be included in account 426 - Miscellaneous Nonutility Expenses.

F. The arrangement or sequence of the accounts prescribed herein shall not be controlling as to the arrangement or sequence in report forms which may prescribed by the Commission.

3. General - Numbering System

A. The account numbering scheme used herein consists of a system of three digit numbers as follows:

100-199	Assets and Other Debits
200-299	Equity, Liabilities and Other Credits
350-399	Wastewater Plant Accounts
400-434	Income Accounts
435-439	Retained Earnings Accounts
521-549	Wastewater Operating Revenue Accounts
700-799	Wastewater Operation and Maintenance Expenses

B. The utility plant and operation and maintenance expense accounts are further subdivided using a suffix of one decimal place as explained in following instructions.

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

D. The numbers prefixed to account titles are solely for convenience of reference and are not a part of the titles. Each utility may adopt such scheme of account numbers as it deems appropriate; provided, however, that is shall keep readily available a list of the account numbers and subdivisions of accounts which it uses and a reconciliation of such numbers and subdivisions with the account numbers and titles provided herein. Further, the records must be kept to permit classification or summarization of each accounting period according to the prescribed accounts.

4. General - Accounting Period

Each utility shall keep its books on a monthly basis so that for each month all transactions applicable thereto, as nearly as

may be ascertained, shall be entered in the books of the utility. Each utility shall close its books at the end of each calendar year unless otherwise authorized by the Commission.

5. General - Submittal of Questions

To maintain uniformity of accounting, utilities shall submit questions of doubtful interpretation to the Commission for consideration and decision.

6. General - "Item" Lists

List of "items" appearing in the texts of the accounts or elsewhere herein are for the purpose of more clearly indicating the application of the prescribed accounting. 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.

7. General - Extraordinary Items

It is the intent that net income shall reflect all items of profit and loss during the period with the sole exception of prior period adjustments as described in Accounting Instruction 8. Those items related to the effects of events and transactions which have occurred during the period and which are not typical or customary business activities of the company shall be considered extraordinary items. Commission approval must be obtained to treat an item as extraordinary. Such request must be accompanied by complete detailed information.

8. General - Prior Period Items

A. All prior period adjustments to retained earnings shall be approved by the Commission. Generally the only type of transactions which will be considered as a prior period adjustment are:

(1) Correction of an error in the financial statements of a prior period; or

(2) Adjustments that result from realization of income tax benefits of preacquisition loss carry forwards of purchased subsidiaries.

B. Prior period adjustments, when approved, shall be charged or credited to account 439 - Adjustments to Retained Earnings, and are

not considered in income of the period. Prior period adjustments shall be recorded net of all state and federal income tax effects.

C. Changes in depreciation or amortization estimates or methods are considered changes in accounting estimates rather than accounting errors; and therefore are not subject to prior period adjustments. Any adjustments made to the accumulated amortization or depreciation balances of the utility due to a change in estimate or method shall be offset by a charge or credit to either: an income account; account 186 - Miscellaneous Deferred Debits; or account 253 - Other Deferred Credits, as directed by the Commission.

9. General - Allocation of Salaries and Expenses of Employees

Charges to utility plant or to a salaries expense account shall be based upon the actual time engaged in either plant construction or providing operation services. In the event actual time spent in the various activities is not available or practicable, salaries should be allocated upon the basis of a study of the time engaged during a representative period. Charges should not be made to the accounts based upon estimates or in an arbitrary fashion.

10. General - Payroll Distribution

Underlying accounting data shall be maintained so that the distribution of the costs of labor charged to the various accounts will be available. The utility may utilize clearing accounts in its accounting process; however, the use of clearing accounts does not relieve the utility from the responsibility of providing a distribution of the costs of labor or from being able to substantiate its labor charged with sufficient source documents.

11. General - Operating Reserves

Accretions to operating reserve accounts made by charges to operating expenses shall not exceed a reasonable provision for the expense. Material balances in such reserve accounts shall not be diverted from the purpose for which provided, unless the permission of the Commission is first obtained.

12. General - Accounting for Other Departments

If the utility also operates other utility departments, such as electric, water, gas, etc., it shall keep such accounts for the other departments as may be prescribed by proper authority and in the absence of prescribed accounts, it shall keep such accounts as are proper or necessary to reflect the results of operating each other department.

13. Utility Plant - To be Recorded at Cost

A. All amounts included in the accounts for utility plant acquired as an operating unit or system, shall be stated at the cost incurred by the person who first devoted the property to utility service. All other utility plant shall be included in the accounts at the cost incurred by the utility except as otherwise provided in the texts of the intangible plant accounts. Where the term "cost" is used in the detailed plant accounts, it shall have the meaning stated in this paragraph (See Definition 9).

B. When the consideration given for property is other than cash, the value of such consideration shall be determined on a cash basis. In the entry recording such transaction, the actual consideration shall be described with sufficient particularity to identify it. The utility shall 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 shall be made to the utility plant accounts for interest, insurance, or other expenditures occasioned solely by such form of payment.

D. Utility plant accounts shall be charged with construction costs (estimated, if not known) of the utility plant contributed by others or constructed by the utility using contributed cash or its equivalent. For contributed utility plant, the accumulated depreciation or amortization account shall be charged with the estimated amount of depreciation or amortization applicable to the property at the time it was contributed to the utility. Account 271 - Contributions in Aid of Construction shall be credited with the net of the amounts charged to the plant and the accumulated depreciation of amortization accounts. For plant constructed using contributed cash or its equivalent, account 271 - Contributions in Aid of Construction shall be credited with the amount of the cash or its equivalent contribution.

14. Utility Plant - Components of Construction Cost

The cost of construction of property chargeable to the utility plant accounts shall include, where applicable, the cost labor, materials and supplies, transportation, work done by others for the utility, injuries and damages incurred in construction work, privileges and permits, special machine service, allowance for funds used during construction and such portion of general engineering, administrative salaries and expenses, insurance, taxes and other analogous items as may be properly includible in construction cost.

Note: -- The cost of individual items of equipment of less than $400 or of short life, including small portable tools and implements, shall not be charged to utility plant accounts unless the correctness of the accounting therefor is verified by current inventories. The cost shall be charged to the appropriate operating expense or clearing accounts, according to the use of such items, or, if such items are consumed directly in construction work, the cost shall be included as part of the cost of the construction unit.

15. Utility Plant - 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 accounting utility, legal expenses, insurance, injuries and damages, relief and pensions, taxes and allowance for funds used during construction, shall be charged to particular jobs or units on the basis of the amounts of such overheads reasonably applicable thereto, so the each job or unit shall bear its equitable proportion of such costs and that the entire costs of the unit, both direct and overhead, shall be deducted from the plant accounts at the time the property is retired.

B. As far as practicable, the determination of payroll charges includible in construction overheads shall be based on time card distributions thereof. Where this procedure is impractical, special studies shall be made periodically of the time of supervisory employees devoted to construction activities so that only such overhead costs as have a definite relation to construction shall be capitalized. The addition to direct construction costs of arbitrary percentages or amounts to cover assumed overhead costs is not permitted.

16. Utility Plant - Purchased or Sold

A. When utility plant constituting an operating unit or system is acquired by purchase, merger, consolidation, liquidation, or otherwise, the costs of acquisition, including expenses incidental thereto properly includible in utility plant, shall be charged to account 104 - Utility Plant Purchased or Sold.

B. The accounting for the acquisition shall then be completed as follows:

(1) The original cost of plant, estimated if not known, shall be credited to account 104 - Utility Plant Purchased or Sold, and concurrently charged to the appropriate utility plant in service accounts and to account 102 - Utility Plant Leased to Others and account

103 - Property Held for Future Use, and account 105 - Construction Work in Progress, as appropriate.

(2) The requirements for accumulated provision for depreciation and amortization applicable to the original cost of the properties purchased, if required by the Commission to be recorded by the accounting utility determined with due regard to operating practices of the purchaser and his plans regarding such property, and giving consideration also to the effect on such requirements of any rehabilitation expenditures (see Paragraph C), shall be charged to account 104 - Utility Plant Purchased or Sold, and concurrently credited to the appropriate account for accumulated depreciation or amortization.

(3) The cost to the utility of any nonutility plant shall be transferred to account 121 - Nonutility Property.

(4) The amount of contributions in aid of construction applicable to the property acquired, and which the purchaser may be required to record, shall be charged to account 104 - Utility Plant Purchased or Sold, and concurrently credited to account 271 - Contributions in Aid of Construction.

(5) The amount of accumulated amortization applicable to contributed property, and which the purchaser may be required to record, shall be credited to account 104 - Utility Plant Purchased or Sold and concurrently debited to account 272 - Accumulated Amortization of Contributions in Aid of Construction, according to the regulatory treatment of the Commission.

(6) The amount remaining in account 104 - Utility Plant Purchased or Sold, shall then be closed to account 114 - Utility Plant Acquisition Adjustments.

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

D. When any property acquired as an operating unit or system includes duplicate or other plant, which will be retired by the accounting utility in the reconstruction of the acquired property or its consolidation with previously owned property, the accounting for such property shall be presented to the Commission.

E. In connection with the acquisition of utility plant, the utility shall procure, if possible, all existing records relating to the property acquired, or certified copies thereof, and shall preserve such records in conformity with regulations or practices governing the preservation of records of its own construction.

F. When utility plant constituting an operating unit or system is sold, conveyed, or transferred to another by sale, merger, consolidation, or otherwise, the book cost of the property sold or transferred to another shall be credited to the appropriate utility plant accounts, including amounts carried in account 114 - Utility Plant Acquisition Adjustments, and the amounts (estimated if not known) carried with respect thereto in the accounts for accumulated depreciation and amortization and in account 252 - Advances for Construction, and account 271 - Contributions in Aid of Construction, shall be charged to such accounts and the contra entries made to account 104 - Utility Plant Purchased or Sold. Unless otherwise ordered by the Commission, the difference, if any between (a) the net amount of debits and credits and (b) the consideration received for the property (less commissions and other expenses of making the sale) shall be included in account 414 - Gains (Losses) From Disposition of Utility Property (See account 104 - Utility Plant Purchased or Sold).

Note:--In cases where existing utilities merge or consolidate because of financial or operating reasons or statutory requirements rather than as a means of transferring title of purchased properties to a new owner, the accounts of the constituent utilities, with the approval of the Commission, may be combined. In the event original cost has not been determined, the resulting utility shall proceed to determine such cost as outlined herein.

17. Utility Plant - Accounting for Capital and Operating Leases

A. For each lease entered into, the utility shall maintain sufficient documents and other background information as necessary to determine whether the lease is a capital or operating lease. This information includes but is not limited to:

(1) Evidence or documents of ownership;
(2) Signed copies of the lease agreement;
(3) Estimated life of the leased property;
(4) Evidence as to the value of the leased property;
(5) Evidence as to the lessor's implicit interest rate (if available);
(6) Evidence as to the lessee's borrowing rate; and
(7) The amount and disposition of executory costs (taxes, maintenance and insurance).

B. Leases shall be accounted for by the utility as described in Statement of Financial Accounting Standards Nos. 13 (as amended)

and 71 published by the Financial Accounting Standards Board; however, the Commission may elect to approve the entries made to the utilities accounts in recording the effect of utility leases.

C. Capitalized leases shall be recorded in the appropriate plant in service account(s) which describe the type of asset leased. These records shall be maintained in sufficient detail such that the utility will be able to report the number, general nature, and residual balances of all capitalized leased assets as well as any related leasehold amortization balances and the balance of any leasehold obligations.

18. Utility Plant - Expenditures on Leased Property

A. The cost of substantial initial improvements (including repairs, rearrangements, additions and betterments) made in the course of preparing for utility property leased for a period of more than one year, and the cost of subsequent substantial additions, replacements, or betterments to such property, shall be charged to the utility plant account appropriate for the class of property leased. If the service life of the improvements is terminable by action of the lease, then the cost, less net salvage, of the improvements shall be spread over the life of the lease by charges to account 407.1 - Amortization of Limited Term Plant. However, if the service life is not terminated by action of the lease, but by depreciation proper, then the cost of the improvements, less net salvage, shall be accounted for as depreciable plant.

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 shall be charged to the account in which the rent is included.

19. Utility Plant - Land and Land Rights

A. The accounts for land and land rights include the cost of land owned in fee by the utility and rights, interests, and privileges held by the utility in land owned by others, such as leaseholds, easements, water and water power rights, diversion rights, submersion rights, rights of way, and other like interests in land. Do not include in the accounts for land, land rights, and rights of way costs incurred in connection with first clearing and grading of land and rights of way and the damage costs associated with the construction and installation of plant. Such costs shall be included in the appropriate plant accounts directly benefited.

B. Where special assessments for public improvements provide for deferred payments, the full amount of the assessments shall be

charged to the appropriate land account and the unpaid balance shall be carried in an appropriate liability account. Interest on unpaid balances shall be charged to the appropriate interest expense account. If any part of the cost of public improvements is included in the general tax levy, the amount thereof shall be charged to the appropriate tax account.

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

D. Any difference between the amount received from the sale of land or land rights, less agents' commissions and other costs incident to the sale, and the book cost of such land or rights, shall be included in account 414 - Gains (Losses) from Disposition of Utility Property, unless a reserve therefore has been authorized and provided or, less otherwise authorized or required by the Commission. Appropriate adjustments of the accounts shall be made with respect to any structures or improvements located on land sold.

E. The cost of buildings and other improvements (other than public improvements) shall not be included in the land accounts. If at the time of acquisition of an interest in land, such interest extends to buildings or other improvements (other than public improvements), which are then devoted to wastewater operations, the land and improvements shall be separately appraised and the cost allocated to land and buildings or improvements on the basis of the appraisals. If the improvements are removed or wrecked without being used in operations the cost of removing or wrecking shall be charged and the salvage credited to the account in which the cost of the land is recorded.

F. When the purchase of land for utility operations requires the purchase of more land than needed for such purposes, the charge to the specific land account shall be based upon the cost of the land purchased, less the fair market value of that portion of the land which is not to be used in utility operations. The portion of the cost measured by the fair market value of the land not to be used shall be included in account 103 - Property Held for Future Use, or account 121 - Nonutility Property, as appropriate.

G. Provision shall 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 407.1 - Amortization of Limited Term Plant).

20. Utility Plant - Structures and Improvements

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

B. The cost of specially provided foundation, not intended to outlast the machinery for apparatus for which provided, and the cost of angle irons, castings, etc., installed at the base of any item of equipment, shall be charged to the same account as the cost of the machinery, apparatus, or equipment.

C. Minor buildings and structures, such as valve towers, patrolmen's towers, telephone stations, etc., which are used directly in connection with or form a part of a collection plant, treatment plant, etc., shall be considered a part of that facility constructed or operated and the cost thereof accounted for accordingly.

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

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

21. Utility Plant - Equipment

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

B. Exclude from equipment accounts hand and other portable tools, which are likely to be lost or stolen or which have a value of less than $400 or short life, unless the correctness of the accounting therefor as utility plant is verified by current inventories. Special tools acquired and included in the purchase price of equipment shall be included in the appropriate plant account. Portable drills and similar tool equipment when used in connection with the operation and maintenance of a particular plant or department or in "stores", shall be charged to the plant account appropriate for their use.

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

D. The equipment accounts shall include the necessary costs of testing or running a plant or part thereof during an experimental or test period prior to becoming available for service. The utility shall furnish the Commission with full particulars of and justification for any test or experimental run extending beyond a period of thirty days.

E. The cost of efficiency or other tests made subsequent to the date equipment becomes available for service shall be charged to the appropriate expense accounts, except that tests to determine whether equipment meets the specifications and requirements as to efficiency, performance, etc., 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 utility plant account.

22. Utility Plant - Additions and Retirements

A. For the purpose of avoiding undue refinement in accounting for additions to and retirements and replacements of utility plant, all property shall be considered as consisting of (1) retirement units and (2) minor items of property. Each utility shall use such list of retirement units as is in use by it at the effective date hereof or as may be prescribed by the Commission, with the option, however, of using smaller units, provided the utility's practice in this respect is consistent.

B. The addition and retirement of retirement units shall be accounted for as follows:

(1) When a retirement unit is added to the utility plant, the cost thereof shall be added to the appropriate utility plant account, except that when units are acquired in the acquisition of any utility plant constituting an operating system, they shall be accounted for as provided in Instruction 16.

(2) When a retirement unit is retired from utility plant, with or without replacement, the book cost thereof shall be credited to the utility plant account in which it is included, determined in the manner set forth in paragraph D, below. If the retirement unit is of a depreciable class, the book cost of the unit retired and credited to utility plant shall be charged to the accumulated depreciation applicable to such property. The cost of removal and the salvage shall be charged or credited, as appropriate, to such depreciation account.

C. The addition and retirement of minor items of property shall be accounted for as follows:

(1) When a minor item of property which did not previously exist is added to plant and a substantial addition results, the cost thereof shall be accounted for in the same manner as for the addition of a retirement unit, as set forth in paragraph B(1), above, otherwise the charge shall be to the appropriate maintenance expense account.

(2) When a minor item of property is retired and not replaced, the book cost thereof shall be credited to the utility plant account in which it is included; and, in the event the minor item is a part of a depreciable plant, the account for accumulated depreciation shall be charged with the book cost and cost of removal and

credited with the salvage. If, however, the book cost of the minor item retired and not replaced has been or will be accounted for by its inclusion in the retirement unit of which it is a part when such unit is retired, no separate credit to the property account is required when such minor item is retired.

(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 shall be charged to the maintenance expense account appropriate for the item, except that if the replacement effects a substantial betterment (the primary aim of which is to make the property affected more useful, more efficient, of greater durability, or of greater capacity), the excess cost of the replacement over the estimated cost at current prices of replacing without betterment shall be charged to the appropriate utility plant account.

D. The book cost of the utility plant retired shall be the amount at which such property is included in the utility plant accounts, including all components of construction costs. The book cost shall be determined from the utility's records and if this cannot be done, it shall be estimated. When it is impracticable to determine the book cost of each unit, due to the relatively large number or small cost thereof, an appropriate average book cost of the units, with due allowance for any differences in size and character, shall be used as the book cost of the units retired.

E. The book cost of land retired shall be credited to the appropriate land account. If the land is sold, the difference between the book cost and the sale price of the land (less commissions and other expenses of making the sale) shall be included in account 414 - Gains (Losses) from Disposition of Utility Property, unless otherwise authorized or required by the Commission. If the land is not used in utility service but is retained by the utility, the book cost shall be charged to account 103 - Property Held for Future Use, or account 121 - Nonutility Property, as appropriate.

F. The book cost less net salvage of utility plant retired shall be charged in its entirety to account 108 - Accumulated Depreciation and 110 - Accumulated Amortization of Utility Plant in Service. Any amounts which, by approval or order of the Commission, are charged to account 182 - Extraordinary Property Losses, shall be credited to account 108 - Accumulated Depreciation and account 110 - Accumulated Amortization of Utility Plant in Service.

G. In some instances the unexpected early retirement of a major unit of property, which would eliminate or seriously deplete the existing depreciation reserve, may require accounting treatment which differs from that described in paragraph B above. In such instances the Commission may authorize or order the loss on retirement (less any tax savings) to be charged to income in the current year or transferred to account 186 - Miscellaneous Deferred Debits, and amortized in future periods. Such accounting treatment shall be used only when specifically authorized or directed by the Commission.

23. Utility Plant - Transfers of Property

A. When property is transferred from one utility plant account to another, from one utility department to another, such as from water to wastewater, from one operating division or area to another, to or from Utility Plant in Service, Utility Plant Leased to Others and Property Held for Future Use, the transfer shall be recorded by transferring the original cost thereof from the one account, department, or location to the other. Any related amounts carried in the accounts for accumulated depreciation or amortization shall be transferred in accordance with the segregation of such accounts.

B. When depreciable property is transferred from the utility plant accounts to account 121 - Nonutility Property, the transfer shall be accomplished by crediting the utility plant accounts and charging the accumulated depreciation with the book cost of the item transferred; the accumulated depreciation shall then be credited and account 121 - Nonutility Property, concurrently charged with the market value of the property transferred. If the property is sold within a relatively short time, a debit or credit shall be made to the accumulated depreciation to adjust the estimated salvage to the amount actually realized.

24. Utility Plant - Common Plant

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

B. Utility plant designated as common utility plant shall be classified according to the detailed utility plant accounts appropriate for the property.

C. The utility shall be prepared to show at any time and to report to the Commission annually, or more frequently, if required,

and by utility plant accounts (351 to 398) the following: (1) the book cost of common utility plant (2) the allocation of such cost to the respective departments using the common utility plant and (3) the basis of the allocation.

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

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

25. Utility Plant - Multiple Use

Land, rights of way and structures used jointly for several functions shall be classified according to the major use thereof.

26. Utility Plant - Plant Account Matrix

A. Class B utilities are required to subdivide the plant accounts into "functional" operations. Each object account shall be subdivided as shown in the plant account matrix shown on page 76. The subaccounts are to be designated by adding a suffix of one decimal place to the three digit account number.

B. The "functional" operations for the wastewater system are listed below along with the designated suffix:

.1 Intangible plant
.2 Collection plant
.3 System pumping plant
.4 Treatment and disposal plant
.5 Reclaimed water treatment plant
.6 Reclaimed water distribution plant
.7 General Plant

27. Operating Income - Depreciation Expense

A. Depreciation charges shall be computed using either the straight-line remaining life method (See definition 33) or the straight-line method (See definition 34), according to which method has been approved by the Commission. Composite depreciation rates (See definition 8) may be used with prior Commission approval. When at all possible, separate depreciation charges shall be computed for both contributed plant and for plant generating

investment tax credits including progress payment investment tax credits.

B. When the straight-line remaining life method is used, the rates shall be reviewed periodically and adjusted as required, so that the depreciation accrual will bear a reasonable relationship to the remaining life, the estimated net future salvage, cost of plant in service and to the balance of accumulated depreciation accrued in prior periods.

C. When the straight-line method is used, the rates shall be reviewed periodically and adjusted as required, so that the depreciation accrual will bear a reasonable relationship to the service life, the estimated net salvage, and the cost of plant in service.

D. Amortization of contributions in aid of construction (CIAC), if recognized by the Commission, shall be credited to account 403 - Depreciation Expense. The concurrent debit is to account 272 - Accumulated Amortization of CIAC. The resulting balance in the depreciation expense account will be net of CIAC amortization. CIAC shall be amortized over a period equal to the estimated service life of the related contributed asset. A group composite or overall composite rate, whichever is applicable, may be used for CIAC that can not be directly related to a particular plant asset.

28. Operating Income - Income Taxes

A. Current income tax provision:

(1) The utility shall initially debit account 409 - Income Taxes, and credit account 236 - Accrued Taxes, to record its estimated current income tax liability. As the exact amounts of taxes become known, the current tax accruals shall be adjusted by debits or credits to these accounts unless such adjustments are properly includible in account 214 - Appropriated Retained Earnings or account 215 - Unappropriated Retained Earnings, so that these accounts as nearly as can be ascertained shall include the actual taxes payable by the utility.

(2) The accruals for income taxes shall be apportioned among utility departments and to Other Income and Deductions so that, as nearly as practicable, each tax shall be included in the expenses of the utility department or Other Income and Deductions, and shall be related to the income which gave rise to the tax. The income tax effect of amounts recorded in account 214 - Appropriated Retained Earnings or account 215 - Unappropriated Retained Earnings, shall be recorded in that amount.

B. Interperiod Tax Allocation - Depreciation:

(1) The Federal Economic Recovery Tax Act of 1981 (ERTA).

ERTA provides that a utility claiming accelerated depreciation (Accelerated Cost Recovery System (ACRS)) must use a normalized method of accounting for federal income taxes on its regulated books of account and for ratemaking purposes. A utility must use the same depreciation method and lives in computing federal income tax expense when establishing cost of service for ratemaking purposes as is used in its regulated books of account, or if it uses a different method, it must make adjustments to a reserve to reflect the deferral of taxes resulting from such differences. Similarly, in order to claim investment tax credits, a utility must defer the entire balance of investment tax credits on its books of account and amortize the balance over the life of the related property.

C. Comprehensive Interperiod Income Tax Allocation - Other Than Depreciation.

(1) Certain regulatory bodies have required comprehensive interperiod income tax allocation of all material book-tax timing differences other than depreciation differences. They have reasoned that where there are timing differences between the period 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 period in which the differences reverse using the deferred tax method. In general, comprehensive interperiod tax allocation should be followed whenever transactions enter into the determination of pretax accounting income for the period even though some transactions may affect the determination of taxes payable in a different period, as further qualified below.

(2) Utilities are not required to utilize comprehensive interperiod income tax allocation until the deferred income taxes are included as an expense in the rate level by the regulatory authority having rate jurisdiction over the utility. Where comprehensive interperiod tax allocation accounting is not practiced, the utility shall include as a note to each financial statement, prepared for public use, a footnote explanation setting forth the utility's accounting policies with respect to interperiod tax allocation and

describing the treatment for ratemaking purposes of the tax timing difference by regulatory authorities having rate jurisdiction.

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

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

EXAMPLE

The following example shows how the various transactions are recorded:

a. A utility purchases depreciable plant at a cost of $10,000. The plant has a 10 year life with no salvage.

b. The utility's federal taxable income from utility operations, before the effect of depreciation is $30,000 (46% tax rate).

c. ACRS depreciation for each year is $800, $1400, $1200, $1000, $1000, $1000, $900, $900, $900, $900.

d. Book depreciation for each year using half year convention in year placed in service is: $500, $1000, $1000, $1000, $1000, $1000, $1000, $1000, $1000, $1000, $500.

e. Investment tax credit is $800 ($10,000 x 8%) in order to use 100% of the $10,000 cost for ACRS depreciation.

f. Deferred taxes are calculated by subtracting tax depreciation from book depreciation and multiplying by the tax rate. If tax depreciation is greater than book, debit Account 410 and credit Account 282. If book depreciation is greater than tax, debit Account 282 and credit Account 410.

	Account Number	Account Title	Debit	Credit
Year 1				
1-a	409.10	Income Taxes, Utility Operating Income	$12,632	
	236.1	Accrued Taxes, Utility Operating Income		$12,632
		To record taxes estimated be payable for period (.46($30,000 - $800)) - $800		
1-b	410.10	Deferred Income Taxes	138	
	282	Accumulated Deferred Income Taxes - Liberalized Depreciation		138
		To record deferral of a portion of taxes based on the difference between straight-line depreciation		

	Account Number	Account Title	Debit	Credit
		and ACRS depreciation (.46($500-$800). NOTE:--The deferred tax balance of $138 would either be deducted from rate base or be included in capital structure at zero cost.		
1-c	412.10	Investment Tax Credits Deferred to Future Periods, Utility Operations	800	
	255.1	Accumulated Deferred Investment Tax Credits, Utility Operations		800
		To record the investment tax credits realized and deferred to future years in accordance with provisions of either the "General Rule"/Option 1 Treatment or the "Special Rule for Ratable Flow - through"/Option 2 Treatment ($10,000 x 8%).		
1-d	255.1	Accumulated Deferred Investment Tax Credits, Utility Operations	40	
	412.30	Investment Tax Credits Restored to Nonoperating Income, Utility Operations		40
		To record ratable amortization over the book depreciable life of the investment tax credits deferred to future periods (.50 ($800 (1/10))). NOTE:--The net balance of deferred investment tax credits ($800 - $40) would be either deducted from rate base or included in capital structure at zero cost. This treatment is followed by utilities subject to the "General Rule"/Option 1 Treatment.		
1-e	255.1	Accumulated Deferred Investment Tax Credits, Utility Operations	40	
	412.11	Investment Tax Credits Restored to Operating Income, Utility Operations.		40
		To record ratable flow-through over the asset's book depreciable life of investment tax credits deferred		

	Account Number	Account Title	Debit	Credit
		to future periods (.50($800 (1/10))). NOTE:--The net balance of deferred ITC ($800-$40) would earn the overall rate of return. This treatment is followed by utilities subject to "Special Rule for Ratable Flow-through"/Option 2 Treatment.		
Year 2				
2-a	409.10	Income Taxes, Utility Operating Income	$13,156	
	236.1	Accrued Taxes, Utility Operating Income		$13,156
		To record taxes estimated to be payable for period .46($30,000 - $1,400).		
2-b	410.10	Deferred Income Taxes	184	
	282	Accumulated Deferred Income Taxes-Liberalized Depreciation		184
		To record deferral of a portion of taxes based on the difference between straight-line depreciation and ACRS depreciation (.46($1000-$1400)). NOTE:--The cumulative balance of deferred taxes ($138 + $184) would be either deducted from rate base or included in capital structure at zero cost.		
2-c	255.1	Accumulated Deferred Investment Tax Credits, Utility Operations	80	
	412.30	Investment Tax Credits Restored to Nonoperating Income, Utility Operations		80

	Account Number	Account Title	Debit	Credit
		To record ratable amortization over the asset's book depreciable life of the ITC deferred to future periods ($800 (1/10)). NOTE:--The net balance of deferred ITC ($800 - ($40 + $80)) would be either deducted from rate base or included in capital structure at zero cost. This treatment is followed by utilities subject to the "General Rule"/Option 1 Treatment.		
2-d	255.1	Accumulated Deferred Investment Tax Credits, Utility Operations	80	
	412.11	Investment Tax Credits Restored to Operating Income, Utility Operations		80
		To record ratable flow-through over the asset's book depreciable life of investment tax credits deferred to future period ($800(1/10)). NOTE:--The net balance of deferred ITC ($800-($40 + $80)) would earn the overall rate of return. This treatment is followed by utilities subject to the "Special Rule for Ratable Flow-Through"/Option 2 Treatment.		
Year 3				
3-a	409.10	Income Taxes, Utility Operating Income	13,248	
	236.1	Accrued Taxes, Utility Operation Income		13,248
		To record taxes estimated to be payable for the period (.46($30,000-$1,200)).		
3-b	410.10	Deferred Income Taxes	92	
	282	Accumulated Deferred Income Taxes - Liberalized Depreciation		92
		To record deferral of a portion of taxes based on the difference between straight-line depreciation and		

	Account Number	Account Title	Debit	Credit
		ACRS depreciation (($1,000-$1,200).46). The cumulative balance of deferred taxes ($138 + $184 + $92) would be either deducted from rate base or included in capital structure at zero cost.		
3-c	255.1 412.30	"General Rule"/Option 1 Treatment utilities would record the same entry as in Year 2 for amortization of ITC. The net balance deducted from rate base or included in capital structure at zero cost would be ($800-($40 + 2 ($80))).	80	80
3-d	255.1 412.11	"Special Rule for Ratable Flow-Through"/Option 2 Treatment utilities would record the same entries recorded in Year 2 for ratable flow-through of ITC. The net ITC balance earning the overall rate of return would be $600.	80	80
Year 4				
4-a	409.10 236.1	Income Taxes, Utility Operating Income Accrued Taxes, Utility Operating Income	13,340	13,340
		To record taxes estimated to be payable for the period (.46($30,000-$1,000)).		
4-b	410.10 282	No entry would be made related to deferred taxes because book and tax depreciation are equal. The cumulative balance of $414 would continue to be deducted from rate base or included in capital structure at zero cost.		
4-c	255.1 412.30	"General Rule"/Option 1 Treatment utilities. Same entry as Year 2 Net deferred balance either deducted	80	80

	Account Number	Account Title	Debit	Credit
		from rate base or included in capital structure at zero cost would be ($800-($40+3($80))).		
4-d	255.1 412.11	"Special Rule for Ratable Flow-Through"/Option 2 Treatment utilities. Same entry as Year 2. Net balance earning the overall rate of return would be $520.	80	80
Year 5				
5-a	409.10 236.1	Same entry as Year 4.	13,340	13,340
5-b	410.10 282	See Year 4.		
5-c	255.1 412.30	"General Rule"/Option 1 Treatment utilities. Same entry as Year 2. Net ITC balance deducted from rate base or included in capital structure is $440.	80	80
5-d	255.1 412.11	"Special Rule for Ratable Flow-Through"/Option 2 Treatment utilities. Same entry as Year 2. Net ITC balance earning overall rate of return is $440.	80	80
Year 6				
6-a	409.10 236.1	Same entry as Year 4.	13,340	13,340
6-b	410.10 282	See Year 4.		
6-c	255.1 412.30	"General Rule"/Option 1 Treatment utilities same entry as Year 2. Net ITC balance deducted from rate base or included in capital structure at zero cost is $360.	80	80

ACCOUNTING INSTRUCTIONS

	Account Number	Account Title	Debit	Credit
6-d	255.1	"Special Rule for Ratable Flow-	80	
	412.11	Through"/Option 2 Treatment		80
		utilities. Same entry as Year 2.		
		Net ITC balance earning the		
		overall rate of return is $360.		
Year 7				
7-a	409.10	Income Taxes, Utility Operating		
		Income	13,386	
	236.1	Accrued Taxes, Utility Operating		
		Income		13,386
		To record taxes estimated to		
		be payable for the period		
		(.46($30,000 - $900)).		
7-b	282	Accumulated Deferred Income Taxes -		
		Liberalized Depreciation	46	
	410.10	Deferred Income Taxes		46
		To record reversal of taxes		
		deferred in prior years ($1000 -		
		$900).46). NOTE:--The net deferred		
		tax balance deducted from rate		
		base or included in capital structure		
		at zero cost is $368.		
7-c	255.1	"General Rule"/Option 1 Treatment	80	
	412.30	utilities. Same entries as Year 2.		80
		Net ITC balance deducted from rate		
		base or included in capital structure		
		at zero cost is $280.		
7-d	255.1	"Special Rule for Ratable Flow-	80	
	412.11	Through"/Option 2 Treatment		80
		utilities. Same entry as Year 2.		
		NOTE:--Net ITC balance earning		
		the overall rate of return is $280.		
Year 8				
8-a	409.10	Same entry as Year 7.	13,386	
	236.1			13,386

ACCOUNTING INSTRUCTIONS

	Account Number	Account Title	Debit	Credit
8-b	282 410.10	Same entry as Year 7. NOTE:--Net balance deducted from rate base or included in capital structure at zero cost is $322.	46	46
8-c	255.1 412.30	"General Rule"/Option 1 Treatment utilities. Same entry as Year 2. NOTE:--Net ITC balance deducted from rate base or included in capital structure at zero cost is $200.	80	80
8-d	255.1 412.11	"Special Rule for Ratable Flow-Through"/Option 2 Treatment utilities. Same entry as Year 2. NOTE:--Net ITC balance earning the overall rate of return is $200.	80	80
Year 9				
9-a	409.10 236.1	Same entry as Year 7.	13,386	13,386
9-b	282 410.10	Same entry as Year 7. NOTE:--Net balance of deferred taxes deducted from rate base or included in capital structure at zero cost is $276.	46	46
9-c	255.1 412.30	"General Rule"/Option 1 Treatment utilities. Same entry as Year 2. NOTE:--Net balance ITC deducted from rate base or included in capital structure at zero cost is $120.	80	80
9-d	255.1 412.11	"Special Rule for Ratable Flow-Through"/Option 2 Treatment utilities. Same entry as Year 2. NOTE:--Net balance ITC earning overall rate of return is $120.	80	80

ACCOUNTING INSTRUCTIONS

	Account Number	Account Title	Debit	Credit
Year 10				
10-a	409.10	Same entry as Year 7.	13,386	
	236.1			13,386
10-b	282	Same entry as Year 7. NOTE:--	46	
	410.10	Net balance deferred taxes deducted from rate base or included in capital structure at zero cost is $230.		46
10-c	255.1	"General Rule"/Option 1 Treatment	80	
	412.30	utilities. Same entry as Year 2. NOTE:--Net balance ITC deducted from rate base or included in capital structure at zero cost is $40.		80
10-d	255.1	"Special Rule for Ratable Flow-	80	
	412.11	Through"/Option 2 Treatment utilities. Same entry as Year 2. NOTE:--Net balance ITC earning overall rate of return is $40.		80
Year 11				
11-a	409.10	Income Taxes, Utility Operating Income	13,800	
	236.1	Accrued Taxes, Utility Operating Income		13,800
		To record taxes estimated to be payable for period (.46($30,000)).		
11-b	282	Accumulated Deferred Income Taxes Liberalized Depreciation	230	
	410.10	Deferred Income Taxes		230
		To record reversal of taxes deferred in prior years (($500 - 0).46). NOTE:--There is no longer a deferred tax balance to be deducted from rate base or included in capital structure at zero cost.		

	Account Number	Account Title	Debit	Credit
11-c	255.1 412.30	"General Rule"/Option 1 Treatment utilities. Same entry as Year 1. NOTE:--There is no longer an ITC balance to be deducted from rate base or included in capital structure at zero cost.	40	40
11-d	255.1 412.11	"Special Rate for Ratable Flow-Through"/Option 2 Treatment utilities. Same entry as Year 1. NOTE:--There is no longer an ITC balance to earn the overall rate of return.	40	40

29. Operating Income - Clearing Accounts

A. The purpose of a clearing account is to temporarily accumulate in one account costs of a specific type which affect more than a single account, and which subsequently will be apportioned among utility plant accounts, operating expense accounts and other appropriate accounts.

B. The use of clearing accounts is optional. In addition to the payroll clearing account, a utility may use such additional clearing accounts as it finds useful. However, all operating expenses must be recorded in the accounts prescribed by this manual and the utility remains responsible for providing the underlying source documents as if all entries were made directly without the use of a clearing account.

30. Operating Income - Accrual Accounting

A. Monthly accounting using the accrual method is required. During the accounting period, certain amounts may have been earned although collection is not to be made until the subsequent period, and certain expenses may have been incurred, although payment is not to be made until a subsequent period. At the end of the accounting period the revenues and expenses shall be recognized by charging the appropriate expense account and corresponding liability or receivable account.

B. A reversing entry will be necessary at the beginning of the subsequent period.

31. Operating Income - Operation and Maintenance Expense Account Matrix

A. Class B utilities are required to subdivide the operation and maintenance expenses into functions. Each object account shall be

subdivided by the functions as shown in the matrix schedule which proceeds the Operation and Maintenance Expense Accounts (page 116). The function will be designated by adding an additional one digit suffix to the basic object account.

B. The "functional" operations for the wastewater system are listed with the designated suffix:

.1 Collection expenses - operations
.2 Collection expenses - maintenance
.3 Pumping expenses - operations
.4 Pumping expenses - maintenance
.5 Treatment and disposal expenses - operations
.6 Treatment and disposal expenses - maintenance
.7 Customer accounts expense
.8 Administrative and general expenses
.9 Reclaimed water treatment expenses - operations
.10 Reclaimed water treatment expenses - maintenance
.11 Reclaimed water distribution expenses - operation
.12 Reclaimed water distribution expenses - maintenance

32. Operating Income - Regulatory Assets and Liabilities

Regulatory debits and credits will often be used to reconcile differences between the requirements of Generally Accepted Accounting Principles, regulatory practice and federal, state, and local tax laws. For example, when there is a change in a federal, state or local income tax rate, Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes, (SFAS 109) requires that adjustments be made to existing debit and credit deferred tax balances through the income statement in the year in which the change is known or can be reasonably estimated. However, the Tax Reform Act of 1986 requires the effect of a federal income tax rate change to be recognized over a different period. Some state tax codes piggy-back the provisions of the federal tax code. Regulatory agencies may require that SFAS 109 be implemented in a revenue neutral method or they may accept the period of time and method required by tax law for the adjustment of deferred income tax balances. These different requirements can be accommodated through the use of Account 186 - Miscellaneous Deferred Debits, Account 253 - Other Deferred Assets, Account 407.4 - Amortization of Regulatory Debits and Account 407.5 - Amortization of Regulatory Liabilities. By debiting and crediting these accounts, as appropriate, the difference between the existing deferred tax balances and the re-stated deferred tax balances can be flowed through the income statement as required by SFAS 109, without affecting the revenue requirement or violating the normalization requirements of the Internal Revenue Code. Further, the differences can be retained on the balance sheet so there is also no effect on either rate base or the utility's allowed rate of return.

BALANCE SHEET ACCOUNTS

Assets and Other Debits

Utility Plant

101. Utility Plant in Service
102. Utility Plant Leased to Others
103. Property Held for Future Use
104. Utility Plant Purchased or Sold
105. Construction Work in Progress
108. Accumulated Depreciation of Utility Plant in Service
110. Accumulated Amortization of Utility Plant in Service
114. Utility Plant Acquisition Adjustments
115. Accumulated Amortization of Utility Plant Acquisition Adjustments

Other Property and Investments

121. Nonutility Property
122. Accumulated Depreciation and Amortization of Nonutility Property
123. Investment in Associated Companies
124. Utility Investments
125. Other Investments
127. Other Special Funds

Current and Accrued Assets

131. Cash
    131.1 Cash on Hand
    131.2 Cash in Bank
132. Special Deposits
134. Working Funds
135. Temporary Cash Investments
141. Customer Accounts Receivable
142. Other Accounts Receivable
143. Accumulated Provision for Uncollectible Accounts--Cr.
144. Notes Receivable
145. Accounts Receivable from Associated Companies
146. Notes Receivable from Associated Companies
151. Plant Material and Supplies
162. Prepayments
171. Accrued Interest and Dividends Receivable
174. Miscellaneous Current and Accrued Assets

Deferred Debits

181. Unamortized Debt Discount and Expense
182. Extraordinary Property Losses
186. Miscellaneous Deferred Debits
190. Accumulated Deferred Income Taxes

BALANCE SHEET ACCOUNTS

Equity Capital and Liabilities

Equity Capital

201. Common Stock Issued
204. Preferred Stock Issued
211. Other Paid-In Capital
212. Discount on Capital Stock
213. Capital Stock Expense
214. Appropriated Retained Earnings
215. Unappropriated Retained Earnings
216. Reacquired Capital Stock

218. Proprietary Capital (for proprietorships and partnerships only)

Long-Term Debt

221. Bonds
223. Advances from Associated Companies
224. Other Long-Term Debt

Current and Accrued Liabilities

231. Accounts Payable
232. Notes Payable
233. Accounts Payable to Associated Companies
234. Notes Payable to Associated Companies
235. Customer Deposits
236. Accrued Taxes
237. Accrued Interest
238. Accrued Dividends
239. Matured Long-Term Debt
240. Matured Interest
241. Miscellaneous Current and Accrued Liabilities

Deferred Credits

251. Unamortized Premium on Debt
252. Advances for Construction
253. Other Deferred Credits
255. Accumulated Deferred Investment Tax Credits

Operating Reserves

261. Property Insurance Reserve
262. Injuries and Damages Reserve
263. Pensions and Benefits Reserve
265. Miscellaneous Operating Reserves

BALANCE SHEET ACCOUNTS

Contributions in Aid of Construction

271. Contributions in Aid of Construction
272. Accumulated Amortization of Contributions in Aid of Construction

Accumulated Deferred Income Taxes

281. Accumulated Deferred Income Taxes - Accelerated Amortization
282. Accumulated Deferred Income Taxes - Liberalized Depreciation
283. Accumulated Deferred Income Taxes - Other

BALANCE SHEET ACCOUNTS

Utility Plant

101. Utility Plant in Service

A. This account is the control account for plant accounts 351 through 398.

B. This account shall include the original cost of utility plant, included in the plant accounts prescribed herein and in similar accounts for other utility departments, owned and used by the utility in its utility operations, and having an expected life in service of more than one year from date of installation, including such property owned by the utility but held by nominees. Separate subaccounts shall be maintained hereunder for each utility department and/or division.

C. The cost of additions to and betterments of property leased from others, which are includible in this account, shall be recorded in subdivisions separate and distinct from those relating to owned property (See Accounting Instruction 17).

102. Utility Plant Leased to Others

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

B. The property included in this account shall be classified according to the detailed accounts prescribed for utility plant in service and this account shall be maintained in such detail as though the property were used by the owner in its utility operations.

103. Property Held for Future Uses

A. This account shall include the original cost of property owned and held for future use in utility service under a definite plan for such use. There shall be included herein property acquired but never used by the utility in utility service, but held for such service in the future under a definite plan, and property previously used by the utility in utility service, but retired from such service and held pending its reuse in the future, under a definite plan, in utility service.

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

C. Gains or losses from the sale of land and land rights or other disposition of such property previously recorded in this account and not placed in utility service shall, unless otherwise authorized or required by the Commission, be recorded directly in account 414 - Gains (Losses) from Disposition of Utility Property. However, when determined to be significant by the Commission the gain or loss shall be transferred to account 253 - Other Deferred Credits, or account 186 - Miscellaneous Deferred Debits. Such deferred amounts shall then be amortized to account 414 - Gains (Losses) from Disposition of Utility Property, unless otherwise authorized or required by the Commission.

D. The property included in this account shall be classified according to the detailed accounts prescribed for utility plant in service and the account shall be maintained in such detail as though the property were in service. Separate subaccounts shall be maintained hereunder for each utility department for which plant is held for future use.

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

104. Utility Plant Purchased or Sold

A. This account shall be charged with the cost of utility plant acquired as an operating unit or system by purchase, merger, consolidation, liquidation, or otherwise, and shall be credited with the selling price of like property transferred to others pending the distribution to appropriate accounts in accordance with Accounting Instruction 16.

B. Within six months from the date of acquisition or transfer of property recorded herein, the utility shall file with the Commission the proposed journal entries to clear from this account the amounts recorded herein.

105. Construction Work in Progress

A. This account shall include the total of balances of work orders for utility plant in process of construction but not ready for service at the date of the balance sheet.

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

108. Accumulated Depreciation of Utility Plant in Service

A. This account shall reflect the depreciation accumulated on plant used in wastewater utility service.

B. This account shall be credited with:

(1) Amounts charged to account 403 - Depreciation Expense, representing currently accruing depreciation of wastewater plant (which excludes contributed plant).

(2) Amounts equal to those concurrently charged to account 272 - Accumulated Amortization of Contributions in Aid of Construction, representing currently accruing amortization of contributed plant, if recognized by the Commission.

(3) Amounts charged to account 182 - Extraordinary Property Losses, when authorized by the Commission.

(4) Amounts representing the balance of accumulated depreciation of plant acquired from others.

C. At the time of retirement of utility plant, this account shall be charged with the book cost of the property retired and the cost of removal, and shall be credited with the salvage value and any other amounts recovered, such as insurance. When retirements, cost of removal and salvage are entered originally in retirement work orders, the net total of such work orders may be included in a separate subaccount hereunder. Upon completion of the work order, the proper distribution to subdivisions of this account shall be made.

D. The utility should maintain separate subaccounts corresponding with the depreciable plant accounts, in which the accumulated depreciation total is segregated.

E. When transfers of plant are made from one utility plant account to another, or from one or to another utility department, or from one or to nonutility property, the accounting for the related accumulated depreciation shall be as provided in Accounting Instruction 23.

F. The utility is restricted in its use of the provisions for depreciation to the purposes set forth above. It shall not divert any portion of this account or make any use thereof without authorization by the Commission.

110. Accumulated Amortization of Utility Plant in Service

A. This account shall reflect the amortization accumulated on plant used in wastewater utility service.

B. This account shall be credited with:

(1) Amounts charged to account 407.1 - Amortization of Limited Term Plant, for the current amortization of limited term investments. It shall be credited also with amounts which may be charged to account 407.3 - Amortization of Other Utility Plant, or to account 426 - Miscellaneous Nonutility Expenses, to amortize intangible or other utility plant which does not have a definite or terminable life and is not subject to charges for depreciation expense.

(2) Amounts charged to account 413 - Income from Utility Plant Leased to Others, for the current amortization of limited term or other investments subject to amortization included in account 102 - Utility Plant Leased to Others.

C. When any property to which this account applies is sold, relinquished, or otherwise retired from service, this account shall be charged with the amount previously credited in respect to such property. The book cost of the property so retired less the amount chargeble to this account and less the new proceeds realized at retirement shall be included in account 414 - Gains (Losses) from Disposition of Utility Property, unless otherwise authorized or required by the Commission.

D. The utility is restricted in its use of the accumulated amortization account to the purposes set forth above. It shall not transfer any portion of this account or make any other use thereof without authorization by the Commission.

E. The utility should maintain separate subaccounts corresponding with the amortizable plant accounts, in which the accumulated amortization total is segregated.

114. Utility Plant Acquisition Adjustments

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

B. This account shall be subdivided so as to show the amounts included herein for each property acquisition and the amounts applicable to each utility department and to utility plant in service and utility plant leased to others (See Accounting Instruction 16).

C. The amounts recorded in this account with respect to each property acquisition shall be amortized, or otherwise disposed of, as the Commission may approve or direct.

115. Accumulated Amortization of Utility Plant Acquisition Adjustments

This account shall be credited or debited with amounts which are includible in account 406 - Amortization of Utility Plant Acquisition Adjustments, or account 426 - Miscellaneous Nonutility Expenses, for the purpose of providing for the extinguishment of amounts in account 114 - Utility Plant Acquisition Adjustments.

Other Property and Investments

121. Nonutility Property

A. This account shall include the book cost of land, structures, equipment or other tangible or intangible property owned by the utility, but not used in utility service and not properly includible in account 103 - Property Held for Future Use.

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

Note:--For transfers from utility plant accounts (see Accounting Instruction 23B).

122. Accumulated Depreciation and Amortization of Nonutility Property

This account shall included the accumulated depreciation and amortization applicable to property other than utility plant.

123. Investment in Associated Companies

A. This account shall include the book cost of investments in securities issued or assumed by associated companies (See definition 5) and investment advances to such companies, including interest accrued thereon when such interest is not subject to current settlement. Include also the offsetting entry to the recording of amortization of discount or premium on interest bearing investments (See account 419 - Interest and Dividend Income).

B. The account shall be maintained in such manner as to show the investment in securities of, and advances to, each associated

company together with full particulars regarding any of such investments that are pledged.

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

Note B:--Securities of associated companies held as temporary cash investments are includible in account 135 - Temporary Cash Investments.

Note C:--Balances in open accounts with associated companies, which are subject to current settlement, are includible in account 145 - Accounts Receivable from Associated Companies.

Note D:--The utility may write down the cost of any security in recognition of a decline in the value thereof. Securities shall be written off or written down to a nominal value if there is no reasonable prospect of substantial value. Fluctuations in market value shall not be recorded but a permanent impairment in the value of securities shall be recognized in the accounts. When securities are written off or written down, the amount of the adjustment shall be charged to account 426 - Miscellaneous Nonutility Expenses, or to an appropriate account for provisions for loss in value established as a separate subdivision of this account.

124. Utility Investments

This account shall include book cost of investments in securities issued or assumed by nonassociated companies for the purpose of insuring adequate wastewater service.

125. Other Investments

A. This account shall include the book cost of investments in securities issued or assumed by nonassociated companies, investment advances to such companies, and any investments not accounted for elsewhere. Include also the offsetting entry to the recording of amortization of discount or premium on interest bearing investments (See account 419 - Interest and Dividend Income).

B. The cost of capital stock of the utility reacquired by it under a definite plan for resale pursuant to authorization by the Board of Directors may, if permitted by statutes, be included in a separate subdivision of this account (see also account 211 - Other Paid-In Capital, and account 216 - Reacquired Capital Stock).

C. The records shall be maintained in such manner as to show the

amount of each investment and the investment advances to each person.

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

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

Note C:--See Note D of account 123.

127. Other Special Funds

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

Note:--Amounts deposited with a trustee under the terms of an irrevocable trust agreement for pensions or other employee benefits shall not be included in this account.

Current and Accrued Assets

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

131. Cash

A. This account shall include the amount of cash on hand or on deposit in banks.

B. The following subaccounts shall be maintained:

131.1 Cash on Hand.
131.2 Cash in Bank.

132. Special Deposits

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

134. Working Funds

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

135. Temporary Cash Investments

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

B. This account shall be so maintained as to show separately temporary cash investments in securities of associated companies and of others. Records shall be kept of any pledged investments.

141. Customer Accounts Receivable

A. This account shall include amounts due from customers for utility service. This account shall not include amounts due from associated companies.

142. Other Accounts Receivable

A. This account shall include amounts due the utility upon open accounts, plus merchandising, jobbing and contract work, other than amounts due from associated companies and from customers for utility services.

B. This account shall be maintained so as to show separately amounts due on subscriptions to capital stock and from officers and employees, but the amount shall not include amounts advanced to officers or others as working funds (See account 134 - Working Funds).

143. Accumulated Provision for Uncollectible Accounts--Cr.

A. This account shall be credited with amounts provided for losses on accounts receivable which may become uncollectible, and also with collections on accounts previously charged hereto. Concurrent charges shall be made to account 770 - Bad Debt Expense, for amounts applicable to utility operations, and to corresponding accounts for other operations. Records shall be maintained so as to show the write-offs of accounts receivable for each utility department.

B. This account shall be subdivided to show the provision applicable to the following classes of accounts receivable:

(1) Utility Customers
(2) Merchandising, Jobbing and Contract Work
(3) Officers and Employees
(4) Other

Note A:--Accretions to this account shall not be made in excess of a reasonable provision against losses of the character provided for.

Note B:--If provisions for uncollectible notes receivable or for uncollectible receivables from associated companies are necessary, separate subaccounts therefor shall be established under the account in which the receivable is carried.

144. Notes Receivable

This account shall include the book cost, not includible elsewhere, or all collectible obligations in the form of notes receivable and similar evidences (except interest coupons) of money due on demand or within one year from the date of issue, except, however, notes receivable from associated companies (See account 135 - Temporary Cash Investments, and account 146 - Notes Receivable from Associated Companies).

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

145. Accounts Receivable from Associated Companies

See account 146.

146. Notes Receivable from Associated Companies

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

Note A:--On the balance sheet, accounts receivable from an associated company may be set off against accounts payable to the same company.

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

151. Plant Material and Supplies

A. This account shall include the cost of fuel on hand and unapplied materials and supplies (except meters) purchased primarily for use in the utility business for construction, operation and maintenance purposes. It shall include also the book cost of materials recovered in connection with construction, maintenance or accumulated depreciation, respectively, and included herein as follows:

(1) Reusable materials consisting of large individual items shall be included in this account at original cost, estimated if not known.

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

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

B. Materials and supplies issued shall be credited hereto and charged to the appropriate construction, operating expense, or other account on the basis of a unit price determined by the use of cumulative average, first-in-first-out, or such other method of inventory accounting as conforms with accepted accounting standards consistently applied.

C. Inventories of materials, supplies, fuel, etc., shall be taken at least annually and the necessary adjustments shall be made to bring this account into agreement with the actual inventories.

In affecting the adjustments, large differences which can be assigned to important classes of materials shall be equitably adjusted among the accounts to which such classes of materials have been charged since the previous inventory. Other differences shall be equitably apportioned among the accounts to which materials have been charged.

Items

(1) Invoice price of materials less cash or other discounts.
(2) Freight, switching or other transportation charges when practicable to include as part of the cost of particular materials to which they relate.
(3) Customs, duties and excise taxes.
(4) Costs of inspection and special tests prior to acceptance.
(5) Insurance and other directly assignable charges.

Note A:--Where expenses applicable to materials purchased cannot be directly assigned to particular purchases, they may be charged to a stores expense clearing account and distributed therefrom to the appropriate account.

Note B:--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 utility plant or expense account.

162. Prepayments

A. This account shall include the amounts of rents, insurance, interest and like disbursements made in advance of the period to which they apply. As the periods covered by such prepayments expire, credit this account and charge the proper operating expense or other account with the amount applicable to the period.

B. This account shall include the amounts of taxes paid in advance of the period in which they are chargeable to income, except amounts chargeable to water and/or wastewater plant under construction and minor amounts which may be charged direct to the final accounts. As the term expires for which the taxes are paid, this account shall be credited at monthly intervals and the appropriate account charged (Note also 408.10, 408.13, 409.10, 408.20, 409.20, 409.30).

C. This account shall be kept or supported in such manner as to disclose the amount of each class of prepayments.

171. Accrued Interest and Dividends Receivable

This account shall include the amount of interest on bonds,

mortgages, notes, commercial paper, loans, open accounts, deposits, etc., the payment of which is reasonably assured and the amount of dividends declared or guaranteed on stocks owned.

Note A:--Interest which is not subject to current settlement shall not be included herein but in the account in which is carried the principal on which the interest is accrued.

Note B:--Interest and dividends receivable from associated companies shall be included in account 145 - Accounts Receivable from Associated Companies.

174. Miscellaneous Current and Accrued Assets

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

Deferred Debits

181. Unamortized Debt Discount and Expense

A. This account shall include the total of the debit balance of discount and expense for all classes of long-term debt.

B. The discount and expense shall be amortized over the life of the respective issues under a plan which will distribute the amounts equitably over the life of the securities. The amortization shall be charged to account 428 - Amortization of Debt Discount and Expense. The utility may, however, accelerate the writing off of discount and expense where the amounts are insignificant unless otherwise ordered by the Commission.

182. Extraordinary Property Losses

A. When authorized or directed by the Commission, this account shall include extraordinary losses, net of income taxes, on property abandoned or otherwise retired from service which are not provided for by accumulated depreciation or amortization and which could not reasonably have been foreseen and provided for, and extraordinary losses, such as unforeseen damages to property, which could not reasonably have been anticipated and which are not covered by insurance or other provisions.

B. The entire cost, less net salvage, of depreciable property retired shall be charged to accumulated depreciation. If all, or a portion, of the loss is to be included in this account, accumulated depreciation shall then be credited and this account charged with the amount properly chargeable hereto.

186. Miscellaneous Deferred Debits

A. This account shall include the following classes of items:

(1) Expenditures for preliminary surveys, plans, investigations, etc., made for the purpose of determining the feasibility of projects under contemplation. If construction results, this account shall be credited with the amount applicable thereto and the appropriate plant accounts shall be charged with an amount which does not exceed the expenditures which may reasonable be determined to contribute directly and immediately and without duplication to plant. If the work is abandoned, the charge shall be to account 426 - Miscellaneous Nonutility Expenses, or to the appropriate operating expense accounts (See account 675 - Miscellaneous Expenses).

(2) Undistributed balances in clearing accounts at the date of the balance sheet. Balances in clearing accounts shall be substantially cleared not later than the end of the calendar year unless items held therein relate to a future period.

(3) Balances representing expenditures for work in progress other than on utility plant. This includes jobbing and contract work in progress.

(4) Losses on disposition of property, net of income taxes, deferred by authorization of the Commission.

(5) Large and significant research and development expenditures (See definition 26), deferred by authorization of the Commission, except those properly includible in account 105 - Construction Work in Progress. The amortization of deferred research and development expenditures and those research and development expenditures which are minor recurring shall be charged to account 675 - Miscellaneous Expenses.

(6) Balances representing the deferred portion of rate case expense.

(7) Regulatory created assets, not included in other accounts, resulting from the ratemaking actions of regulatory agencies. (See Definition 27.) The amounts included in this account are to be established by those charges which would have been included in net income determination in the current period under the general requirements of the Uniform System of Account but for it being probable that such items will be included in a different period(s) for purposes of developing the rates that the utility is authorized to charge for its

utility services. When specific identification of the particular source of a regulatory asset cannot be made, such as in plant phase-ins, Account 407.5 - Amortization of Regulatory Liabilities shall be credited. The amounts recorded in this account are generally to be charged, concurrently with the recording of the amount 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 407.5 shall be charged to Account 407.4 - Amortization of Regulatory Assets, concurrent with the recovery of the amounts in rates.

If rate recovery of all or part of an amount included in this account is disallowed, the disallowed amount shall be charged to Account 426 - Miscellaneous Nonutility Expenses, or Account 434 - Extraordinary Deductions, in the year of the disallowance.

(8) Other debit balances, the proper final disposition of which is uncertain, and unusual or extraordinary expenses, not included in other accounts, which are in the process of being written-off.

B. Separate subaccounts shall be established and maintained for each of the above classes of deferred items. The records supporting the entries to each subaccount shall be so kept that the utility can furnish full information as to the cost, nature and purpose of each item included therein.

190. Accumulated Deferred Income Taxes

A. This account shall be debited and account 411.10 - Provision for Deferred Income Taxes - Credit, Utility Operating Income, or account 411.20 - Provision for Deferred Income Taxes - Credit, Other Income and Deductions, as appropriate, shall be credited with an amount equal to that by which income taxes payable for the year are higher because of the inclusion of certain items in income for tax purposes, which items for general accounting purposes will not be fully reflected in the utility's determination of annual net income until subsequent years.

B. This account shall be credited and account 410 - Deferred Federal, State or Local Income Taxes, or account 410.20 - Provision for Deferred Income Taxes, Other Income and Deductions, as appropriate, shall be debited with an amount equal to that by which income taxes payable for the year are lower because of prior payment of taxes as provided by paragraph A above, because of differences in timing for tax purposes of particular items of income or income deductions from that recognized by the utility for general accounting purposes. Such credit to this account and debit to account 410 or 410.20 shall, in general, represent the effect on

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

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

D. The utility is restricted in its use of this account to the purpose set forth above. It shall not make use of the balance in this account or any portion thereof except as provided in the text of this account, without prior approval of 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 utility's income accounts has been completed, or other disposition made shall be debited to account 410 - Deferred Income Taxes, or account 410.20 - Provision for Deferred Income Taxes - Other Income and Deductions, as appropriate, or otherwise disposed of as the Commission may authorize or direct (See Accounting Instruction 28).

Equity Capital

201. Common Stock Issued

See account 204.

204. Preferred Stock Issued

A. These accounts shall include the par value or the stated value of stock without par value if such stock has a stated value, and, if not, the cash value of the consideration received for such nonpar stock, of each class of capital stock actually issued, including the par or stated value of such capital stock in account 216 - Reacquired Capital Stock.

B. When the actual cash value of the consideration received is more or less than the par or stated value of any stock having a par or stated value, the difference shall be credited or debited, as the case may be, to the premium or discount account for the particular class and series.

C. When capital stock is retired, this account shall be charged with the amount at which such stock is carried herein.

D. A separate ledger account, with a descriptive title, shall be maintained for each class and series of stock. The supporting

records shall show the shares nominally issued, actually issued, and nominally outstanding.

Note:--When a levy or assessment, except a call for payment on subscriptions, is made against holders of capital stock, the amount collected upon such levy or assessment shall be credited to account 211 - Other Paid in Capital; provided, however, that the credit shall be made to account 212 - Discount on Capital Stock, to the extent of any remaining balance of discounts on the issue of stock.

211. Other Paid-In Capital

This account shall include the balance of all other credits for paid-in capital not includible in the capital stock accounts, and shall be kept to show the source of the credits includible herein.

Items

1. Premium received on original issues of capital stock.
2. Donations received from stockholders consisting of capital stock or reduction of debt of the utility, and the cash value of other assets received as a donation.
3. Reduction in par or stated value of capital stock.
4. Gain on resale or cancellation of reacquired capital stock.
5. Miscellaneous paid-in capital.

Note:--Premium on capital stock shall not be set off against expenses. Further, a premium received on an issue of a certain class or series of stock shall not be set off against expenses of another issue of the same class or series.

212. Discount on Capital Stock

A. This account shall include in a separate subdivision for each class and series of capital stock all discount on the original issuance and sale of capital stock, including additional capital stock of a particular class or series as well as first issues.

B. When capital stock which has been actually issued is retired, the amount in this account applicable to the shares retired shall be written off to account 211 - Other Paid-In Capital, provided, however, that the amount shall be charged to account 439 - Adjustments to Retained Earnings, to the extent that it exceeds the balance in account 211 and provided, further, that in no event shall debits in excess of accumulated credits from the retirement of stock be charged to account 211.

C. The utility may amortize the balance in this account by systematic charges to account 426 - Miscellaneous Nonutility Expenses.

213. Capital Stock Expense

A. This account shall include in a separate subdivision for each class and series of stock all commissions and expenses incurred in connection with the original issuance and sale of capital stock, including additional capital stock of a particular class or series as well as first issues.

B. When capital stock which has been actually issued by the utility is retired, the amount in this account applicable to the shares retired shall be written-off to account 211 - Other Paid-In Capital, to the extent of gains on resale or cancellation of reacquired stock includible therein.

C. The utility may amortize the balance carried in this account by systematic charges to account 426 - Miscellaneous Nonutility Expenses.

Note:--Expenses in connection with the reacquisition or resale of the utility's capital stock shall not be included herein.

214. Appropriated Retained Earnings

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

215. Unappropriated Retained Earnings

This account shall include the balance, either debit or credit, of unappropriated retained earnings. It shall not include items includible in any subaccounts of account 211 Other Paid-In Capital.

216. Reacquired Capital Stock

A. This account shall include in a separate subdivision for each class and series of capital stock the cost of capital stock actually issued by the utility and reacquired by it and not retired or cancelled, except, however, stock which is held by trustees in sinking or other funds.

B. When reacquired capital stock is retired or cancelled, the difference between its cost, including commissions and expenses paid in connection with the reacquisition, and its par or stated value plus any premium and less any discount and expenses applicable to the shares retired, shall be debited or credited, as

appropriate, to account 211 - Other Paid-In Capital.

C. When reacquired capital stock is resold by the utility, the difference between the amount received on the resale of the stock, less expenses incurred in the resale, and the cost of the stock included in this account shall be accounted for as outlined in paragraph B.

Note A:--See account 125 - Other Investments, for permissive accounting treatment of stock reacquired under a definite plan for resale.

Note B:--The accounting for reacquired stock shall be as prescribed herein unless otherwise specifically required by statute.

218. Proprietary Capital (for proprietorships and partnerships only)

A. This account shall be credited with the investment of a sole proprietor, or partners, in an unincorporated wastewater utility.

B. At the end of each calendar year the net income or loss for the year shall be entered in this account.

C. Accounting adjustments not properly attributable to operations of the current period shall be charged or credited to this account.

Note A:--When the utility is owned by a partnership, a separate account shall be kept to show the net equity of each member therein and the transactions affecting the interest of each such partner.

Note B:--This account may be restricted to the amount considered by the proprietor to be the permanent investment in the business, subject to change only by additional investment by the proprietor or the withdrawal of portions thereof not representing net income. When this option is taken, earned surplus accounts shall be maintained.

Long-Term Debt

221. Bonds

A. Separate accounts shall be maintained hereunder for unmatured bonds of each class and series. Each such account shall be subdivided, so as to show: (1) the face value of the actually issued and unmatured bonds, which have not been retired or cancelled; also, the face value of such bonds issued by others, the payment of which has been assumed by the utility, (2) the face value of bonds actually issued or assumed by the utility and reacquired by it and not paid, retired, or cancelled. The account for reacquired debt shall not include securities which are held by trustees in sinking or other funds.

B. When bonds are reacquired, the difference between face value, adjusted for unamortized discount, expense or premium and the amount paid upon reacquisition, shall be debited or credited, as appropriate, to account 421 - Nonutility Income, or account 426 - Miscellaneous Nonutility Expense.

223. Advances from Associated Companies

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

B. The records supporting the entries to these accounts shall be so kept that the utility can furnish complete information concerning each note and open account.

224. Other Long-Term Debt

A. This account shall include, until maturity, all long-term debt not otherwise provided for. This covers such items as receiver's certificates, real estate mortgages executed or assumed, assessments for public improvements, notes and unsecured certificates of indebtedness not owned by associated companies, receipts outstanding for long-term debt, and other obligations maturing more than one year from date of issuance and assumption.

B. Separate subaccounts shall be maintained for each class of obligation, and records shall be maintained to show separately for each class all details as to date of obligation, date of maturity, interest dates and rates, security for the obligation, etc.

Note:--Miscellaneous long-term debt reacquired shall be accounted for in accordance with the procedure set forth in account 221 - Bonds.

Current and Accrued Liabilities

231. Accounts Payable

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

232. Notes Payable

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

233. Accounts Payable to Associated Companies

See account 234.

234. Notes Payable to Associated Companies

This account shall include amounts owing to associated companies on notes, drafts, acceptances, or other similar evidences of indebtedness, an open accounts payable on demand or within a time not exceeding one year from date of issue or creation.

Note:--Exclude from this account notes which are includible in account 223 - Advances from Associated Companies.

235. Customer Deposits

This account shall include all amounts deposited with the utility by customers as security for the payment of bills.

236. Accrued Taxes

A. This account shall be credited with the amount of taxes accrued during the accounting period, corresponding debits being made to the appropriate accounts for tax charges. Such credits may be based upon estimates, but from time to time during the year as the facts become known, the amount of the periodic credits shall be adjusted so as to include as nearly as can be determined in each year the taxes applicable thereto. Any amount representing a prepayment of taxes applicable to a period subsequent to the date of the balance sheet, shall be shown under account 162 - Prepayments.

B. If accruals for taxes are found to be insufficient or excessive, correction therefor shall be made through current tax accruals. However, if such corrections are so large as to seriously distort current expenses, see Accounting Instruction 8.

C. Accruals for taxes shall be based upon the net amounts payable after credit for any discounts, but shall not include any amounts for interest on tax deficiencies or refunds. Interest received on refund shall be credited to account 419 - Interest and Dividend Income, and interest paid on deficiencies shall be charged to account 427.5 - Interest Expense - Other.

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

237. Accrued Interest

A. This account shall include the amount of interest accrued but

not matured on all liabilities of the utility not including, however, interest which is added to the principal of the debt on which incurred. Supporting records shall be maintained so as to show the amount of interest accrued on each obligation.

238. Accrued Dividends

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

239. Matured Long-Term Debt

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

240. Matured Interest

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

241. Miscellaneous Current and Accrued Liabilities

This account shall include the amount of all other current and accrued liabilities not provided for elsewhere appropriately designated and supported so as to show the nature of each liability.

Deferred Credits

251. Unamortized Premium on Debt

A. This account shall include the total of the credit balances in the discount, expense and premium accounts, for all classes of long-term debt, including receivers' certificates.

B. The premium and expense shall be amortized over the life of the respective issues under a plan which will distribute the amounts equitably over the life of the securities. The amortization shall be credited to account 429 - Amortization of Premium on Debt.

252. Advances for Construction

This account shall include advances by or in behalf of customers for construction which are to be refunded either wholly or in part. When a person is refunded the entire amount to which he is entitled according to the agreement or rule under which the

advance was made, the balance, if any, remaining in this account shall be credited to account 271 - Contributions in Aid of Construction.

253. Other Deferred Credits

A. This account shall include the following classes of credits:

(1) Gains on disposition of property, net of income taxes, deferred by authorization of the Commission, advance billings and receipts and other deferred credit items, not provided elsewhere, including amounts which cannot be entirely cleared or disposed of until additional information has been received.

(2) Regulatory created liabilities, not included in other accounts, imposed on the utility by the ratemaking actions of regulatory agencies. (See Definition 27.) The amounts to be included in this account are to be established by those credits which would have been included in net income determinations in the current period under the general requirements of the Uniform System of Accounts but for it being probable that: 1) such items will be included in a different period(s) for purposes of developing rates that the utility is authorized to charge for its utility services; or 2) refunds to customers, not provided for in other accounts, will be required. When specific identification of the particular source of the regulatory liability cannot be made or when the liability arises from revenues collected pursuant to tariffs on file with a regulatory agency. Account 407.4 - Amortization of Regulatory Assets, shall be debited. The amounts recorded in this account generally are to be credited to the same account that would have been credited if included in income when earned except; 1) all regulatory liabilities established through the use of Account 407.4 shall be credited to Account 407.5 - Amortization of Regulatory Liabilities; and 2) in the case of refunds, a cash account or other appropriate account should be credited when the obligation is satisfied.

B. If it is later determined that any regulatory liabilities recorded in this account will not be returned to customers through rates or refunds, such amounts shall be credited to Account 421 - Nonutility Income in the year such determination is made.

C. Separate subaccounts shall be established and maintained for each of the above classes of deferred credits. The records supporting the entries to each subaccount shall be so kept that the utility can furnish full information as to the cost, nature and purpose of each item included therein.

255. Accumulated Deferred Investment Tax Credits

A. This account shall be credited with all investment tax credits deferred by companies which have elected to follow deferral accounting, partial or full, rather than recognizing in the income statement the total benefits of the tax credit as realized. After such election, a company may not transfer amounts from this account, except as authorized herein and in accounts 412.11 Investment Tax Credits Restored to Operating Income, 412.20 Investment Tax Credits - Net, Nonutility Operations, and account 412.30 - Investment Tax Credits Restored to Nonoperating Income, Utility Operations, or with approval of the Commission.

B. Where the company's accounting provides that investment tax credits are to be passed on to customers, this account shall be debited and account 412.11 credited with a proportionate amount determined in relation to the book depreciable life of all utility property or utility property to which the tax credits are relate or such lesser period of time as allowed by a regulatory agency having rate jurisdiction. If, however, the deferral procedure provides that investment tax credits are not passed on to customers, the proportionate restorations to income shall be credited to account 412.30.

C. Subdivisions of this account by department shall be maintained for deferred investment tax credits that are related to nonutility or other operations. Contra entries affecting such account subdivisions shall be appropriately recorded. Use of deferral or nondeferral accounting procedures adopted for nonutility or other operations are to be followed on a consistent basis.

D. Separate records for each utility department, and nonutility or other operations shall be maintained identifying the properties giving rise to the investment tax credits for each year with the appropriate service life of such properties and any unused balances of such credits. Such records are not necessary unless the tax credits are deferred.

Operating Reserves

261. Property Insurance Reserve

A. This account shall include amounts reserved by the utility for self-insurance against losses through accident, fire, flood, or other hazards to its own property or property leased from others. A schedule of risks covered by this reserve shall be maintained, giving a description of the property involved, the character of the risks covered and the rates used.

B. Charges shall be made to this account for losses covered by self-insurance. Details of these charges shall be maintained

according to the year the casualty occurred which gave rise to the loss.

262. Injuries and Damages Reserve

A. This account shall be credited with amounts to be charged to account 758 - Insurance - Workman's Compensation, or other appropriate accounts, to meet the probable liability, not covered by insurance, for deaths or injuries to employees and others, and for damages to property neither owned nor held under lease by the utility.

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

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

263. Pensions and Benefits Reserve

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

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

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

Note:--If employee pension or benefit plan funds are included among the assets of the utility but are held by outside trustees, payments into such funds, or accruals therefor, shall not be included in this account unless required payments are made on a periodic and timely basis to outside trustees of the various funds.

265. Miscellaneous Operating Reserves

A. This account shall include all operating reserves maintained by the utility which are not provided for elsewhere.

B. This account shall be maintained in such manner as to show the amount of each separate reserve and the nature and amounts of the

debits and credits thereto.

Note:--This account includes only such reserves as may be created for operating purposes and does not include any reservations of income the credits for which should be carried in account 214 - Appropriated Retained Earnings.

Contributions in Aid of Construction

271. Contributions in Aid of Construction

A. This account shall include:

1. Any amount or item of money, services or property received by a utility, from any person or governmental agency, any portion of which is provided at no cost to the utility, which represents an addition or transfer to the capital of the utility, and which is utilized to offset the acquisition, improvement or construction costs of the utility's property, facilities, or equipment used to provide utility services to the public.

2. Amounts transferred from account 252 - Advances for Construction, representing unrefunded balances of expired contracts or discounts resulting from termination of contracts in accordance with the Commission's rules and regulations.

3. Compensation received from governmental agencies and others for relocation of sewer mains or other plants.

4) Any amount of money received by a utility, any portion of which is provided at no cost to the utility, which represents an addition or transfer to the capital of the utility and which is utilized to offset the federal, state or local income tax effect of taxable contributions in aid of construction, taxable amounts transferred from Account 252 - Advances for Construction, and taxable compensation received from governmental agencies and others for relocation of water mains or other plants shall be reflected in a sub-account of this account.

B. The credits to this account shall not be transferred to any other account without the approval of the Commission.

C. The records supporting the entries to this account shall be so kept that the utility can furnish information as to the purpose of each donation, the conditions, if any, upon which it was made, the amount of donations from (a) states, (b) municipalities, (c) customers, and (d) others, and the amount applicable to each utility department.

Note:--There shall not be included in this account advances for construction which are ultimately to be repaid wholly or in part (See account 252 - Advances for Construction).

272. Accumulated Amortization of Contributions in Aid of Construction

A. This account shall reflect the amortization accumulated on account 271 - Contributions in Aid of Construction, if recognized by the Commission.

B. Specifically, balances in account 271 which represent contributions of depreciable plant shall be amortized by charges to this account over a period equal to the estimated service life of the related contributed asset. A group or overall composite rate may be used for contributed balances that cannot be directly related to a plant asset.

C. The concurrent credit for the amortization recorded in this account shall be made to account 403 - Depreciation Expense.

D. If a regulatory body allows the amortization of any portion of the monies collected to pay the tax obligation caused by the receipt of CIAC, such amortization shall also be reflected in a sub-account of this account. Specifically, balances in account 271 which represent monies collected for the gross-up of CIAC (See Definition 15.) shall be amortized by charges to this account over a period determined by the regulatory body.

Accumulated Deferred Income Taxes

Before using the deferred tax accounts provided below, refer to Accounting Instruction 28 (B) and (C). Interperiod Income Tax Allocation - Depreciation and Comprehensive Interperiod Income Tax Allocation - Other.

Public utilities shall use the accounts provided below for prior accumulations of deferred taxes on income for additional provisions. Prior to any use of these accounts, the utility must file with the Commission, for the purpose of obtaining authorization, its proposed plan of accounting for deferred taxes on income. The utility shall not use these accounts unless such use has been authorized by the Commission. If deferred tax accounting is initiated with respect to any property such accounting shall not be discontinued on that property without prior approval of the Commission.

The utility is restricted in its use of these accounts to the purposes set forth therein. It shall not make any transfers from these accounts or make any use thereof except as provided in the text of the accounts without prior approval of the Commission. It shall not transfer the balance in these accounts or any portion

thereof to retained earnings 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 plant on which there is a related balance in these accounts, the deferred tax account shall be debited with an amount equal to the related income tax expense, if any, arising from such disposition and account 411 - Provision for Deferred Income Taxes-Credit, shall be credited. When the remaining balance, after consideration of any related income tax expenses, is not significant, the deferred tax account shall be debited and account 411 credited with such balance. If after consideration of any related income tax expense, and the remaining amount is significant, then the Commission shall authorize or direct how such amount shall be accounted for at the time approval for the disposition of account is granted. When plant is disposed of by transfer to a wholly owned subsidiary, the related balance in the deferred tax account shall also be transferred. When the disposition relates to retirement of an item or items under a group method of depreciation where there is no tax effect in the year of retirement, no entries are required in the deferred tax account if it can be determined that the related balances would be necessary to be retained to offset future group item tax deficiencies.

Note:--Public utilities having more than one utility department and/or nonutility property and which have deferred taxes on income with respect thereto shall classify such deferrals in the accounts provided elsewhere so as to allow ready identification of items relating to each utility department and to Other Income and Deductions.

281. Accumulated Deferred Income Taxes - Accelerated Amortization

A. This account shall include tax deferral resulting from adoption of the principles of Comprehensive Interperiod Income Tax Allocation - Other described in Accounting Instruction 28 (c) of this system of accounts that relate to property for which the utility have availed itself of the use of accelerated (5-year) amortization of (1) certified defense facilities as permitted by Section 168 of the Internal Revenue Code and (2) certified pollution control facilities as permitted by Section 169 of the Internal Revenue Code.

B. This account shall be credited and accounts 410.10 - Deferred Income Taxes, or account 410.20 - Provision for Deferred Income Taxes, Other Income and Deductions, as appropriate, shall be debited with tax effects related to property described in paragraph A above where taxable income is lower than pretax accounting income due to differences between the periods in which revenues and expense transactions affect taxable income and the periods in which they enter into the determination of pretax accounting income.

C. This account shall be debited and accounts 411.10 - Provision for Deferred Income Taxes - Credit, Utility Operating Income, or 411.20 - Provision for Deferred Income Taxes-Credit, Other Income and Deductions, as appropriate, shall be credited with tax effects related to property described in paragraph A above where taxable income is higher than pretax accounting income due to differences between the periods in which revenues and expenses transactions affect taxable income and the periods in which they enter into the determination of pretax accounting income.

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

282. Accumulated Deferred Income Taxes - Liberalized Depreciation

A. This account shall include all credit tax deferrals resulting from adoption of the principles of comprehensive interperiod income tax allocation described in Accounting Instruction 28 of this system of accounts other than those deferrals which are includible in accounts 281 - Accumulated Deferred Income Taxes - Accelerated Amortization, and account 283 - Accumulated Deferred Income Taxes - Other.

B. This account shall be credited and accounts 410.10 Deferred Income Taxes, or 410.20 - Provision for Deferred Income Taxes, Other Income and Deductions, as appropriate, shall be debited with tax effects related to property described in paragraph A above where taxable income is lower than pretax accounting income due to differences between the periods in which revenue and expense transactions affect taxable income and the periods in which they enter into the determination of pretax accounting income.

C. This account shall be debited and accounts 411.10 - Provision for Deferred Income Taxes - Credit, Utility Operating Income, or 411.20 - Provision for Deferred Income Taxes - Credit, Other Income and Deductions, as appropriate, shall be credited with tax effects related to property described in paragraph A above where taxable income is higher than pretax accounting income due to differences between the periods in which revenue and expense transactions affect taxable income and the periods in which they enter into the determination of pretax accounting income.

D. Records with respect to entries to this account, as described above, and the account balance, shall be so maintained as to show the factors of calculation and the separate amounts applicable to the plant additions of each vintage year for each class, group, or

unit. The underlying calculations to segregate and associate deferred tax accounts with the respective vintage years may be based on reasonable methods of approximation, if necessary, consistently applied.

283. Accumulated Deferred Income Taxes - Other

A. This account shall include all credit tax deferrals resulting from the adoption of the principles of comprehensive interperiod income tax allocation described in Accounting Instruction 28 of this system of accounts other than those deferrals which are includible in accounts 281 - Accumulated Deferred Income Taxes - Accelerated Amortization, and 282 - Accumulated Deferred Income Taxes - Liberalized Depreciation.

B. This account shall be credited and account 410 - Provision for Deferred Income Taxes, shall be debited with tax effects related to items described in paragraph A above where taxable income is lower than pretax accounting income due to differences between the periods in which revenue and expense transactions affect taxable income and the periods in which they enter into the determination of pretax accounting income.

C. This account shall be debited and accounts 411.10 - Provision for Deferred Income Taxes - Credit, Utility Operating Income or 411.20 - Provision for Deferred Income Taxes - Credit, Other Income and Deductions, as appropriate, shall be credited with tax effects related to items described in paragraph A above where taxable income is higher than pretax accounting income due to differences between the periods in which revenues and expense transactions affect taxable income and the periods in which they enter into the determination of pretax accounting income.

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

E. For ratemaking purposes, the balance in accounts 281, 282, and 283 - Accumulated Deferred Income Taxes - Accelerated Amortization, Liberalized Depreciation, and Other, net of any balance in account 190 - Accumulated Deferred Income Taxes, shall either be deducted from rate base by all companies having a net credit balance of deferred taxes or shall be included in capital structure as zero cost funds. The treatment shall be determined by the regulatory body having jurisdiction over the regulated operations of the utility. Where regulated operations are subject to the jurisdiction of more than one regulatory body, each regulatory body shall establish the ratemaking treatment of those deferrals related to operations under its jurisdiction.

WASTEWATER UTILITY PLANT ACCOUNTS

	.1	.2
	Intangible Plant	Collection Plant
351. Organization	351.1	XXXXXXXXXX
352. Franchises	352.1	XXXXXXXXXX
353. Land and Land Rights	XXXXXXXXXX	353.2
354. Structures and Improvements	XXXXXXXXXX	354.2
355. Power Generation Equipment	XXXXXXXXXX	355.2
360. Collection Sewers - Force	XXXXXXXXXX	360.2
361. Collection Sewers - Gravity	XXXXXXXXXX	361.2
362. Special Collecting Structures	XXXXXXXXXX	362.2
363. Services to Customers	XXXXXXXXXX	363.2
364. Flow Measuring Devices	XXXXXXXXXX	364.2
365. Flow Measuring Installations	XXXXXXXXXX	365.2
366. Reuse Services	XXXXXXXXXX	XXXXXXXXXX
367. Reuse Meters and Meter Installations	XXXXXXXXXX	XXXXXXXXXX
370. Receiving Wells	XXXXXXXXXX	XXXXXXXXXX
371. Pumping Equipment	XXXXXXXXXX	XXXXXXXXXX
374. Reuse Distribution Reservoirs	XXXXXXXXXX	XXXXXXXXXX
375. Reuse Transmission and Distribution System	XXXXXXXXXX	XXXXXXXXXX
380. Treatment and Disposal Equipment	XXXXXXXXXX	XXXXXXXXXX
381. Plant Sewers	XXXXXXXXXX	XXXXXXXXXX
382. Outfall Sewer Lines	XXXXXXXXXX	XXXXXXXXXX
389. Other Plant and Misc. Equipment	389.1	389.2
390. Office Furniture and Equipment	XXXXXXXXXX	XXXXXXXXXX
391. Transportation Equipment	XXXXXXXXXX	XXXXXXXXXX
392. Stores Equipment	XXXXXXXXXX	XXXXXXXXXX
393. Tools, Shop and Garage Equipment	XXXXXXXXXX	XXXXXXXXXX
394. Laboratory Equipment	XXXXXXXXXX	XXXXXXXXXX
395. Power Operated Equipment	XXXXXXXXXX	XXXXXXXXXX
396. Communication Equipment	XXXXXXXXXX	XXXXXXXXXX
397. Miscellaneous Equipment	XXXXXXXXXX	XXXXXXXXXX
398. Other Tangible Plant	XXXXXXXXXX	XXXXXXXXXX

WASTEWATER UTILITY PLANT ACCOUNTS

.3	.4	.5	.6	.7
System Pumping Plant	Treatment and Disposal Plant	Reclaimed Water Treatment Plant	Reclaimed Water Distribution Plant	General Plant
XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXXX	XXXXXXXXXX
XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	352.6	XXXXXXXXXX
353.3	353.4	353.5	353.6	353.7
354.3	354.4	354.5	354.6	354.7
355.3	355.4	355.5	355.6	XXXXXXXXXX
XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	366.6	XXXXXXXXXX
XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	367.6	XXXXXXXXXX
370.3	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
371.3	XXXXXXXXXX	371.5	371.6	XXXXXXXXXX
XXXXXXXXXX	XXXXXXXXXX	374.5	XXXXXXXXXX	XXXXXXXXXX
XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	375.6	XXXXXXXXXX
XXXXXXXXXX	380.4	380.5	XXXXXXXXXX	XXXXXXXXXX
XXXXXXXXXX	381.4	381.5	XXXXXXXXXX	XXXXXXXXXX
XXXXXXXXXX	382.4	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
389.3	389.4	389.5	389.6	XXXXXXXXXX
XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	390.7
XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	391.7
XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	392.7
XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	393.7
XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	394.7
XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	395.7
XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	396.7
XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	397.7
XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	398.7

WASTEWATER UTILITY PLANT ACCOUNTS

The wastewater utility plant accounts have been designed utilizing an account matrix. The matrix employs a list of object accounts which in effect act as control accounts. The object accounts are further segregated by the matrix into classifications by functions or subaccount. The instructions for segregating the object accounts to the function subaccount are contained in Accounting Instruction 31. Listed below are the object account descriptions.

351. Organization

This account shall include all fees paid to federal or state governments for the privilege of incorporation and expenditures incident to organizing the corporation, partnership or other enterprise and putting it into readiness to do business. A sample of items to be included in this account are listed below.

1. Actual cost of obtaining certificates authorizing an enterprise to engage in the public utility business.
2. Fees and expenses for incorporation.
3. Fees and expenses for mergers or consolidations.
4. Office expenses incident to organizing the utility.
5. Stock and minute books and corporate seal.

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

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

352. Franchises

A. This account shall include amounts paid to the federal government, to a state or to a political subdivision thereof in consideration for franchises, consents or certificates, running in perpetuity or for a specified term of more than one year, together with necessary and reasonable expenses incident to procuring such franchises, consents or certificates of permission and approval, including expenses of organizing and merging separate corporations, where statutes require solely for the purpose of acquiring franchise.

B. If a franchise or certificate is acquired by assignment, the charge to this account in respect thereof shall not exceed the amount paid therefor by the utility to the assignor, nor shall it exceed the amount paid by the original grantee, plus the expense of acquisition to such grantee. Any excess of the amount actually paid by the utility over the amount specified shall be charged to account 426 - Miscellaneous Nonutility Expenses.

C. When any franchise has expired, the book cost thereof shall be credited hereto and charged to account 426 - Miscellaneous Nonutility Expenses, or to account 110.1 - Accumulated Amortization of Utility Plant in Service, as appropriate.

D. Records supporting this account shall be kept so as to show separately the book cost of each franchise.

Note:--Annual or other periodic payments under franchises shall not be included herein but in the appropriate expense account.

353. Land and Land Rights

This account shall include the cost of land and land rights used in connection with wastewater collection, pumping, treatment and disposal, reclaimed water treatment and distribution and general plant operations (See Accounting Instruction 19). A sample of items to be included in this account are listed below:

1. Bulkheads buried, not requiring maintenance or replacement.
2. Cost, first, of acquisition including mortgages and other liens assumed (but not subsequent interest thereon).
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, etc., 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 such costs are attributable to structures or plant equipment erected or to be erected or installed on such 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 sewer 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 utility on public property.
22. Labor and expenses in connection with securing rights of way, where performed by company employees and company agents.

354. Structures and Improvements

This account shall include the cost in place of structures and improvements used in connection with wastewater collection, pumping, treatment and disposal, reclaimed water treatment and distribution and general plant operations (See Accounting Instruction 20). A sample of items to be included in this account are listed below:

1. Architects' plans and specifications including supervision.
2. Boilers, furnaces, piping, wiring, fixtures, and machinery for heating, lighting, signaling, ventilating and air conditioning systems, plumbing, vacuum cleaning systems, incinerator and smoke pipe, flues, etc.
3. Bulkheads, including dredging, riprap fill, piling, decking, concrete fenders, etc., when exposed and subject to maintenance and replacement.
4. Commissions and fees to brokers, agents, architects and others.
5. Conduit (not to be removed) with its contents.
6. Damages to abutting property during construction.
7. Drainage systems.

8. Elevators, cranes, hoists, etc., and the machinery for operating them.
9. Excavation, including shoring, bracing, bridging, refill and disposal of excess excavated material, cofferdams around foundations, pumping water from cofferdam during construction, test borings.
10. Fences and fence curbs (not including protective fences isolating items of equipment, which should be charged to the appropriate equipment account).
11. Fire protection systems when forming a part of a structure.
12. Flagpole.
13. Floor covering (permanently attached).
14. Foundations and piers for machinery, constructed as a permanent part of a building or other item listed herein.
15. Grading and clearing when directly occasioned by the building of a structure.
16. Intrasite communication system, poles, pole fixtures, wires and cables.
17. Landscaping, lawns, shrubbery, etc.
18. Leases, voiding upon purchase, to secure possession of structures.
19. Leased property, expenditures on.
20. Lighting fixtures and outside lighting systems.
21. Marquee, permanently attached to building.
22. Painting, first cost.
23. Permanent paving, concrete, brick, flagstone, asphalt, etc., within the property lines.
24. Partitions, including movable.
25. Permits and privileges.
26. Power boards for services to a building.
27. Refrigerating systems for general use.
28. Retaining walls except when identified with land.
29. Roadways.
30. Roofs.
31. Scales, connected to and forming a part of a structure.
32. Water and wastewater systems, for general use.
33. Sidewalks, culverts, curbs and streets constructed by the utility on its property.
34. Sprinkling systems.
35. Stacks -- brick, steel, or concrete, when set on foundation forming part of general foundation and steelwork of a building.
36. Steel inspection during construction.
37. Storage facilities constituting a part of a building.
38. Storm doors and windows.
39. Temporary heating during construction (net cost).
40. Temporary water connection during construction (net cost).
41. Temporary shanties and other facilities used during construction (net cost).

42. Topographical maps.
43. Vaults constructed as part of a building.
44. Watchmen's sheds and clock systems (net cost when used during construction only).
45. Water meters and supply system for a building or for general company purposes.
46. Water supply piping, hydrants and wells.
47. Yard surfacing, gravel, concrete, or oil (First cost only).
48. Tunnels, intake and discharge when constructed as part of a structure including sluice gates and those constructed to house.

355. Power Generation Equipment

A. This account shall include the cost installed of any equipment used for the production of power principally used in pumping operations.

B. Subaccounts shall be maintained hereunder for the cost of equipment used for each type of power generating equipment.

360. Collecting Sewers - Force

This account shall include all sewers which are used to lift wastewater from a low elevation to a higher elevation. The force sewer will include that pipe between the discharge outlet of the lift station and the receiving manhole.

361. Collecting Sewers - Gravity

This account shall include the installed cost of all gravity collecting sewers, interceptor, branch, trunk, lateral including service wye, and manholes and lampholes. Manholes shall be included as a separate unit of property.

362. Special Collecting Structures

Inverted siphon shall be included in this account but so distinctly noted; also any other special designed structures unusual to wastewater system should be included herein but specifically noted as to what they do.

363. Services to Customers

This account shall include the installed cost of service sewers, from collection sewer to the customer's property or curb line. A sample of items to be included in this account are listed below:

1. Jointing and jointing material.

2. Manhole or clean-out.
3. Municipal inspection and permits
4. Pavement disturbed.
5. Protection of street openings.
6. Tapping saddle.
7. Service connection wye shall be included in account 363 instead of account 361 when company owns service sewers to customers property line.

364. Flow Measuring Devices

A. This account shall include the cost of flow measuring and recording equipment and initial testing used for measuring the quantity of wastewater or wastewater effluent delivered by customers, whether actually in service or held in reserve.

B. When flow measuring equipment id permanently retired from service, the amount at which it is included herein shall be credited to this account.

C. The records covering flow measuring equipment shall be so kept that the utility can furnish information as to the number of devices of each type and size in service and in reserve, as well as the location of each device included in this account.

365. Flow Measuring Installations

A. This account shall include the cost of labor employed, materials used and expenses incurred in connection with the original installation of customers' flow measuring equipment. A sample of items to be included in this account are listed below:

1. Floats, connections, flumes, or wires.
2. Special manhole, boxes, or other separate housing.

B. When a flow measuring installation is permanently retired from service, the cost thereof shall be credited to this account.

366. Reuse Services

A. This account shall include the cost installed of reclaimed water service pipes and accessories leading to the customers' premises.

B. A complete reclaimed water service begins with the connection on the main and extends to but does not include the connection with the customer's meter. A stub service extends from the main to the property line, or the curb stop (curb stop cock).

C. Services which have been used but have become inactive shall be retired from utility plant in service immediately if there is no prospect for future use.

Items

1. Corporation stops or tees.
2. Gate valves and boxes.
3. Goose necks.
4. Jointing and jointing material.
5. Municipal inspection or permits.
6. Pavements disturbed.
7. Pipes.
8. Placing pipes and accessories.
9. Protection of street openings.
10. Service or curb boxes.
11. Service or curb stops (curb stop cocks).
12. Tapping main.
13. Tapping saddle.

367. Reuse Meters and Meter Installations

A. This account shall include the cost of meters, devices and appurtenances attached thereto, used for measuring the quantity of reclaimed water delivered to users, whether actually in service or held in reserve. It shall also include the cost of labor employed, materials used and expenses incurred in connection with the original installation of a customer's meters and devices and appurtenances attached thereto.

B. When a meter and/or meter installation is permanently retired from service, the amount at which it is included herein shall be credited to this account.

C. The records covering meters shall be so kept that the utility can furnish information as to the number of meters of each type and size in service and in reserve as well as the location of each meter included in this account.

D. A sample of items to be included in this account are listed below:

1. Meters, including badging and initial testing.
2. Remote meter registers.
3. Installation labor (first installation only).
4. Meter coupling.
5. Meter bars.
6. Meter yokes.
7. Meter fittings, connections and shelves.
8. Meter vaults or boxes.
9. Stops.

Note A:--This account shall not include meters for recording the output of a supply or treatment plant, or those located on mains. It includes only those meters to record reclaimed water delivered to customers, including company use and for those used elsewhere in the system if a type available for general use.

Note B:--The utility shall maintain a statistical record to show separately the number of each type and size of meter or group of types and sizes as carried in the continuing property record. Underlying records shall be kept so that the utility can determine readily for each such classification the number of company-owned meters in service (subdivided between active and inactive) and the number of meters carried herein but not in service, the latter to include meters undergoing repairs; and the number of meters in service owned by customers.

370. Receiving Wells

This account shall include the cost of constructing wells at pumping stations or at other junction points along the collecting system, used for intercepting wastewater for clearing and screening, transfer to a pumping well or otherwise further convey it along the collecting system to the treatment plant or point of final discharge. This account shall include any chemical feed apparatus and holding basins associated with the receiving well.

371. Pumping Equipment

This account shall include the cost installed of pumping equipment driven by electric power or diesel engines. A sample of items to be included in this account are listed below:

1. Motors or engines for driving pumps.
2. Pumps, including settings, gearing, shafting and belting.
3. Sewage piping within station, including valves.
4. Auxiliary equipment for motors and pumps such as oiling systems, cooling systems, condensers, etc.
5. Electrical power lines and switching.
6. Foundations, frames, and bed plates.
7. Hoist units.

374. Reuse Distribution Reservoirs

This account shall include the cost in place of reservoirs, tanks and appurtenances used in storing reclaimed water for distribution. A sample of items to be included in this account are listed below:

1. Bridges and culverts.
2. Clearing land.
3. Dams.

4. Embankments.
5. Fences.
6. Foundations.
7. Gates and gate houses.
8. Landscaping.
9. Lighting systems.
10. Piping system within reservoirs.
11. Retaining walls.
12. Roads and paths.
13. Rust-proofing apparatus.
14. Sewer drain or storm sewer.
15. Spillways and channels.
16. Standpipes.
17. Tanks.
18. Towers.
19. Valves.

375. Reuse Transmission and Distribution System

A. This account shall include the cost installed of reclaimed water transmission and distribution mains and appurtenances. A sample of items to be included in this account are listed below:

1. Air chambers.
2. Blow-offs and overflows.
3. Bridges and culverts.
4. Electrolysis control equipment.
5. Gauges and recorders.
6. Jointing and jointing material.
7. Manholes.
8. Meters and appurtenances.
9. Municipal inspection or permits.
10. Pavement disturbed, including cutting and replacing pavement, pavement base and sidewalks.
11. Pipes.
12. Fire mains.
13. Fire Hydrants.

B. Records supporting this account shall be so kept as to show separately the cost of mains of different sizes and types and of each tunnel, bridge, or river crossing.

380. Treatment and Disposal Equipment

This account shall include the cost installed of apparatus equipment and other facilities used for the treatment of wastewater, disposal of sewage wastes and the treatment of effluent for reuse. A sample of items to be included in this account are listed below:

1. Aeration chambers.

2. Chemical equipment.
3. Disinfection facilities.
4. Filters.
5. Imhoff tank.
6. Land fill equipment and appurtenances.
7. Monitoring Equipment.
8. Oxidation pond or lagoon.
9. Sedimentation equipment.
10. Septic tank.
11. Screen unit.
12. Sludge system.
13. Trucks, tractors, or other equipment used primarily for sludge or other waste disposal.
14. Package mechanical treatment plant.
15. Sedimentation basin.
16. Sludge digestion equipment.
17. Sludge filtration or dewatering equipment.

381. Plant Sewers

This account shall include the cost installed of plant yard piping and appurtenances, and facilities required to dispose of treatment plant liquid effluent into the outfall sewer line. A sample of items to be included in this account are listed below:

1. Unit to unit sections of yard piping.
2. Valves and vaults.
3. Pipe tunnels and galleries.
4. Filter and filter backwashing piping.

382. Outfall Sewer Lines

This account shall include the installed cost of sewer line carrying effluent from treatment facility to point of discharge. Includible in this account would be headwall or outlet.

389. Other Plant and Miscellaneous Equipment

This account shall include the cost installed of all other intangible, collection system pumping, and treatment and disposal, reclaimed water treatment and reclaimed water distribution plant not provided for in the foregoing accounts.

390. Office Furniture and Equipment

A. This account shall include the cost of office furniture and equipment owned by the utility and devoted to utility service, and not permanently attached to buildings, except the cost of such furniture and equipment which the utility elects to assign to other plant accounts on a functional basis. A sample of items to be included in this account are listed below:

1. Book cases and shelves.
2. Desk, chairs, and desk equipment.
3. Drafting room equipment.
4. Electronic data processing equipment.
5. Filing, storage and other cabinets.
6. Floor covering.
7. Library and library equipment.
8. Mechanical office equipment such as accounting machines, typewriters, etc.
9. Safes.
10. Tables.

B. If the utility has equipment includible in this account at more than one location, separate records shall be maintained for each location.

391. Transportation Equipment

This account shall include the cost of transportation vehicles used for utility purposes. A sample of items to be included in this account are listed below:

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.

392. Stores Equipment

A. This account shall include the cost of equipment used for the receiving, shipping, handling and storage of materials and supplies.

B. If the utility has equipment includible in this account at more than one location, separate records shall be maintained for each location. A sample of items to be included in this account are listed below:

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.

393. Tools, Shop and Garage Equipment

This account shall include the cost of tools, implements, and equipment used in construction, repair work, general shops and garages and not specifically provided for or includible in other accounts. A sample of items to be included in this account are listed below:

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

394. Laboratory Equipment

A. This account shall include the cost installed of laboratory equipment used for general laboratory purposes and not specifically provided for or includible in other departmental or functional

plant accounts. A sample of items to be included in this account are listed below:

1. Autoclaves.
2. Barometers.
3. Cameras.
4. Centrifuge.
5. Distilling apparatus.
6. Furnaces.
7. Microscopes.
8. Ovens.
9. Pitometers.
10. Rain gauges.
11. Refrigerators.
12. Scales.
13. Sterilizers.
14. Stop watches.
15. Testing machines.
16. Therometers.
17. Voltmeters.
18. Other bacteriological, electric, chemical hydraulic or research equipment.

B. If the utility has equipment includible in this account at more than one location, separate records shall be maintained for each location.

395. Power Operated Equipment

This account shall include the cost of power operated equipment used in construction of repair work exclusive of equipment includible in other accounts. Include, also, the tools and accessories acquired for use with such equipment and the vehicle on which such equipment is mounted. A sample of items to be included in this account are listed below:

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

Note:--It is intended that this account include only such large units as are generally self-propelled or mounted on moveable equipment.

396. Communication Equipment

This account shall include the cost installed of telephone, telegraph and wireless equipment for general use in connection with utility operations. A sample of items to be included in this account are listed below:

1. Antennae.
2. Booths.
3. Cables.
4. Distribution boards.
5. Extension cords.
6. Gongs.
7. Handsets, manual and dial.
8. Insulators.
9. Intercommunicating sets.
10. Loading coils.
11. Operators desks.
12. Poles and fixtures used wholly for telephone and telegraph wires.
13. Radio transmitting and receiving sets.
14. Remote control equipment and lines.
15. Sending keys.
16. Storage batteries.
17. Switchboards.
18. Teleautograph circuit connections.
19. Telegraph receiving sets.
20. Telephone and telegraph circuits.
21. Testing instruments.
22. Towers.
23. Underground conduit used wholly for telephone or telegraph wires and cable wires.

397. Miscellaneous Equipment

This account shall include the cost of equipment, apparatus, etc., used in utility operations, and which is not includible in any other account. A sample of items to be included in this account are listed below:

1. Hospital and infirmary equipment.
2. Kitchen equipment.
3. Recreation equipment.
4. Radios.
5. Restaurant equipment.
6. Soda fountains.
7. Operator's cottage furnishings.

8. Electric signs advertising the corporate name or symbol, plant or facility name, or otherwise serving only the general purpose of acquainting the public with the facilities and services of the utility.
9. Other miscellaneous equipment.

Note:--Miscellaneous equipment of the nature indicated above wherever practicable shall be included in the utility plant accounts on a functional basis.

398. Other Tangible Plant

This account shall include the cost of tangible utility plant not provided for elsewhere.

INCOME ACCOUNTS

Utility Operating Income

400. Operating Revenues
401. Operating Expenses
403. Depreciation Expense
406. Amortization of Utility Plant Acquisition Adjustment
407. Amortization Expense
    407.1 Amortization of Limited Term Plant
    407.2 Amortization of Property Losses
    407.3 Amortization of Other Utility Plant
    407.4 Amortization of Regulatory Assets
    407.5 Amortization of Regulatory Liabilities
408. Taxes Other Than Income
    408.10 Utility Regulatory Assessment Fees
    408.13 Other Taxes and Licenses
409. Income Taxes
    409.10 Federal Income Taxes, Utility Operating Income
410. Provision for Deferred Income Taxes
    410.10 Deferred Federal Income Taxes
411. Provision for Deferred Income Taxes - Credit
    411.10 Provision for Deferred Income Taxes - Credit, Utility Operating Income
412. Investment Tax Credits
    412.10 Investment Tax Credits Deferred to Future Periods, Utility Operations
    412.11 Investment Tax Credits Restored to Operating Income, Utility Operations
413. Income From Utility Plant Leased to Others
414. Gains (Losses) From Disposition of Utility Property

Other Income and Deductions

415. Revenues From Merchandising, Jobbing and Contract Work
416. Costs and Expenses of Merchandising, Jobbing and Contract Work
419. Interest and Dividend Income
420. Allowance for Funds Used During Construction
421. Nonutility Income
426. Miscellaneous Nonutility Expenses

Taxes Applicable to Other Income and Deductions

408. Taxes Other Than Income
    408.20 Taxes Other Than Income, Other Income and Deductions
409. Income Taxes
    409.20 Income Taxes, Other Income and Deductions
410. Provision for Deferred Income Taxes
    410.20 Provision for Deferred Income Taxes, Other Income and Deductions
411. Provision For Deferred Income Taxes - Credit
    411.20 Provision for Deferred Income Taxes - Credit, Other Income and Deductions

412. Investment Tax Credits
    412.20 Investment Tax Credits - Net, Nonutility Operations
    412.30 Investment Tax Credits Restored to Nonoperating Income, Utility Operations

Interest Expense

427. Interest Expense
    427.1 Interest on Debt to Associated Companies
    427.2 Interest on Short-Term Debt
    427.3 Interest on Long-Term Debt
    427.4 Interest on Customer Deposits
    427.5 Interest - Other
428. Amortization of Debt Discount and Expense
429. Amortization of Premium on Debt

Extraordinary Items

433. Extraordinary Income
434. Extraordinary Deductions
409. Income Taxes
    409.30 Income Taxes, Extraordinary Items

INCOME ACCOUNTS

Operating Income

400. Operating Revenues

This is the revenue control account which totals the accounts recorded in wastewater revenue accounts 521 through 544.

401. Operating Expenses

This is the operating expense control account which totals the amounts recorded in operating expense accounts 700 through 775 for wastewater systems.

403. Depreciation Expenses

A. This account shall be charged with depreciation credited to account 108 - Accumulated Depreciation of wastewater Plant and credited with amortization debited to account 272 - Accumulated Amortization of Contributions in Aid of Construction. Depreciation shall be accrued on a straight-line remaining life basis or straight-line basis, as required by the Commission. A single composite depreciation rate may be used if approval from the Commission is obtained.

Note A:--See Accounting Instruction 27, for more detailed instructions on depreciation accounting.

B. Depreciation for property not used in wastewater operations is charged to account 426 - Miscellaneous Nonutility Expenses, and is credited to account 122 - Accumulated Depreciation and Amortization of Nonutility Property.

406. Amortization of Utility Plant Acquisition Adjustments

This account shall be debited or credited, as the case may be, only upon the approval of the Commission, for the purpose of providing for the extinguishment of the amount in account 114 - Utility Plant Acquisition Adjustments.

407. Amortization Expense

This account shall be the control account for amortization accounts totaling the amounts in accounts 407.1 to 407.3.

407.1 Amortization of Limited Term Plant

This account shall include amortization charges applicable to amounts included in the utility plant accounts for limited term franchises, licenses, patent rights, limited term interests in land, and expenditures on leased property where the service life of the improvements

is terminable by action of the lease. The charges to this account shall be such as to distribute the book cost of each investment evenly over the period of benefit to the utility (See account 110 - Accumulated Amortization of Utility Plant in Service).

407.2 Amortization of Property Losses

This account shall be charged with amounts credited to account 182, Extraordinary Property Losses, when the Commission has authorized the amount in the latter account to be amortized by charges to operating expenses.

407.3 Amortization of Other Utility Plant

A. When authorized by he Commission, this account shall include charges for amortization of intangible or other utility plant in service which does not have a definite or terminable life and which is not subject to depreciation expense.

B. This account shall be supported in such detail as to show the amortization applicable to each investment being amortized, together with the book cost of the investment and the period of the amortization.

407.4 Amortization of Regulatory Assets

This account shall be debited, when appropriate, with the amounts credited to Account 253 - Other Deferred Credits, to record regulatory liabilities imposed on the utility by the ratemaking actions of regulatory agencies. This account shall also be debited, when appropriate, with the amounts credited to Account 186 - Miscellaneous Deferred Debits, concurrent with the recovery of such amounts in rates.

407.5 Amortization of Regulatory Liabilities

This account shall be credited, when appropriate, with amounts debited to Account 186 - Miscellaneous Deferred Debits, to establish regulatory assets. This account shall also be credited, when appropriate, with the amounts debited to Account 253 - Other Deferred Credits, concurrent with the return of such amount to customers through rates.

408. Taxes Other Than Income

A. These accounts shall include the amount of ad valorem, gross revenue or gross receipts taxes, regulatory agency general assessments for purposes of public utility regulation, state

unemployment insurance, franchise taxes, federal excise taxes, social security taxes, and all other taxes assessed by federal state, county, municipal, or other local governmental authorities, except income taxes.

B. These accounts shall be charged in each accounting period with the amounts of taxes which are applicable thereto, with concurrent credits to account 236 - Accrued Taxes, or account 162 - Prepayments, as appropriate. When it is not possible to determine the exact amounts of taxes, the amounts shall be estimated and adjustments made in current accruals as the actual tax levies become known.

C. The charges to these accounts shall be made or supported so as to show the amount of each tax and the basis upon which each charge is made. In the case of a utility rendering more than one utility service, taxes of the kind includible in these accounts shall be assigned directly to the utility department the operation of which gave rise to the tax in so far as practicable. Where the tax is not attributable to a specific utility department, it shall be distributed among the utility departments or nonutility operations on an equitable basis after appropriate study to determine such basis.

Note A:--Special assessments for street and similar improvements shall be included in the appropriate utility plant or non-utility property account.

Note B:--Taxes specifically applicable to construction shall be included in the cost of construction.

Note C:--Gasoline and other sales taxes shall be charged as far as practicable to the same account as the materials on which the tax is levied.

Note D:--Social security and other forms of payroll taxes shall be distributed to utility departments and to nonutility functions on a basis related to payroll. Amounts applicable to construction shall be charged to the appropriate plant account.

Note E:--Interest on tax refunds or deficiencies shall not be included in these accounts but in account 419 - Interest and Dividend Income, or 427.5 - Interest - Other, as appropriate.

408.10 Utility Regulatory Assessment Fees

This account shall include those general fees assessed by regulatory agencies for the purpose of public utility regulation.

408.13 Other Taxes and Licenses

This account shall include all other taxes and licenses related to utility operating income not properly accounted for elsewhere.

408.20 Taxes Other Than Income, Other Income and Deductions

This account shall include those taxes recorded in account 408 - Taxes Other Than Income, which relate to Other Income and Deductions.

409. Income Taxes

A. These accounts shall 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 shall be made to account 236 - Accrued Taxes, and as the exact amounts of taxes become known, the current tax accruals shall be adjusted by charges or credits to these accounts unless such adjustments are properly included in account 439 - Adjustments to Retained Earnings, so that these accounts as nearly as can be ascertained shall include the actual taxes payable by the utility (See Accounting Instruction 8 for prior period adjustments).

B. The accruals for local, state and federal income taxes shall be apportioned to Utility Operating Income (by department/division), Other Income and Deductions and Extraordinary Items so that, as nearly as practicable, each tax included in the expenses of the utility department, Other Income and Deductions or Extraordinary Items, shall be related to the income which gave rise to the tax. The income tax effect of the amounts recorded in account 439 - Adjustments to Retained Earnings, shall be recorded in that account. The tax effects relating to interest charges, other than interest specifically applicable to indebtedness on property in account 121 shall be included in account 409.10 - Income Taxes, Utility Operating Income.

C. This account shall be maintained according to the subaccounts 409.10, 409.20 and 409.30 inclusive, as shown below.

Note A:--Taxes assumed by the utility on interest shall be charged to account 427.5 - Interest Other.

Note B:--Interest on tax refunds or deficiencies shall not be included in this account but in account 419 - Interest and Dividend Income, or account 427.5 - Interest - Other, as appropriate.

Note C:--See Accounting Instruction 28.

409.10 Income Taxes, Utility Operating Income

This account shall include the amount of those federal, state, and local income taxes reflected in account 409 - Income Taxes, which relate to utility operating income after interest charges and other tax adjustments. This account shall be maintained so as to allow ready identification of tax effects (both positive and negative) relating to Utility Operating Income (by department/division), Utility Plant Leased to Others and Other Utility Operating Income.

409.20 Income Taxes, Other Income and Deductions

This account shall include those local, state, and federal income taxes reflected in account 409 - Income Taxes, (both positive and negative), which relate to Other Income and Deductions.

409.30 Income Taxes, Extraordinary Items

This account shall include those local, state and federal income taxes (both positive and negative) which relate to Extraordinary Items.

410. Provision for Deferred Income Taxes

A. Accounts 410.10, and 410.20 shall be debited and accounts 281, 282, or 283 Accumulated Deferred Income Taxes - Accelerated Amortization, Liberalized Depreciation, or Other, shall be credited with amounts equal to any current deferrals of taxes on income or any allocations of deferred taxes originating in prior periods, as provided by the texts of accounts 190, 281, 282, and 283. No credit amounts appropriately includible in account 411.10 or 411.20 shall be netted against entries required to be made to these accounts.

B. This account shall be maintained according to the subaccounts 410.10, and 410.20 inclusive, as shown below.

Note:--See Accounting Instruction 28.

410.10 Deferred Income Taxes

This account shall include the amounts of those deferrals of federal, state, and local income taxes and allocations of deferred federal income taxes which relate to Utility Operating Income (by department/division).

410.20 Provision for Deferred Income Taxes, Other Income and Deductions

This account shall include the amount of those deferred federal, state and local income taxes reflected in account 410 - Provision for Deferred Income Taxes, which relate to Other Income and Deductions.

411. Provision for Deferred Income Taxes - Credit

Accounts 411.10 and 412.20 shall be credited, and accounts 281, 282, or 283, Accumulated Deferred Income Taxes - Accelerated Amortization, Liberalized Depreciation or Other, shall be debited, with amounts equal to any allocations of deferred taxes originating in prior periods or any current deferrals of taxes on income, as provided by the texts of accounts 190, 281, 282, and 283. No debit amounts appropriately includible in account 410.10, or 410.20 shall be netted against entries required to be made to these accounts.

411.10 Provision For Deferred Income Taxes - Credit, Utility, Operating Income

This account shall include the amounts of those allocations of deferred federal, state and local income taxes and deferrals of federal, state and local income taxes, credit which relate to Utility Operating Income (by department/division).

411.20 Provision For Deferred Income Taxes - Credit, Other Income and Deductions

This account shall include the amounts of those allocations of deferred taxes and deferrals of taxes, credit, which relate to Other Income and Deductions.

412. Investment Tax Credits

A. This account shall be debited with the total amount of investment tax credits used in calculating the reported current year's income taxes payable.

Account 255 - Accumulated Deferred Investment Tax Credits, shall be credited with an equal amount of investment tax credits debited to this account. Investment tax credits related to property used in utility operations shall be debited to subaccount 412.10 - Investment Tax Credits Deferred to Future Periods, Utility Operations. Those investment tax credits related to property used in nonutility operations shall be debited to account 412.20 - Investment Tax Credits - Net, Nonutility Operations.

B. A company which has deferred its investment tax credits shall amortize these deferred credit amounts by crediting this account and debiting account 255 - Accumulated Deferred Investment Tax credits. Such annual amortization shall be allocated proportionately over the service lives of all assets or of the assets generating the credits. The proportional amounts shall be determined in relation to the method of depreciation actually used on the regulated books of account.

(1) In amortizing the deferred investment tax credits related to property used in utility operations, the annual proportional amount credited to account 412 - Investment Tax Credits may or may not be passed on to customers in accordance with the Internal Revenue Code section applicable to the company. Where the company is subject to Section 46 (f)(2) of the code which provides a "Special rule for ratable flow-through" or Option 2 treatment, the annual proportional amortization is to be credited to subaccount 412.11 - Investment Tax Credits Restored to Operating Income, Utility Operations. Where the company is subject to Code Section 46 (f)(1), which is the "General Rule" or Option 1 treatment, the annual proportional amortization shall be credited to subaccount 412.30 - Investment Tax Credits Restored to Nonoperating Income, Utility Operations.

(2) In amortizing the deferred investment tax credits related to property used in nonutility operations, the annual amount shall be credited to subaccount 412.20, Investment Tax Credits - Net, Nonutility Operations.

C. This account shall be maintained so that the debits and credits relating to each allowable percentage of credit, i.e., 3%, 4%, 6%, 7%, 8%, 10%, etc., may be readily identified.

D. This account shall be maintained so that the debits and credits relating to each utility department/division and each nonutility operation may be readily identified.

E. This account shall be maintained according to subaccounts 412.10, 412.11, 412.20 and 412.30 as shown below.

412.10 Investment Tax Credits Deferred to Future Periods, Utility Operations

This account shall be debited and account 255 - Accumulated Deferred Investment Tax Credits, shall be credited with the amounts of realized investment tax credits deferred to future periods related to property used in utility operations (department/division).

412.11 Investment Tax Credits Restored to Operating Income, Utility Operations

This account shall be credited and account 255 - Accumulated Deferred Investment Tax Credits, shall be debited with the proportionate amounts of deferred investment tax credits related to property used in utility operations being restored to operating income in accordance with the "Special Rule for Ratable Flow-through" or Option 2 treatment as provided in the Revenue Act of 1971, the Tax Reduction Act of 1975 or the Economic Recovery Tax Act of 1981.

412.20 Investment Tax Credits - Net, Nonutility Operations

A. This account shall be debited and account 255 - Accumulated Deferred Investment Tax Credits, shall be credited with the amounts of realized investment tax credits deferred to future periods which relate to property used in non-utility operations.

B. This account shall be credited and account 255 - Accumulated Deferred Investment Tax Credits shall be debited with the proportionate amounts of deferred investment tax credits related to property used in nonutility operations being restored to nonoperating income.

412.30 Investment Tax Credits Restored to Nonoperating Income, Utility Operations

This account shall be credited and account 255 - Accumulated Deferred Investment Tax Credits shall be debited with the proportionate amounts of deferred investment tax credits related to property used in utility operations being restored to nonoperating income in accordance with the "General Rule" or Option 1 as provided by the Revenue Act of 1971, the Tax Reduction Act of 1975 and the Economic Recovery Tax Act of 1981.

413. Income from Utility Plant Leased to Others

A. This account shall include, revenues from utility property constituting a distinct operating unit or system leased by the utility to others, and which property is properly includible in account 102 - Utility Plant Leased to Others, and the expenses attributable to such property. A series of subaccounts shall be maintained for each operating unit or system leased to show separately revenues and expenses.

B. The detail expenses shall be kept or supported so as to show separately the following:

(1) Operation;
(2) Depreciation; and
(3) Amortization.

C. The related taxes shall be recorded in the appropriate subsidiary accounts and the control account 408 - Taxes Other than Income and Account 409 - Income Taxes. Records shall be maintained such that these taxes associated with leased plant are separately identifiable.

414. Gain (Losses) from Disposition of Utility Property

A. This account shall include, when authorized by the Commission, gains and losses from the sale, conveyance, exchange or transfer of utility property to another. The income tax attributable to gains and losses recorded in this account shall be recorded in the appropriate subsidiary account and control account 409 - Income Taxes.

B. This account shall be maintained so that the transactions and details underlying each gain or loss will be readily identifiable.

415. Revenues from Merchandising, Jobbing, and Contract Work

416. Cost and Expenses of Merchandising, Jobbing, and Contract Work

A. These accounts shall include respectively, all revenues derived from the sale of merchandise and jobbing or contract work, including any profit or commission accruing to the utility on jobbing work performed by it as agent under contracts whereby it does jobbing work for another for a stipulated profit or commission, and all expenses incurred in such activities.

B. Records in support of these accounts shall be so kept as to permit ready summarization of revenues, costs and expenses by such major items as are feasible.

Note:--Related operating taxes shall be recorded in account 408.20 -Taxes Other Than Income Taxes, Other Income and Deductions, and income taxes shall be recorded in account 409.20, Income Taxes, Other Income and Deductions.

419. Interest and Dividend Income

This account shall include interest revenues on securities, loans, notes, advances, special deposits, tax refunds and all other interest bearing assets and dividends on stocks of other companies,

whether the securities are carried as investments or included in sinking or other special funds accounts.

420. Allowance for Funds Used During Construction

This account shall include concurrent credits for allowance for funds used during construction based upon the net cost of funds used for construction purposes and a reasonable rate upon other funds when so used. Appropriate regulatory approval shall be obtained for "a reasonable rate"

421. Nonutility Income

In this account is entered all income not includible in operating revenue accounts 521 through 544 or in account 419 - Interest and Dividend Income. Items in this account shall include:

1. Gross income from nonutility operations; and
2. Net gain on sale of nonutility property.

426. Miscellaneous Nonutility Expenses

This account shall contain all expenses other than expenses of utility operations and interest expense. Items which are included in this account are:

1. Expenses disallowed in a proceeding before the Commission.
2. Amortization of an Acquisition Adjustment not approved by the Commission.
3. Depreciation associated with plant not used and useful in the public service.
4. Depreciation of Nonutility Plant.
5. Imprudent expenses.
6. Donations for charitable, social or community welfare purposes.
7. Life insurance on officers and employees where utility is beneficiary (net premiums less increase in cash surrender value of policies).
8. Penalties or fines for violations of statutes pertaining to regulation.
9. Expenditures for the purpose of:
   a. Influencing public opinion with respect to the election or appointment of public officials, or the adoption, repeal, revocation or modification of referenda, legislation or ordinances.
   b. Influencing public opinion with respect to obtaining approval, modification or revocation of franchises.
   c. Influencing the decisions of public officials not including such expenditures which are directly related to appearances before regulatory or other

governmental bodies in connection with the utility's existing or proposed operations.

10. Loss relating to investments in securities written-off or written-down.
11. Loss on sale of investments.
12. Loss on reacquisition, resale or retirement of utility's debt securities.
13. Preliminary survey and investigation expenses related to abandoned projects, when not written-off to the appropriate operating expense account.
14. Golf club dues, social club dues and service club dues (Kiwanis, Rotary, etc.) house charges and items of a similar nature whether such expenditures are made directly by the utility or indirectly by payment or reimbursement to associated companies, officers, or other employees, or by any other direct or indirect means.

427. Interest Expense

This account shall be the control account for recording interest expense and shall total the sum of accounts 427.1 through 427.5.

427.1 Interest on Debt to Associated Companies

This account shall record interest incurred with related companies.

427.2 Interest on Short-Term Debt

This account shall record interest expense associated with short-term debt (principal due in 1 year or less).

427.3 Interest on Long-Term Debt

This account shall record interest expense associated with long-term debt (principal due in more than one year).

427.4 Interest on Customer Deposits

This account shall record interest expense associated with customer deposits.

427.5 Interest - Other

This account shall include in each accounting period all interest charges not provided for elsewhere.

428. Amortization of Debt Discount and Expense

A. This account shall include in each accounting period the portion of unamortized debt discount and expense on outstanding long-term debt which is applicable to such period. Amounts charged to this account shall be credited concurrently to account 181 - Unamortized Debt Discount and Expense.

B. This account shall be so kept or supported as to show the debt discount and expense on each class and series of long-term debt.

429. Amortization of Premium on Debt

A. This account shall include in each accounting period the portion of unamortized net premium on outstanding long-term debt which is applicable to such period. Amounts credited to this account shall be charged concurrently to account 251 - Unamortized Premium on Debt.

B. This account shall be so kept or supported as to show the premium on each class and series of long-term debt.

Extraordinary Items

433. Extraordinary Income

Upon approval of the regulatory authority this account shall be credited with nontypical, noncustomary, infrequently recurring gains, which would significantly distort the current year's income computed before extraordinary items, if reported other than as extraordinary items. The applicable income tax effects of the account shall be recorded in account 409.30 - Income Taxes, Extraordinary Items.

434. Extraordinary Deductions

Upon approval of the Commission this account shall be debited with nontypical, noncustomary, infrequently recurring losses, which would distort the current year's income, if not reported separately. The applicable income tax effects shall be recorded account 409.30 -Income Taxes, Extraordinary Items.

RETAINED EARNINGS ACCOUNTS

435. Balance Transferred From Income
436. Appropriations of Retained Earnings
437. Dividends Declared - Preferred Stock
438. Dividends Declared - Common Stock
439. Adjustments to Retained Earnings

RETAINED EARNINGS ACCOUNTS

435. Balance Transferred from Income

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

436. Appropriations of Retained Earnings

This account shall include appropriations of retained earnings.

Items

1. Appropriations required under terms of mortgages, orders or courts, contracts or other agreements.
2. Appropriations required by action of regulatory authorities.
3. Other appropriations made at option of utility for specific purposes.

437. Dividends Declared - Preferred Stock

A. This account shall include amounts declared payable out of retained earnings as dividends on actually outstanding preferred or prior lien capital stock issued by the utility.

B. Dividends shall 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 shall be described with sufficient detail to identify it.

438. Dividends Declared - Common Stock

A. This account shall include amounts declared payable out of retained earnings as dividends on actually outstanding common capital stock issued by the utility.

B. Dividends shall 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 shall be described with sufficient detail to identify it.

439. Adjustments to Retained Earnings

A. This account shall include significant nonrecurring transactions relating to prior periods. Other than transactions of capital stock as specified in paragraph B below, all entries to this account must receive prior Commission approval. These transactions are generally limited to those adjustments which:

(1) correct an error in the financial statements of a prior period; or

(2) adjustments that result from realization of income tax benefits of preacquisition loss carry forwards of purchased subsidiaries.

This account shall also include the related income tax effects (state and federal) on items included herein. All items included in this account shall be sufficiently described in the entries relating thereto as to permit ready analysis.

B. Debits due to losses on reacquisition, resale or retirement of the company's own capital stock shall be included in this account.

C. Changes in depreciation or amortization estimates or methods are considered changes in accounting estimates rather than accounting errors and therefore are not subject to prior period adjustments. Any adjustments made to the accumulated amortization or depreciation balances of the utility due to a change in estimate or method shall be offset by a charge or credit to either: an income account; account 186 - Miscellaneous Deferred Debits; or account 253 - Other Deferred Credits, as is directed by the Commission.

WASTEWATER OPERATING REVENUE ACCOUNTS

Wastewater Sales

521. Flat Rate Revenues
    - 521.1 Residential Revenues
    - 521.2 Commercial Revenues
    - 521.3 Industrial Revenues
    - 521.4 Revenues from Public Authorities
    - 521.5 Multiple Family Dwelling Revenues
    - 521.6 Other Revenues
522. Measured Revenue
    - 522.1 Residential Revenues
    - 522.2 Commercial Revenues
    - 522.3 Industrial Revenues
    - 522.4 Revenues from Public Authorities
    - 522.5 Multiple Family Dwelling Revenues
523. Revenues From Public Authorities
524. Revenues From Other Systems
525. Interdepartmental Revenues

Other Wastewater Revenues

530. Guaranteed Revenues
531. Sale of Sludge
532. Forfeited Discounts
534. Rents From Wastewater Property
535. Interdepartmental Rents
536. Other Wastewater Revenues

Reclaimed Water Sales

540. Flat Rate Reuse Revenues
    - 540.1 Residential Reuse Revenues
    - 540.2 Commercial Reuse Revenues
    - 540.3 Industrial Reuse Revenues
    - 540.4 Reuse Revenues From Public Authorities
    - 540.5 Other Revenues
541. Measured Reuse Revenue
    - 541.1 Residential Reuse Revenues
    - 541.2 Commercial Reuse Revenues
    - 541.3 Industrial Reuse Revenues
    - 541.4 Reuse Revenues From Public Authorities
544. Reuse Revenues From Other Systems

WASTEWATER OPERATING REVENUE ACCOUNTS

Wastewater Sales

521. Flat Rate Revenues

A. This account shall be credited with all revenue for wastewater service rendered to residential, commercial and industrial property where the charge is not dependent upon metered water consumption or metered effluent output but is based on diameter of service, structure size, area front footage or other similar unit.

B. All revenue credited hereto shall be classified to one of the following subaccounts:

521.1 Residential Revenues
521.2 Commercial Revenues
521.3 Industrial Revenues
521.4 Revenues from Public Authorities
521.5 Multiple Family Dwelling Revenues
521.6 Other Revenues

Note:--When service is supplied through a single lateral to property used for both residential and commercial purposes, the total revenue shall be included in subaccount 521.1 or 521.2 according to the principle use of the property.

522. Measured Revenues

A. This account shall credited with all revenues for wastewater service rendered tc residential, commercial or industrial property where the charge is, or may be, in any way dependent on the quantity of water consumed or the quantity of effluent output by the customers.

B. All revenues credited hereto shall be classified to one of the following subaccounts:

522.1 Residential Revenues
522.2 Commercial Revenues
522.3 Industrial Revenues
522.4 Revenues from Public Authorities
522.5 Multiple Family Dwelling Revenues

Note:--See note following 521 above.

523. Revenues form Public Authorities

This account shall be credited with revenue derived from wastewater service to properties of municipalities or other divisions or agencies of federal or state governments where such service is rendered and billed under special contracts or agreements or service classifications applicable only to public authorities, except such revenues which are includible in account

524 - Revenue from Other Systems. Service to public authority customers billed under general service (flat rate or measured service) rate schedules shall be credited to account 521 or 522 as appropriate.

524. Revenues form Other Systems

This account shall be credited with all revenues derived from wastewater services rendered to other wastewater system properties, whether operated by a public authority or a private enterprise.

525. Interdepartmental revenues

A. This account shall include amounts charged by the wastewater department at tariff or other specified rates for wastewater service by it to other utility departments.

B. Records shall be maintained so that the wastewater service supplied each other department and the charges therefor shall be readily available.

Other Wastewater Revenues

530. Guaranteed Revenues

This account shall be credited with revenue received from developers or other persons for a period of time prior to wastewater service being established. Normally, this type of revenue is usually received to reserve or guarantee the availability of plant capacity when needed.

531. Sale of Sludge

This account shall include revenues received from the sale of the by-product sludge sold as fertilizer.

532. Forfeited Discounts

This account shall include the amounts which the utility allows its customers on condition that they pay their wastewater bills on or before a specified date and which are forfeited by customers because of failure to pay within the specified time. There shall likewise be credited hereto the amounts of penalties imposed by the utility on its customers because of failure to pay bills within a specified time.

534. Rents from Wastewater Property

A. This account shall include rents received for the use by others of land, buildings and other property devoted to wastewater operations by the utility.

B. When property owned by the utility is operated jointly with others under a definite arrangement for apportioning the actual expenses among the parties to the arrangement, any amounts received by the utility for interest or return or in reimbursement of taxes or depreciation on the property shall be credited to this account.

Note:--Do not include in this account rents from property constituting an operating unit or system.

535. Interdepartmental Rents

This account shall include rents credited to the wastewater department on account of rental charges made against other departments (water, etc. of the utility). In the case of property operated under a definite arrangement to allocate the cost among the departments using the property, any reimbursement to the wastewater department for interest, fair return, depreciation or taxes shall be credited to this account.

536. Other Wastewater Revenues

This account shall include revenues for all miscellaneous services and charges billed to customers which are not specifically provided for in other accounts.

Items

1. Fees for changing, connecting or disconnecting service.
2. Profit on maintenance of piping or other installations on customers' premises.
3. Net credit or debit (cost less net salvage and less payment from customers) on closing of work orders for plant installed for temporary service of less than one year (See account 185 - Temporary Facilities).
4. Recovery of expenses in connection with unauthorized taking of wastewater service (billing for service shall be included in the appropriate wastewater revenue account).
5. Profit on the sale of materials and supplies not ordinarily purchased for resale.
6. Physical inspection of service sewer connections other than those connections made by the company.
7. Servicing of customer lateral.
8. Late payment fees.

Reclaimed Water Sales

540. Flat Rate Reuse Revenues

A. This account shall be credited with all revenue for reclaimed water service to residential, commercial and industrial property where the charge is not dependent upon metered reclaimed water

consumption but is based on diameter of service, structure size, area front footage or other similar unit.

B. All revenue credited hereto shall be classified to one of the following subaccounts:

540.1 Residential Reuse Revenues
540.2 Commercial Reuse Revenues
540.3 Industrial Reuse Revenues
540.4 Reuse Revenues from Public Authorities
540.5 Other Reuse Revenues

Note:--When service is supplied through a single lateral to property used for both residential and commercial purposes, the total revenue shall be included in subaccount 540.1 or 540.2 according to the principle use of the property.

541. Measured Reuse Revenues

A. This account shall be credited with all revenues for reclaimed water service rendered to residential, commercial or industrial property where the charge is, or may be, in any way dependent on the quantity of reclaimed water consumed.

B. All revenues credited hereto shall be classified to one of the following subaccounts:

541.1 Residential Revenues
541.2 Commercial Revenues
541.3 Industrial Revenues
541.4 Revenues from Public Authorities

Note:--See note following 540 above.

544. Reuse Revenues From Other Systems

This account shall be credited with all revenues derived from amounts charged to other utility systems, such as water systems to defray the cost of the wastewater utility in supplying reclaimed water.

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WASTEWATER OPERATION AND MAINTENANCE EXPENSE ACCOUNTS

		.1	.2	.3
		Collection Expenses - Operations	Collection Expenses - Maint.	Pumping Expenses - Operations
701.	Salaries and Wages - Employees	701.1	701.2	701.3
703.	Salaries and Wages - Officers, Directors and Majority Stockholders	703.1	703.2	703.3
704.	Employee Pensions and Benefits	704.1	704.2	704.3
710.	Purchased Wastewater Treatment	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX
711.	Sludge Removal Expense	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX
715.	Purchased Power	715.1	XXXXXXXXX	715.3
716.	Fuel for Power Production	716.1	XXXXXXXXX	716.3
718.	Chemicals	718.1	718.2	718.3
720.	Materials and Supplies	720.1	720.2	720.3
731.	Contractual Services - Eng.	731.1	731.2	731.3
732.	Contractual Services - Acct.	732.1	732.2	732.3
733.	Contractual Services - Legal	733.1	733.2	733.3
734.	Contractual Services - Management Fees	734.1	734.2	734.3
735.	Contractual Services - Testing	735.1	735.2	735.3
736.	Contractual Services - Other	736.1	736.2	736.3
741.	Rental of Building/Real Property	741.1	741.2	741.3
742.	Rental of Equipment	742.1	742.2	742.3
750.	Transportation Expenses	750.1	750.2	750.3
756.	Insurance - Vehicle	756.1	756.2	756.3
757.	Insurance - General Liability	757.1	757.2	757.3
758.	Insurance - Workman's Compensation	758.1	758.2	758.3
759.	Insurance - Other	759.1	759.2	759.3
760.	Advertising Expense	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX
766.	Regulatory commission Expenses - Amortization of Rate Case Expense	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX
767.	Regulatory commission Expense - Other	767.1	767.2	767.3
770.	Bad Debt Expense	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX
775.	Miscellaneous Expenses	775.1	775.2	775.3

WASTEWATER OPERATION AND MAINTENANCE EXPENSE ACCOUNTS

.4 Pumping Expenses - Maint.	.5 Treat. & Disposal Expenses - Operations	.6 Treat. & Disposal Expenses - Maint.	.7 Customer Accounts Expenses	.8 Admin. & General Expenses	.9 Reclaimed Water Treatment Expenses - Opeations
701.4	701.5	701.6	701.7	701.8	701.9
703.4	703.5	703.6	703.7	703.8	703.9
704.4	704.5	704.6	704.7	704.8	704.9
XXXXXXXXX	710.5	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX
XXXXXXXXX	711.5	711.6	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX
XXXXXXXXX	715.5	XXXXXXXXX	715.7	715.8	715.9
XXXXXXXXX	716.5	XXXXXXXXX	716.7	716.8	716.9
718.4	718.5	718.6	XXXXXXXXX	XXXXXXXXX	718.9
720.4	720.5	720.6	720.7	720.8	720.9
731.4	731.5	731.6	731.7	731.8	731.9
732.4	732.5	732.6	732.7	732.8	732.9
733.4	733.5	733.6	733.7	733.8	733.9
734.4	734.5	734.6	734.7	734.8	734.9
735.4	735.5	735.6	735.7	735.8	735.9
736.4	736.5	736.6	736.7	736.8	736.9
741.4	741.5	741.6	741.7	741.8	741.9
742.4	742.5	742.6	742.7	742.8	742.9
750.4	750.5	750.6	750.7	750.8	750.9
756.4	756.5	756.6	756.7	756.8	756.9
757.4	757.5	757.6	757.7	757.8	757.9
758.4	758.5	758.6	758.7	758.8	758.9
759.4	759.5	759.6	759.7	759.8	759.9
XXXXXXXXX	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX	760.8	XXXXXXXXX
XXXXXXXXX	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX	766.8	XXXXXXXXX
767.4	767.5	767.6	767.7	767.8	767.9
XXXXXXXXX	XXXXXXXXX	XXXXXXXXX	770.7	XXXXXXXXX	XXXXXXXXX
775.4	775.5	775.6	775.7	775.8	775.9

WASTEWATER OPERATION AND MAINTENANCE EXPENSE ACCOUNTS

		.10 Reclaimed Water Treatment Expenses - Maint.	.11 Reclaimed Water Distribut. Expenses - Operations	.12 Reclaimed Water Distribut. Expenses - Maint.
'01.	Salaries and Wages - Employees	701.10	701.11	701.12
'03.	Salaries and Wages - Officers, Directors and Majority Stockholders	703.10	703.11	703.12
'04.	Employee Pensions and Benefits	704.10	704.11	704.12
'10.	Purchased Wastewater Treatment	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX
'11.	Sludge Removal Expense	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX
'15.	Purchased Power	XXXXXXXXX	715.11	XXXXXXXXX
'16.	Fuel for Power Production	XXXXXXXXX	716.11	XXXXXXXXX
'18.	Chemicals	718.10	718.11	718.12
'20.	Materials and Supplies	720.10	720.11	720.12
'31.	Contractual Services - Eng.	731.10	731.11	731.12
'32.	Contractual Services - Acct.	732.10	732.11	732.12
'33.	Contractual Services - Legal	733.10	733.11	733.12
'34.	Contractual Services - Management Fees	734.10	734.11	734.12
'35.	Contractual Services - Testing	735.10	735.11	735.12
'36.	Contractual Services - Other	736.10	736.11	736.12
'41.	Rental of Building/Real Property	741.10	741.11	741.12
'42.	Rental of Equipment	742.10	742.11	741.12
'50.	Transportation Expenses	750.10	750.11	750.12
'56.	Insurance - Vehicle	756.10	756.11	756.12
'57.	Insurance - General Liability	757.10	757.11	757.12
'58.	Insurance - Workman's Compensation	758.10	758.11	758.12
'59.	Insurance - Other	759.10	759.11	459.12
'60.	Advertising Expense	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX
'66.	Regulatory commission Expenses - Amortization of Rate Case Expense	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX
'67.	Regulatory commission Expense - Other	767.10	767.11	767.12
'70.	Bad Debt Expense	XXXXXXXXX	XXXXXXXXX	XXXXXXXXX
'75.	Miscellaneous Expenses	775.10	775.11	775.12

WASTEWATER OPERATION AND MAINTENANCE EXPENSE ACCOUNTS

701. Salaries and Wages - Employees

This account shall include the compensation (salaries, bonuses and other consideration of services) paid or accrued to employees of the utility company for work related to operation and maintenance of that utility company. This account shall not include the salaries and wages of officers, directors or majority stockholders of the utility company.

703. Salaries and Wages - Officers, Directors and Majority Stockholders

This account shall include the compensation (salaries, bonuses and other consideration for services) paid or accrued to officers, directors or majority stockholders of the utility company.

704. Employee Pensions and Benefits

This account shall include all accruals under employee pension plans to which the utility has irrevocably committed such funds, and payments for employee accident, sickness, hospital and death benefits or insurance therefor. Include also expenses for medical, educational or recreational activities of employees.

710. Purchased Wastewater Treatment

A. This account shall include the cost at the point of delivery of wastewater treatment provided by another entity.

B. The records supporting this account shall be so kept as to show for each entity from which wastewater treatment is purchased, point of delivery, quantity treated, basis of charges, and the cost of wastewater treatment.

711. Sludge Removal Expense

This account shall include the costs of removal of sludge if such work is performed by persons other than owners, stockholders, and employees of the utility.

715. Purchased Power

This account shall include the cost of all electric power expense incurred by the utility.

716. Fuel For Power Production

A. This account shall include the cost of fuel used in the production of power to operate the pumps and other equipment used in the wastewater treatment process. Records shall be maintained to show the quantity and cost of each type of fuel used.

B. The cost of fuel shall be charged initially to appropriate fuel accounts under account 151 - Plant Materials and Supplies, and cleared to this account on the basis of the fuel used.

718. Chemicals

This account shall include the cost of all chemicals used in the treatment of wastewater. Include also the cost (except salaries and wages includible in accounts 701 - 703) of any chemicals manufactured by the utility.

Items

1. Activated carbon
2. Deodorants
3. Caustic soda
4. Chlorine
5. Copper sulphate
6. Enzymes
7. High test hypochlorite
8. Iron sulphate
9. Lime
10. Soda ash
11. Ferric chloride
12. Sulphate of alumina
13. Sulphuric acid
14. Other chemicals

720. Materials and Supplies

This account shall include all materials and supplies used in the operation and maintenance of the wastewater system, other than materials and supplies charged to Contractual Services Account.

731. Contractual Services - Engineering

This account shall include costs paid to outside engineers or engineering firms to perform ongoing, recurring engineering work for the utility. Engineering services for plant items are properly includible in the appropriate plant account. Engineering services for rate relief filings shall be included in account 766 - Regulatory Commission Expenses - Amortization of Rate Case Expense and account 186 - Miscellaneous Deferred Debits, as appropriate.

732. Contractual Services - Accounting

This account shall include costs paid to outside accounting companies to maintain or audit the books and records of the utility. Accounting expenses for rate relief filings shall be included in account 766 - Regulatory Commission Expenses - Amortization of Rate

Case Expense and account 186 - Miscellaneous Deferred Debits, as appropriate.

733. Contractual Services - Legal

This account shall include costs paid to outside legal firms to perform legal services for the utility. Legal services for rate proceedings before the Commission shall be included in account 766 - Regulatory Commission Expenses - Amortization of Rate Case Expense or account 186 - Miscellaneous Deferred Debits.

734. Contractual Services - Management Fees

This account shall include contractual costs (other than those properly included in accounts 701 - 703 - Salaries and Wages) paid for the performance of management functions.

735. Contractual Services - Testing

This account shall include costs paid to outside laboratories for testing.

736. Contractual Services - Other

This account shall include those operation costs contracted for which are not included in accounts 730, 731, 732, 733, 734.

741. Rental of Building/Real Property

This account shall include those costs associated with the rental of buildings and/or real property which are properly treated as period costs.

742. Rental of Equipment

This account shall include costs associated with the rental of equipment, except vehicles, used in the operation of the utility. Vehicle rentals and leases are properly included in account 750 - Transportation Expenses.

750. Transportation Expenses

This account shall include all truck, automobile, construction equipment, and other vehicle expense chargeable to utility operations, except depreciation and insurance.

756. Insurance - Vehicle

This account shall include costs associated with insurance of automobile and trucks used for utility purposes.

'57. Insurance - General Liability

This account shall include insurance costs associated with general liability coverage of the utility company.

'58. Insurance - Workman's Compensation

This account shall include insurance costs associated with workman's compensation coverage for employees of the utility company.

'59. Insurance - Other

This account shall include insurance costs associated with coverage for the utility company which are not included in account 756, 757, or 758.

'60. Advertising Expenses

Advertising costs not associated with regulatory commission expenses shall be included in this account, if authorized by the Commission. This account shall be maintained so that informational and instructional advertising can be readily identified.

'66. Regulatory Commission Expenses - Amortization of Rate Case Expense

This account shall include amortization of account 186 - Miscellaneous Deferred Debits. Costs associated with rate cases shall be first charged to account 186 and then amortized as prescribed by the Commission to this account.

'67. Regulatory Commission Expenses - Other

This account shall include all expenses (except salaries of regular utility employees) incurred by the utility in connection with formal cases before regulatory commissions, except for rate case expenses which are accounted for as described above. This account shall not include payment of taxes which shall be reported in the Taxes Other Than Income accounts.

'70. Bad Debt Expense

This account shall be charged with amounts sufficient to provide for losses from uncollectible utility revenues. Concurrent credits shall be made to account 143.

'75. Miscellaneous Expenses

This account shall include all expenses not includible in other operating expenses accounts.

WASTEWATER OPERATION AND MAINTENANCE EXPENSE ACCOUNTS

Items

1. Industry association dues for company memberships.
2. Contributions for conventions and meetings of the industry.
3. Communication service not chargeable to other accounts.
4. Trustee, registrar, and transfer agent fees and expenses.
5. Stockholders meeting expenses.
6. Dividend and other financial notices.
7. Printing and mailing dividend checks.
8. Director's fees and expenses.
9. Publishing and distributing annual reports to stockholders.
10. Public notices of financial, operating and other data required by regulatory statutes, not including, however, notices required in connection with security issues or acquisition of property.
11. Write off of expenditures for preliminary surveys, plans, investigations, etc., relative to projects which have been abandoned.

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS C WATER UTILITIES

1996

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NATIONAL ASSOCIATION OF REGULATORY UTILITY COMMISSIONERS

1996 Uniform System of Accounts For Class C Water Utilities

Pursuant to action by the National Association of Regulatory Utility Commissioners, this System of Accounts is recommended to the Commissions represented in the membership of this Association for consideration and for adoption in their respective jurisdictions with such modifications only as they may deem necessary in the public interest.

PREFACE

The 1996 Water and Wastewater Uniform systems of Accounts were proposed by the Subcommittee on Accounts of the Committee on Finance and Technology of the National Association of Regulatory Utility Commissioners (NARUC). The NARUC Executive Committee unanimously approved these uniform systems of accounts at its Summer Committee Meeting held in Los Angeles, California, July 22-25, 1996. We would like to express our appreciation to Marshall Willis of the Florida Public Service Commission for his participation in this project and the many hours he spent writing these uniform systems of accounts.

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DEFINITIONS

When used in this system of accounts:

1. "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.

2. "Commission", unless otherwise indicated by the context, means the commission prescribing this system of accounts.

3. "Composite depreciation rate" is a percentage based on the weighted average service life of a number of units of plant, each of which may have a different individual life expectancy. Composite depreciation rates may be determined for (a) a single depreciable plant account, (b) a single rate for several depreciable accounts or (c) a single composite rate may be determined for all depreciable plant of the utility.

4. "Cost" means the amount of money actually paid for property or service. When the consideration given is other than cash, the value of such consideration shall be determined on a cash basis.

5. "Cost of removal" means the cost of demolishing, dismantling, tearing down or otherwise removing utility plant, including the cost of transportation and handling incidental thereto.

6. "Depreciation", as applied to depreciable utility plant, means the loss in service value not restored by current maintenance, incurred in connection with the consumption or prospective retirement of utility plant in the course of service from causes which are known to be in current operation and against which the utility is not protected by insurance. Among the causes to be given consideration are wear and tear, decay, action of the elements, inadequacy, obsolescence, changes in the art, changes in demand, and requirements of public authorities.

7. "Gross-up of contributions in aid of construction" is the method by which a utility extracts, from developers or others, a sum of money sufficient to pay all or a portion of the tax obligation due to the change in the federal tax law in 1987 which resulted in contributions made to utilities in aid of construction (CIAC) being considered ordinary income instead of contributions of capital. Because the sum extracted to pay the tax is also considered income subject to tax, the term tax-on-tax has been used to describe the additional sum of money that must be extracted in order to pay the tax on the initial amount.

   Common gross-up methods include the full gross-up method and the net present value method. Under the full gross-up method, a sum sufficient to meet the full tax obligation, including the tax-on-tax, is extracted. Under the net present value method, the sum

extracted is the net present value of the estimated future stream of tax benefits resulting from the depreciation deductions for the contributed asset to be taken on the tax returns of the utility.

8. "Net salvage value" means the salvage value of property retired less the cost of removal.

9. "Original cost", as applied to utility plant, means the cost of such property to the person first devoting it to public service.

10. "Property retired", as applied to utility plant, means property which has been removed, sold, abandoned, destroyed, or which for any cause has been withdrawn from service.

11. "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.

12. "Service life" means the period between the time of installation of utility plant and the time of its retirement.

13. "Service value" means the difference between the original cost and net salvage value of utility plant.

14. "Straight-line remaining life method", as applied to depreciation accounting, means the plan under which the service value of property is charged to operating expenses (and to clearing accounts if used), and credited to the accumulated depreciation account through equal annual charges during its service life. "Remaining life" implies that estimates of future life and salvage will be reexamined periodically and that depreciation rates will be corrected to reflect any changes in these estimates.

15. "Straight-line method" as applied to depreciation accounting, means the plan under which the service value of property is charged to operating expenses (and to clearing accounts if used), and credited to the accumulated depreciation account through equal annual charges during its service life. Estimates of the service life and salvage will be reexamined periodically and depreciation rates will be corrected to reflect any changes in these estimates.

16. "Utility", as used herein and when not otherwise indicated in the context, means any public utility to which this system of accounts is applicable.

ACCOUNTING INSTRUCTIONS

1. General - Classification of Utilities

A. For the purpose of applying the system of accounts prescribed by the Commission, water utilities are divided into three classes, as follows:

Class A - Utilities having annual water operating revenues of $1,000,000 or more.

Class B - Utilities having annual water operating revenues of $200,000 or more but less than $1,000,000.

Class C - Utilities having annual water operating revenues of less than $200,000.

B. This system of accounts applies to Class C utilities. The system of accounts applicable to Class A and B utilities are issued separately.

C. The class to which any utility belongs shall originally be determined by the average of its annual water operating revenues for the last three consecutive years. Subsequent changes in classification shall be made when the average annual water operating revenues for the three immediately preceding years exceed the upper limit or are less than the lower limit, of the annual water operating revenues of the classification previously applicable to the utility. For a utility with both water and wastewater operations, the classification shall be based on the operation with the highest annual revenues.

2. General - Records

A. The books of accounts of all water utilities shall be kept by the double entry method, on an accrual basis. Each utility shall keep its accounts monthly and shall close its books at the end of each calendar year.

B. All books of accounts, together with records and memoranda supporting the entries therein, shall be kept in such a manner as to support fully the facts pertaining to such entries. The books and records referred to herein include not only the accounting records in a limited technical sense, but also all other records, reports, correspondence, invoices, memoranda and information useful in determining the facts regarding a transaction.

C. Utilities may further subdivide any of the accounts provided that such subdivisions do not impair the integrity of the accounts, or they may maintain such additional accounts as are included in the Uniform System of Accounts for Class A or B Utilities.

3. Utility Plant

All utility plant shall be recorded at original cost (See definition 9).

4. Utility Plant - Capitalization Level

The cost of individual items of equipment of less than $150 or of short life, including small portable tools and implements, shall not be charged to utility plant accounts. The cost shall be charged to the appropriate operating expense or clearing accounts, according to the use of such items, or, if such items are consumed directly in construction work, the cost shall be included as part of the cost of the construction unit.

5. Utility Plant - Depreciation

A. Depreciation charges shall be computed using either the straight-line remaining life method (See definition 14) or the straight-line method (See definition 15), according to which method has been approved by the Commission. Composite depreciation rates (See definition 3) may be used with prior Commission approval.

B. When the straight-line remaining life method is used, the rates shall be reviewed periodically and adjusted as required, so that the depreciation accrual will bear a reasonable relationship to the remaining life, the estimated net future salvage, cost of plant in service and to the balance of accumulated depreciation accrued in prior periods.

C. When the straight-line method is used, the rates shall be reviewed periodically and adjusted as required, so that the depreciation accrual will bear a reasonable relationship to the service life, the estimated net salvage, and the cost of plant in service.

D. When an item of plant is retired, account 108 - Accumulated Depreciation and Amortization of Utility Plant in Service, shall be charged and the appropriate plant accounts shall be credited with the entire recorded original cost of plant retired regardless of the amount of depreciation which has been accumulated for this particular item of plant, except as provided in paragraph C. Account 108 - Accumulated Depreciation and Amortization of Utility Plant in Service, also shall be charged with the costs of removal of retired plant, and shall be credited with the salvage value, sales price or other amounts recovered from plant retired.

E. In rare instances the unexpired early retirement of a major unit of property, which would eliminate or seriously deplete the existing depreciation reserve, may require accounting treatment which differs from that described in paragraph D above. In such instances the Commission may authorize or order the loss on

retirement (less any tax savings) to be charged to income in the current year or transferred to account 186 - Miscellaneous Deferred Debits, and amortized in future periods. Such accounting treatment shall be used only when specifically authorized or directed by the Commission.

F. It is suggested that all utilities maintain a separate accumulated depreciation subaccount for each depreciable plant account.

6. Utility Plant - Contributions in Aid of Construction

A. Nonrefundable contributions of cash or plant facilities donated to the water utility to assist it in constructing, extending or relocating its water facilities shall be credited to account 271 - Contributions in Aid of Construction (See account 271 for description of items includible in this account).

B. Balances in this account representing contributions of depreciable plant shall be amortized using the contra account 272 - Accumulated Amortization of Contributions in Aid of Construction. The corresponding credit shall be to account 403 - Depreciation Expenses (if amortization is recognized by the Commission).

C. The balance in this account representing contributions of nondepreciable plant shall remain unchanged until such time as the property is sold or otherwise retired. At the time of retirement of nondepreciable contributed plant, its cost shall be credited to the appropriate plant account and charged to account 271.

7. Operating Income - Income Taxes

A. Current income tax provision

1. The utility shall initially debit account 409 - Income Taxes, and credit account 236 - Accrued Taxes, to record its estimated current income tax liability. As the exact amounts of taxes become known, the current tax accruals shall be adjusted by debits or credits to these accounts unless such adjustments are properly includible in account 215 - Retained Earnings, so that this account as nearly as can be ascertained shall include the actual taxes payable by the utility.

2. The accruals for income taxes shall be apportioned among utility departments and to Other Income and Deductions so that, as nearly as practicable, each tax shall be included in the expenses of the utility department or Other Income and Deductions, shall be related to the income which gave rise to the tax. The income tax effect of amounts recorded in account 215 - Retained Earnings, shall be recorded in that amount.

B. Interperiod Tax Allocation - Depreciation

The Federal Economic Recovery Tax Act of 1981 (ERTA).

ERTA provides that a utility claiming accelerated depreciation (Accelerated Cost Recovery System (ACRS)) must use a normalized method of accounting for federal income taxes on its regulated books of account and for ratemaking purposes. A utility must use the same depreciation method and lives in computing federal income tax expense when establishing cost of service for ratemaking purposes as is used in its regulated books of account, or if it uses a different method, it must make adjustments to a reserve to reflect the deferral of taxes resulting from such differences. Similarly, in order to claim investment tax credits, a utility must defer the entire balance of investment tax credits on its books of account and amortize the balance over the life of the related property.

C. Comprehensive Interperiod Income Tax Allocation - Other Than Depreciation.

1. Certain regulatory bodies have required comprehensive interperiod income tax allocation of all material book-tax timing differences other than depreciation differences. They have reasoned that where there are timing differences between the period 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 interperiod tax allocation should be followed whenever transactions enter into the determination of pretax accounting income for the period even though some transactions may affect the determination of taxes payable in a different period, as further qualified below.

2. Utilities are not required to utilize comprehensive interperiod income tax allocation until the deferred income taxes are included as an expense in the rate level by the regulatory authority having rate jurisdiction over the utility. Where comprehensive interperiod tax allocation accounting is not practiced, the utility shall include as a note to each financial statement, prepared for public use, a footnote explanation setting forth the utility's accounting policies with respect to interperiod tax allocation and

describing the treatment for ratemaking purposes of the tax timing difference by regulatory authorities having jurisdiction.

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

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

EXAMPLE

The following example shows how the various transactions are recorded:

a. A utility purchases depreciable plant at a cost of $10,000. The plant has a 10 year life with no salvage.

b. The utility's federal taxable income from utility operations, before the effect of depreciation is $30,000 (46% tax rate).

c. ACRS depreciation for each year is $800, $1400, $1200, $1000, $1000, $1000, $900, $900, $900, $900.

d. Book depreciation for each year using half year convention in year placed in service is: $500, $1000, $1000, $1000, $1000, $1000, $1000, $1000, $1000, $1000, $500.

e. Investment tax credit is $800 ($10,000 x 8%) in order to use 100% of the $10,000 cost for ACRS depreciation.

f. Deferred taxes are calculated by subtracting tax depreciation from book depreciation and multiplying by the tax rate. If tax depreciation is greater than book, debit Account 410 and credit Account 282. If book depreciation is greater than tax, debit 282 and credit 410.

	Account Number	Account Title	Debit	Credit
Year 1				
1-a	409.10	Income Taxes, Utility Operating Income	$12,632	
	236	Accrued Taxes		$12,632
		To record taxes estimated to be payable for period (.46($30,000 - $800)) - $800		
1-b	410.10	Deferred Income Taxes	138	
	282	Accumulated Deferred Income Taxes Liberalized Depreciation		138
		To record deferral of a portion of taxes based on the difference between straight-line depreciation		

	Account Number	Account Title	Debit	Credit
		and ACRS depreciation (.46($500-$800). NOTE:--The deferred tax balance of $138 would either be deducted from rate base or be included in capital structure at zero cost.		
1-c	412.10	Investment Tax Credits Deferred to Future Periods, Utility Operations	800	
	255	Accumulated Deferred Investment Tax Credits		800
		To record the investment tax credits realized and deferred to future years in accordance with provisions of either the "General Rule"/Option 1 Treatment or the "Special Rule for Ratable Flow - through"/Option 2 Treatment ($10,000 x 8%).		
1-d	255	Accumulated Deferred Investment Tax Credits	40	
	412.30	Investment Tax Credits Restored to Nonoperating Income, Utility Operations		40
		To record ratable amortization over the book depreciable life of the investment tax credits deferred to future periods (.50 ($800 (1/10))). NOTE:--The net balance of deferred investment tax credits ($800 - $40) would be either deducted from rate base or included in capital structure at zero cost. This treatment is followed by utilities subject to the "General Rule"/Option 1 Treatment.		
1-e	255	Accumulated Deferred Investment Tax Credits	40	
	412.11	Investment Tax Credits Restored to Operating Income, Utility Operations		40
		To record ratable flow-through over the asset's book		

	Account Number	Account Title	Debit	Credit
		depreciable life of investment tax credits deferred to future periods (.50($800 (1/10))). NOTE:--The net balance of deferred ITC ($800-$40) would earn the overall rate of return. This treatment is followed by utilities subject to "Special Rule for Ratable Flow-through"/Option 2 Treatment.		
Year 2				
2-a	409.10	Income Taxes, Utility Operating Income	$13,156	
	236	Accrued Taxes		$13,156
		To record taxes estimated to be payable for period .46($30,000 - $1,400).		
2-b	410.10	Deferred Income Taxes	184	
	282	Accumulated Deferred Income Taxes-Liberalized Depreciation		184
		To record deferral of a portion of taxes based on the difference between straight-line depreciation and ACRS depreciation (.46($1000-$1400)). NOTE:--The cumulative balance of deferred taxes ($138 + $184) would be either deducted from rate base or included in capital structure at zero cost.		
2-c	255	Accumulated Deferred Investment Tax Credits	80	
	412.30	Investment Tax Credits Restored to Nonoperating Income, Utility Operations		80

	Account Number	Account Title	Debit	Credit
		To record ratable amortization over the asset's book depreciable life of the ITC deferred to future periods ($800 (1/10)). NOTE:--The net balance of deferred ITC ($800 - ($40 + $80)) would be either deducted from rate base or included in capital structure at zero cost. This treatment is followed by utilities subject to the "General Rule"/Option 1 Treatment.		
2-d	255	Accumulated Deferred Investment Tax Credits	80	
	412.11	Investment Tax Credits Restored to Operating Income, Utility Operations		80
		To record ratable flow-through over the asset's book depreciable life of investment tax credits deferred to future period ($800(1/10)). NOTE:--The net balance of deferred ITC ($800-($40 + $80)) would earn the overall rate of return. This treatment is followed by utilities subject to the "Special Rule for Ratable Flow-Through"/Option 2 Treatment.		
Year 3				
3-a	409.10	Income Taxes, Utility Operating Income	13,248	
	236	Accrued Taxes		13,248
		To record taxes estimated to be payable for the period (.46($30,000-$1,200)).		
3-b	410.10	Deferred Income Taxes	92	
	282	Accumulated Deferred Income Taxes - Liberalized Depreciation		92
		To record deferral of a portion of taxes based on the difference between straight-line depreciation and		

	Account Number	Account Title	Debit	Credit
		ACRS depreciation ((\$1,000-\$1,200).46). The cumulative balance of deferred taxes (\$138 + \$184 + \$92) would be either deducted from rate base or included in capital structure at zero cost.		
3-c	255 412.30	"General Rule"/Option 1 Treatment utilities would record the same entry as in Year 2 for amortization of ITC. The net balance deducted from rate base or included in capital structure at zero cost would be (\$800-(\$40 + 2 (\$80))).	80	80
3-d	255 412.11	"Special Rule for Ratable Flow-Through"/Option 2 Treatment utilities would record the same entries recorded in Year 2 for ratable flow-through of ITC. The net ITC balance earning the overall rate of return would be \$600.	80	80
Year 4				
4-a	409.10 236	Income Taxes, Utility Operating Income Accrued Taxes To record taxes estimated to be payable for the period (.46(\$30,000-\$1,000)).	13,340	13,340
4-b	410.10 282	No entry would be made related to deferred taxes because book and tax depreciation are equal. The cumulative balance of \$414 would continue to be deducted from rate base or included in capital structure at zero cost.		
4-c	255 412.30	"General Rule"/Option 1 Treatment utilities. Same entry as Year 2 Net deferred balance either deducted	80	80

	Account Number	Account Title	Debit	Credit
		from rate base or included in capital structure at zero cost would be ($800-($40+3($80))).		
4-d	255 412.11	"Special Rule for Ratable Flow-Through"/Option 2 Treatment utilities. Same entry as Year 2. Net balance earning the overall rate of return would be $520.	80	80
Year 5				
5-a	409.10 236	Same entry as Year 4.	13,340	13,340
5-b	410.10 282	See Year 4.		
5-c	255 412.30	"General Rule"/Option 1 Treatment utilities. Same entry as Year 2. Net ITC balance deducted from rate base or included in capital structure is $440.	80	80
5-d	255 412.11	"Special Rule for Ratable Flow-Through"/Option 2 Treatment utilities. Same entry as Year 2. Net ITC balance earning overall rate of return is $440.	80	80
Year 6				
6-a	409.10 236	Same entry as Year 4.	13,340	13,340
6-b	410.10 282	See Year 4.		
6-c	255 412.30	"General Rule"/Option 1 Treatment utilities same entry as Year 2. Net ITC balance deducted from rate base or included in capital structure at zero cost is $360.	80	80

ACCOUNTING INSTRUCTIONS

	Account Number	Account Title	Debit	Credit
6-d	255	"Special Rule for Ratable Flow-Through"/Option 2 Treatment	80	
	412.11	utilities. Same entry as Year 2. Net ITC balance earning the overall rate of return is $360.		80
Year 7				
7-a	409.10	Income Taxes, Utility Operating Income	13,386	
	236	Accrued Taxes		13,386
		To record taxes estimated to be payable for the period (.46($30,000 - $900)).		
7-b	282	Accumulated Deferred Income Taxes - Liberalized Depreciation	46	
	410.10	Deferred Income Taxes		46
		To record reversal of taxes deferred in prior years ($1000 - $900).46). NOTE:--The net deferred tax balance deducted from rate base or included in capital structure at zero cost is $368.		
7-c	255	"General Rule"/Option 1 Treatment	80	
	412.30	utilities. Same entries as Year 2. Net ITC balance deducted from rate base or included in capital structure at zero cost is $280.		80
7-d	255	"Special Rule for Ratable Flow-Through"/Option 2 Treatment	80	
	412.11	utilities. Same entry as Year 2. NOTE:--Net ITC balance earning the overall rate of return is $280.		80
Year 8				
8-a	409.10	Same entry as Year 7.	13,386	
	236			13,386

	Account Number	Account Title	Debit	Credit
8-b	282 410.10	Same entry as Year 7. NOTE:--Net balance deducted from rate base or included in capital structure at zero cost is $322.	46	46
8-c	255 412.30	"General Rule"/Option 1 Treatment utilities. Same entry as Year 2. NOTE:--Net ITC balance deducted from rate base or included in capital structure at zero cost is $200.	80	80
8-d	255 412.11	"Special Rule for Ratable Flow-Through"/Option 2 Treatment utilities. Same entry as Year 2. NOTE:--Net ITC balance earning the overall rate of return is $200.	80	80
Year 9				
9-a	409.10 236	Same entry as Year 7.	13,386	13,386
9-b	282 410.10	Same entry as Year 7. NOTE:--Net balance of deferred taxes deducted from rate base or included in capital structure at zero cost is $276.	46	46
9-c	255 412.30	"General Rule"/Option 1 Treatment utilities. Same entry as Year 2. NOTE:--Net balance ITC deducted from rate base or included in capital structure at zero cost is $120.	80	80
9-d	255 412.11	"Special Rule for Ratable Flow-Through"/Option 2 Treatment utilities. Same entry as Year 2. NOTE:--Net balance ITC earning overall rate of return is $120.	80	80

	Account Number	Account Title	Debit	Credit
Year 10				
10-a	409.10	Same entry as Year 7.	13,386	
	236			13,386
10-b	282	Same entry as Year 7. NOTE:--	46	
	410.10	Net balance deferred taxes deducted from rate base or included in capital structure at zero cost is $230.		46
10-c	255	"General Rule"/Option 1 Treatment	80	
	412.30	utilities. Same entry as Year 2. NOTE:--Net balance ITC deducted from rate base or included in capital structure at zero cost is $40.		80
10-d	255.1	"Special Rule for Ratable Flow-	80	
	412.11	Through"/Option 2 Treatment utilities. Same entry as Year 2. NOTE:--Net balance ITC earning overall rate of return is $40.		80
Year 11				
11-a	409.10	Income Taxes, Utility Operating Income	13,800	
	236.1	Accrued Taxes, Utility Operating Income		13,800
		To record taxes estimated to be payable for period (.46($30,000)).		
11-b	282	Accumulated Deferred Income Taxes Liberalized Depreciation	230	
	410.10	Deferred Income Taxes		230
		To record reversal of taxes deferred in prior years (($500 - 0).46). NOTE:--There is no longer a deferred tax balance to be deducted from rate base or included in capital structure at zero cost.		

	Account Number	Account Title	Debit	Credit
11-c	255.1 412.30	"General Rule"/Option 1 Treatment utilities. Same entry as Year 1. NOTE:--There is no longer an ITC balance to be deducted from rate base or included in capital structure at zero cost.	40	40
11-d	255.1 412.11	"Special Rate for Ratable Flow-Through"/Option 2 Treatment utilities. Same entry as Year 1. NOTE:--There is no longer an ITC balance to earn the overall rate of return.	40	40

8. Operating Income - Clearing Accounts

A. The purpose of a clearing account is to temporarily accumulate in one account costs of a specific type which affect more than a single account, and which subsequently will be apportioned among utility plant accounts, operating expense accounts and other appropriate accounts.

B. The use of clearing accounts is optional. In addition to the payroll clearing account, a utility may use such additional clearing accounts as it finds useful.

BALANCE SHEET ACCOUNTS

Assets and Other Debits

101. Utility Plant in Service
103. Property Held for Future Use
104. Utility Plant Purchased or Sold
105. Construction Work in Progress
108. Accumulated Depreciation and Amortization of Utility Plant in Service
114. Utility Plant Acquisition Adjustments
115. Accumulated Amortization of Utility Plant Acquisition Adjustments
121. Nonutility Property
122. Accumulated Depreciation and Amortization of Nonutility Property
124. Utility Investments
131. Cash
132. Special Deposits
141. Customer Accounts Receivable
143. Accumulated Provision for Uncollectible Accounts--Cr.
151. Plant Material and Supplies
174. Miscellaneous Current and Accrued Assets
186. Miscellaneous Deferred Debits
190. Accumulated Deferred Income Taxes

Equity Capital

201. Common Stock Issued
204. Preferred Stock Issued
211. Other Paid-In Capital
215. Retained Earnings

218. Proprietary Capital (for proprietorships and partnerships only)

Liabilities and Other Credits

224. Long-Term Debt
231. Accounts Payable
232. Notes Payable
235. Customer Deposits
236. Accrued Taxes
237. Accrued Interest
241. Miscellaneous Current and Accrued Liabilities
252. Advances for Construction
253. Other Deferred Credits
255. Accumulated Deferred Investment Tax Credits
265. Miscellaneous Operating Reserves
271. Contributions in Aid of Construction
272. Accumulated Amortization of Contributions in Aid of Construction
281. Accumulated Deferred Income Taxes - Accelerated Amortization
282. Accumulated Deferred Income Taxes - Liberalized Depreciation
283. Accumulated Deferred Income Taxes - Other

BALANCE SHEET ACCOUNTS

Utility Plant

101. Utility Plant in Service

A. This account is the control account for plant accounts 301 through 348.

B. This account shall include the original cost of utility plant owned and used by the utility in providing water service.

103. Property Held for Future Uses

A. This account shall include the cost of property owned and held for future use in utility service under a definite plan for such use.

B. The property included in this account shall be classified according to the detailed accounts (301 o 348) for utility plant in service and the account shall be maintained in such manner and in such detail as though the property were in service.

Note:--Materials and supplies, and meters held in reserve shall not be included in this account.

104. Utility Plant Purchased or Sold

A. This account shall be temporarily charged with the cost and expense incidental to acquisition of utility systems acquired as operating units or systems. The account shall be temporarily credited with the selling price of utility systems transferred to others.

B. Within six months from the date of acquisition or sale of a water system the utility shall file with the Commission for approval proposed journal entries to clear this account.

Note:--In clearing this account the original cost of acquired plant shall be charged to plant accounts, and accumulated depreciation shall be credited to account 108 - Accumulated Depreciation and Amortization of Utility Plant in Service. Any balance (representing the difference between the net original cost of the assets acquired and the cost to the acquiring utility) shall be charged or credited to account 114 - Utility Plant Acquisition Adjustments.

C. When an existing water system or operating unit is acquired the utility shall be obligated to obtain from the vendor all existing records, including records of plant construction dates and costs, records of accumulated depreciation applicable to such properties, and records of Contributions in Aid of Construction.

105. Construction Work in Progress

This account shall include the cost of water plant in process of construction, but not ready for service.

108. Accumulated Depreciation and Amortization of Utility Plant in Service

A. This account shall reflect the depreciation and amortization accumulated on plant used in water utility service.

B. This account shall be credited with:

1. Amounts concurrently charged to account 403 - Depreciation Expense, representing currently accruing depreciation of water plant (other than contributed plant).

2. Amounts concurrently charged to account 407 - Amortization Expense - Other, representing currently accruing amortization of utility plant.

3. Amounts concurrently charged to account 272 - Accumulated Amortization of Contributions in Aid of Construction, representing amortization of contributed utility plant, if recognized by the Commission.

4. Salvage value, sales price, insurance settlements and other amounts recovered from plant retired.

5. Amounts representing the balance of accumulated depreciation and amortization of utility plant acquired from others.

Note:--Also see account 104 - Utility Plant Purchased or Sold.

C. This account shall be charged with:

1. Original cost of depreciable utility plant retired.

2. Cost of removal of plant retired.

D. The utility is restricted in the use of this account to the purposes set forth above. It shall not transfer any portion to retained earnings or to other accounts without prior written authorization from the Commission.

Note:--See Accounting Instruction 4 for information on depreciation accruals and plant retirement procedures.

BALANCE SHEET ACCOUNTS

114. Utility Plant Acquisition Adjustments

A. This account shall include the difference between (1) the cost to the utility of plant acquired as an operating unit or system by purchase, merger, or otherwise, and (2) the net of amounts distributed to the plant accounts, the accumulated depreciation account and other appropriate accounts.

B. No transfers shall be made from this account unless prior written authorization has been obtained from the Commission.

Note:--See also account 104 - Utility Plant Purchased or Sold.

115. Accumulated Amortization of Utility Plant Acquisition Adjustments

This account shall be credited or debited with amounts which are includible in account 406 - Amortization of Utility Plant Acquisition Adjustments, or account 426 - Miscellaneous Nonutility Expenses, for the purpose of providing for the extinguishment of amounts in account 114 - Utility Plant Acquisition Adjustments.

121. Nonutility Property

A. This account shall include all property and other assets owned by the utility, but not used in providing water service, for which separate balance sheet accounts have not been provided.

B. This account shall be appropriately subdivided.

Items

1. Land and buildings not used in water operations.
2. Utility assets transferred to "nonoperative" status.
3. Investments in securities.
4. Assets of nonutility businesses owned by the utility.
5. Accounts receivable and notes receivable not due within one year.

122. Accumulated Depreciation and Amortization of Nonutility Property

A. This account shall reflect the depreciation and amortization accumulated on property not used in utility operations.

B. This account shall be credited with amounts currently charged to account 426 - Miscellaneous Nonutility Expenses, representing currently accruing depreciation and amortization on property not used in utility operations.

C. This account shall be charged with the amount of depreciation accumulated on items of nonutility property sold, abandoned, or otherwise retired.

124. Utility Investments

This account shall include book cost of investments in securities issued or assumed by nonassociated companies for the purpose of insuring adequate water service (i.e., source of water supply).

131. Cash

This account shall include the amount of cash on hand or on deposit in banks.

132. Special Deposits

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

141. Customer Accounts Receivable

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

143. Accumulated Provision for Uncollectible Accounts--Cr

This account shall be credited with amounts provided for losses on accounts receivable which may become uncollectible, and also with collections on accounts previously charged hereto. Concurrent charges shall be made to account 670 - Bad Debt Expense, for amounts applicable to utility operations, and to corresponding accounts for other operations. Records shall be maintained so as to show the write-offs of accounts receivable for each utility department.

151. Plant Material and Supplies

A. This account shall include the cost of materials and supplies on hand, purchased for use in plant construction or repair work.

B. The cost shall include, when practicable, transportation charges, sales and use taxes and other directly assignable costs. Cash discounts realized on material purchases shall be credited to this account.

C. Reusable materials which are retired from plant and returned to the materials and supplies inventory shall be charged to this account and credited to account 108 - Accumulated Depreciation and Amortization of Utility Plant in Service. Identifiable units which have been removed from service (i.e., pumps, motors, etc.) shall be carried in inventory at original cost. Items of small value whose original cost cannot be readily determined shall be carried in inventory at current prices. Scrap materials shall be carried in inventory at estimated scrap value.

D. Inventories of materials and supplies shall be taken at least annually and the necessary adjustments shall be made to bring this account into agreement with the actual quantities on hand.

174. Miscellaneous Current and Accrued Assets

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

186. Miscellaneous Deferred Debits

A. This account shall include such items as expenses of security issues, bond discount, items in suspense, and costs which the Commission has authorized the utility to amortize over future periods (i.e., deferred portion of rate case expense).

B. This account shall be appropriately subdivided.

190. Accumulated Deferred Income Taxes

A. This account shall be debited and account 411.10 - Provision for Deferred Income Taxes - Credit, Utility Operating Income, or account 411.20 - Provision for Deferred Income Taxes - Credit, Other Income and Deductions, as appropriate, shall be credited with an amount equal to that by which income taxes payable for the year are higher because of the inclusion of certain items in income for tax purposes, which items for general accounting purposes will not be fully reflected in the utility's determination of annual net income until subsequent years.

B. This account shall be credited and account 410.10 - Deferred Income Taxes, or account 410.20 - Provision for Deferred Income Taxes, Other Income and Deductions, as appropriate, shall be debited with an amount equal to that by which income taxes payable for the year are lower because of prior payment of taxes as provided by paragraph A above, because of differences in timing for tax purposes of particular items of income or income deductions from that recognized by the utility for general accounting purposes. Such credit to this account and debit to account 410.10 or 410.20 shall, in general, represent the effect on taxes payable in the current year of the smaller amount of book income recognized for tax purposes as compared to the amount recognized in the utility's current accounts with respect to the item or class of items for which deferred tax accounting by the utility was authorized by the Commission.

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

D. The utility is restricted in its use of this account to the purpose set forth above. It shall not make use of the balance in this account or any portion thereof except as provided in the text of this account, without prior approval of 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 utility's income accounts has been completed, or other disposition made shall be debited to account 410.10 - Deferred Income Taxes, or account 410.20 - Provision for Deferred Income Taxes - Other Income and Deductions, as appropriate, or otherwise disposed of as the Commission may authorize or direct (See Accounting Instruction 6).

Equity Capital

201. Common Stock Issued

A. This account shall be credited with the total par value or stated value of common stock outstanding.

B. Premiums related to the issue of common stock shall be carried in a separate subaccount of account 211 - Other Paid-In Capital.

204. Preferred Stock Issued

A. This account shall be credited with the total par value or stated value of preferred stock outstanding.

B. A separate subaccount shall be maintained for each class and series of preferred stock.

C. Premiums and discounts related to the issue of preferred stock shall be carried in a separate subaccount of account 211 - Other Paid-In Capital.

211. Other Paid-In Capital

A. This account shall include all paid-in capital not derived from earnings. It shall include such items as premiums and discounts related to the issuance of capital stock, donations to the utility of its capital stock, credits arising from the forgiveness of debt of the utility; credits arising out of a reorganization of the utility, or in connection with its recapitalization.

B. Each type of paid-in capital shall be carried in a separate subaccount.

215. Retained Earnings (for corporations only)

A. This account shall reflect corporation earnings retained in the business.

B. The account shall be credited with:

1. Net Income.
2. Accounting adjustments associated with correction of errors attributable to a prior period.

C. The account shall be charged with:

1. Net losses.
2. Accounting adjustments associated with correction of errors attributable to a prior period.
3. Dividends.

D. Adjustments caused by the correction of an estimate or a change in an accounting method shall not adjust the balance of this account but shall rather affect either an income, asset, liability or deferred credit account. For example, adjustments to accumulated depreciation shall not affect this account but rather shall affect an income account, account 186 - Miscellaneous Deferred Debits, or account 253 - Other Deferred Credits.

218. Proprietary Capital (for proprietorships and partnerships only)

A. This account shall be credited with the investment of a sole proprietor, or partners, in an unincorporated water utility.

B. Separate subaccount shall be maintained for each partner.

C. At the end of each calendar year the net income or loss for the year shall be entered in this account.

D. Accounting adjustments associated with correction of errors attributable to a prior period shall be charged or credited to this account. See also account 215, item D, above.

Note:--This account may be restricted to the amount considered by the proprietor to be the permanent investment in the business, subject to change only by additional investment by the proprietor or the withdrawal of portions thereof not representing net income. When this option is taken, earned surplus accounts shall be maintained.

BALANCE SHEET ACCOUNTS

Liabilities and Other Credits

224. Other Long-Term Debt

A. This account shall include all notes, conditional sales contracts or other evidences of indebtedness payable more than one year from date of issue.

B. Separate subaccounts shall be maintained for obligations outstanding.

231. Accounts Payable

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

232. Notes Payable

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

235. Customer Deposits

This account shall include all amounts deposited with the utility by customers as security for the payment of bills.

236. Accrued Taxes

A. This account shall include all taxes accrued or payable by the utility including property taxes, payroll taxes, withholding taxes, and corporate taxes.

B. This account shall be credited during the accounting period with the amount of taxes accrued during the period. Such credits may be based upon estimates, but from time to time during the year, the amount of the periodic credits shall be adjusted so as to reflect the correct tax liability. Any amount representing a prepayment of taxes applicable to a period subsequent to the date of the balance sheet shall be shown under account 174 - Miscellaneous Current and Accrued Assets.

Note:--Liability for personal income or self-employment taxes of owner or partners shall not be entered in the books of the utility, although payment of such taxes may be charged as withdrawals to proprietary capital.

237. Accrued Interest

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

241. Miscellaneous Current and Accrued Liabilities

This account shall include the amount of all other current and accrued liabilities not provided for elsewhere appropriately designated and supported so as to show the nature of each liability.

252. Advances for Construction

This account shall include advances by or in behalf of customers for construction which are to be refunded either wholly or in part. When a person is refunded the entire amount to which he is entitled according to the agreement or rule under which the advance was made, the balance, if any, remaining in this account shall be transferred to account 271 - Contributions in Aid of Construction.

253. Other Deferred Credits

This account shall include, gains on disposition of property, net of income taxes, deferred by authorization of the Commission, advance billings and receipts and other deferred credit items, not provided elsewhere, including amounts which cannot be entirely cleared or disposed of until additional information has been received.

255. Accumulated Deferred Investment Tax Credits

A. This account shall be credited with all investment tax credits deferred by companies which have elected to follow deferral accounting, partial or full, rather than recognizing in the income statement the total benefits of the tax credit as realized. After such election, a company may not transfer amounts from this account, except as authorized herein and in accounts 412.11 - Investment Tax Credits Restored to Operating Income, Utility Operations 412.20 - Investment Tax Credits - Net, Nonutility Operations, and account 412.30 - Investment Tax Credits Restored to Nonoperating Income, Utility Operations, or with approval of the Commission.

B. Where the company's accounting provides that investment tax credits are to be passed on to customers, this account shall be debited and account 412.11 credited with a proportionate amount determined in relation to the book depreciable life of all utility

property or utility property to which the tax credits relate or such lesser period of time as allowed by a regulatory agency having rate jurisdiction. If, however, the deferral procedure provides that investment tax credits are not passed on to customers, the proportionate restorations to income shall be credited to account 412.30.

C. Subdivisions of this account by department shall be maintained for deferred investment tax credits that are related to nonutility or other operations. Contra entries affecting such account subdivisions shall be appropriately recorded. Use of deferral or nondeferral accounting procedures adopted for nonutility or other operations are to be followed on a consistent basis.

D. Separate records for each utility department, and nonutility or other operations shall be maintained identifying the properties giving rise to the investment tax credits for each year with the appropriate service life of such properties and any unused balances of such credits. Such records are not necessary unless the tax credits are deferred.

265. Miscellaneous Operating Reserves

A. This account shall include all operating reserves maintained by the utility.

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

271. Contributions in Aid of Construction

A. This account shall include:

1. Any amount or item of money, services or property received by a utility, from any person or governmental agency, any portion of which is provided at no cost to the utility, which represents an addition or transfer to the capital of the utility, and which is utilized to offset the acquisition, improvement or construction costs of the utility's property, facilities, or equipment used to provide utility services to the public.

2. Amounts transferred from account 252 - Advances for Construction, representing unrefunded balances of expired contracts or discounts resulting from termination of contracts in accordance with the Commission's rules and regulations.

3. Compensation received from governmental agencies and others for relocation of water mains or other plants.

4) Any amount of money received by a utility, any portion of which is provided at no cost to the utility, which represents an addition or transfer to the capital of the utility and which is utilized to offset the federal, state or local income tax effect of taxable contributions in aid of construction, taxable amounts transferred from Account 252 - Advances for Construction, and taxable compensation received from governmental agencies and others for relocation of water mains or other plants shall be reflected in a sub-account of this account.

B. The credits to this account shall not be transferred to any other account without the approval of the Commission.

C. The records supporting the entries to this account shall be so kept that the utility can furnish information as to the purpose of each donation, the conditions, if any, upon which it was made, the amount of donations from (a) states, (b) municipalities, (c) customers, and (d) others, and the amount applicable to each utility department.

Note:--There shall not be included in this account advances for construction which are ultimately to be repaid wholly or in part (See account 252 - Advances for Construction).

272. Accumulated Amortization of Contributions in Aid of Construction

A. This account shall reflect the amortization accumulated on account 271 - Contributions in Aid of Construction, if recognized by the Commission.

B. Specifically, balances in account 271 which represent contributions of depreciable plant shall be amortized by charges to this account over a period equal to the estimated service life of the related contributed asset. A group or overall composite rate may be used for contributed balances that cannot be directly related to a plant asset.

C. The concurrent credit for the amortization recorded in this account shall be made to account 403 - Depreciation Expense.

D. If a regulatory body allows the amortization of any portion of the monies collected to pay the tax obligation caused by the receipt of CIAC, such amortization shall also be reflected in a sub-account of this account. Specifically, balances in account 271 which represent monies collected for the gross-up of CIAC (See Definition 7.) shall be amortized by charges to this account over a period determined by the regulatory body.

Accumulated Deferred Income Taxes

Before using the deferred tax accounts provided below, refer to Accounting Instruction 7 (B) and (C). Interperiod Income Tax Allocation - Depreciation and Comprehensive Interperiod Income Tax Allocation - Other Than Depreciation.

Public utilities shall use the accounts provided below for prior accumulations of deferred taxes on income for additional provisions. Prior to any use of these accounts, the utility must file with the Commission, for the purpose of obtaining authorization, its proposed plan of accounting for deferred taxes on income. The utility shall not use these accounts unless such use has been authorized by the Commission. If deferred tax accounting is initiated with respect to any property such accounting shall not be discontinued on that property without prior approval of the Commission.

The utility is restricted in its use of these accounts to the purposes set forth therein. It shall not make any transfers from these accounts or make any use thereof except as provided in the text of the accounts without prior approval of the Commission. It shall not transfer the balance in these accounts or any portion thereof to retained earnings 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 plant on which there is a related balance in these accounts, the deferred tax account shall be debited with an amount equal to the related income tax expense, if any, arising from such disposition and account 411 - Provision for Deferred Income Taxes-Credit, shall be credited. When the remaining balance, after consideration of any related income tax expenses, is not significant, the deferred tax account shall be debited and account 411 credited with such balance. If after consideration of any related income tax expense, and the remaining amount is significant, then the Commission shall authorize or direct how such amount shall be accounted for at the time approval for the disposition of account is granted. When plant is disposed of by transfer to a wholly owned subsidiary, the related balance in the deferred tax account shall also be transferred. When the disposition relates to retirement of an item or items under a group method of depreciation where there is no tax effect in the year of retirement, no entries are required in the deferred tax account if it can be determined that the related balances would be necessary to be retained to offset future group item tax deficiencies.

Note:--Public utilities having more than one utility department and/or nonutility property and which have deferred taxes on income with respect thereto shall classify such deferrals in the accounts provided elsewhere so as to allow ready identification of items

relating to each utility department and to Other Income and Deductions.

281. Accumulated Deferred Income Taxes - Accelerated Amortization

A. This account shall include tax deferral resulting from adoption of the principles of Comprehensive Interperiod Income Tax Allocation - Other Than Depreciation described in Accounting Instruction 6 (c) of this system of accounts that relate to property for which the utility have availed itself of the use of accelerated (5-year) amortization of (1) certified defense facilities as permitted by Section 168 of the Internal Revenue Code and (2) certified pollution control facilities as permitted by Section 169 of the Internal Revenue Code.

B. This account shall be credited and accounts 410.10 - Deferred Income Taxes, or account 410.20 - Provision for Deferred Income Taxes, Other Income and Deductions, as appropriate, shall be debited with tax effects related to property described in paragraph A above where taxable income is lower than pretax accounting income due to differences between the periods in which revenues and expense transactions affect taxable income and the periods in which they enter into the determination of pretax accounting income.

C. This account shall be debited and accounts 411.10 - Provision for Deferred Income Taxes - Credit, Utility Operating Income, or 411.20 - Provision for Deferred Income Taxes-Credit, Other Income and Deductions, as appropriate, shall be credited with tax effects related to property described in paragraph A above where taxable income is higher than pretax accounting income due to differences between the periods in which revenues and expenses transactions affect taxable income and the periods in which they enter into the determination of pretax accounting income.

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

282. Accumulated Deferred Income Taxes - Liberalized Depreciation

A. This account shall include all credit tax deferrals resulting from adoption of the principles of comprehensive interperiod income tax allocation described in Accounting Instruction 7 of this system of accounts other than those deferrals which are includible in accounts 281 - Accumulated Deferred Income Taxes - Accelerated Amortization, and account 283 - Accumulated Deferred Income Taxes - Other.

B. This account shall be credited and accounts 410.10 Deferred Income Taxes, or 410.20 - Provision for Deferred Income Taxes, Other Income and Deductions, as appropriate, shall be debited with tax effects related to property described in paragraph A above where taxable income is lower than pretax accounting income due to differences between the periods in which revenue and expense transactions affect taxable income and the periods in which they enter into the determination of pretax accounting income.

C. This account shall be debited and accounts 411.10 - Provision for Deferred Income Taxes - Credit, Utility Operating Income, or 411.20 - Provision for Deferred Income Taxes - Credit, Other Income and Deductions, as appropriate, shall be credited with tax effects related to property described in paragraph A above where taxable income is higher than pretax accounting income due to differences between the periods in which revenue and expense transactions affect taxable income and the periods in which they enter into the determination of pretax accounting income.

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

283. Accumulated Deferred Income Taxes - Other

A. This account shall include all credit tax deferrals resulting from the adoption of the principles of comprehensive interperiod income tax allocation described in Accounting Instruction 7 of this system of accounts other than those deferrals which are includible in accounts 281 - Accumulated Deferred Income Taxes - Accelerated Amortization, and 282 - Accumulated Deferred Income Taxes - Liberalized Depreciation.

B. This account shall be credited and account 410 - Provision for Deferred Income Taxes, shall be debited with tax effects related to items described in paragraph A above where taxable income is lower than pretax accounting income due to differences between the periods in which revenue and expense transactions affect taxable income and the periods in which they enter into the determination of pretax accounting income.

C. This account shall be debited and accounts 411.10 - Provision for Deferred Income Taxes - Credit, Utility Operating Income or 411.20 - Provision for Deferred Income Taxes - Credit, Other Income and Deductions, as appropriate, shall be credited with tax effects related to items described in paragraph A above where taxable income is higher than pretax accounting income due to differences

between the periods in which revenues and expense transactions affect taxable income and the periods in which they enter into the determination of pretax accounting income.

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

E. For ratemaking purposes, the balance in accounts 281, 282, and 283 - Accumulated Deferred Income Taxes - Accelerated Amortization, Liberalized Depreciation, and Other, net of any balance in account 190 - Accumulated Deferred Income Taxes, shall either be deducted from rate base by all companies having a net credit balance of deferred taxes or shall be included in capital structure as zero cost funds. The treatment shall be determined by the regulatory body having jurisdiction over the regulated operations of the utility. Where regulated operations are subject to the jurisdiction of more than one regulatory body, each regulatory body shall establish the ratemaking treatment of those deferrals related to operations under its jurisdiction.

WATER UTILITY PLANT ACCOUNTS

Amortizable

301. Organization
302. Franchises

Nondepreciable

303. Land and Land Rights

Depreciable

304. Structures and Improvements
305. Collecting and Impounding Reservoirs
306. Lake, River and Other Intakes
307. Wells and Springs
309. Supply Mains
310. Power Generation Equipment
311. Pumping Equipment
320. Water Treatment Equipment
330. Distribution Reservoirs and Standpipes
331. Transmission and Distribution Mains
333. Services
334. Meters and Meter Installations
336. Backflow Prevention Devices
335. Hydrants
339. Other Plant and Miscellaneous Equipment
340. Office Furniture and Equipment
341. Transportation Equipment
343. Tools, Shop and Garage Equipment
345. Power Operated Equipment
348. Other Tangible Plant

WATER UTILITY PLANT ACCOUNTS

301. Organization

This account shall include all fees paid to federal or state governments for the privilege of incorporation and expenditures incident to organizing the corporation, partnership or other enterprise and putting it into readiness to do business. A sample of items to be included in this account are listed below.

1. Actual cost of obtaining certificates authorizing an enterprise to engage in the public utility business.
2. Fees and expenses for incorporation.
3. Fees and expenses for mergers or consolidations.
4. Office expenses incident to organizing the utility.
5. Stock and minute books and corporate seal.

302. Franchises

A. This account shall include amounts paid to the federal government, to a state or to a political subdivision thereof in consideration for franchises, consents or certificates, running in perpetuity or for a specified term of more than one year, together with necessary and reasonable expenses incident to procuring such franchises or certificates of permission and approval.

B. This account shall not include any expenses incurred in connection with the authorization or sale of securities, or discounts on securities issued.

C. This account shall not include any sum for franchises or certificates in excess of the amounts actually paid to the state or political subdivision, and necessary and reasonable expenses incident to obtaining such franchises or certificates.

D. When any franchise has expired, the book cost thereof shall be credited hereto and charged to account 426 - Miscellaneous Nonutility Expenses, or to account 108 - Accumulated Depreciation and Amortization of Utility Plant in Service, as appropriate.

303. Land and Land Rights

This account shall include the cost of land, rights-of-way and easement used in water operations.

304. Structures and Improvements

This account shall include cost in place of structures and improvements used in connection with source of supply, pumping, water treatment, transmission and distribution and general plant. A sample of items to be included in this account are listed below:

Items

1. Yard paving and fencing.
2. Pump houses and storage sheds.
3. Grading and clearing.
4. Meter testing shops.
5. Landscaping, sidewalks.
6. Roadways paved, concrete, etc.).
7. Buildings.
8. Plant metering.

305. Collecting and Impounding Reservoirs

This account shall include the cost in place of structures and improvements used for impounding, collecting and storing water in the source of supply system. A sample of items to be included in this account are listed below:

Items

1. Clearing.
2. Dams.
3. Embankments.
4. Fences.
5. Landscaping.
6. Retaining walls.
7. Roads.
8. Spillways and channels.

306. Lake, River and Other Intakes

This account shall include the cost installed of lake, river and other intakes used as a source of water supply. A sample of items to be included in this account are listed below:

Items

1. Conduits.
2. Fences.
3. Gate houses.
4. Intake pipes.
5. Intake wells.

307. Wells and Springs

This account shall include the cost installed of wells and springs used as a source of water supply. A sample of items to be included in this account are listed below:

Items

1. Clearing.
2. Collecting pipes.
3. Fences.
4. Landscaping.
5. Springs and appurtenances.
6. Wells, casings and and appurtenances.

309. Supply Mains

This account shall include the cost installed of supply mains, pipes, aqueducts and canals and their appurtenances. A sample of items to be included in this account are listed below:

Items

1. Manholes.
2. Municipal inspection or permits.
3. Reconstruction of pavement disturbed.
4. Master Meters.
5. Mains
6. Main Installation.
7. Valves, valve vaults and appurtenances.

310. Power Generation Equipment

This account shall include the cost installed of any equipment used for the production of power principally used in pumping operations.

311. Pumping Equipment

This account shall include the cost of electric, gas, gasoline, or other types of pumping equipment. A sample of items to be included in this account are listed below:

Items

1. Engines.
2. Motors.
3. Turbines.
4. Pumps.
5. Pressure regulating and recording instruments.
6. Electric power lines.
7. Switching equipment.

320. Water Treatment Equipment

This account shall include the cost of equipment used in treatment of water. A sample of items to be included in this account are listed below:

1. Softening equipment.
2. Chlorination equipment.
3. Sand traps.
4. Settling basins.
5. Disinfection equipment.
6. Filtering equipment.
7. Purification equipment.
8. Fluoridation equipment.
9. Reverse osmosis membranes.

330. Distribution Reservoirs and Standpipes

A, This account shall include the cost of reservoirs, storage tanks, hydropneumatic tanks and standpipes used in storing water for distribution.

B. The account shall be segregated so as to show separately the cost of each major facility or installation.

331. Transmission and Distribution Mains

This account shall include the cost installed of water mains, including valves, fittings, shut-offs, etc., between the water source and customer's service. This account shall also include the cost installed of fire mains.

333. Services

This account shall include the cost installed of service pipes leading from the water main to the customers' premises.

334. Meters and Meter Installations

A. This account shall include the cost of meters, devices and appurtenances attached thereto, used for measuring the quantity of water delivered to users, whether actually in service or held in reserve. It shall also include the cost of labor employed, materials used and expenses incurred in connection with the original installation of a customer's meters and devices and appurtenances attached thereto.

B. Records shall be kept to show the number of meters of each type and size in service or held on stock, and their location.

C. A sample of items to be included in this account are listed below:

Items

1. Meters.
2. Meter boxes.
3. Yokes.
4. Stops.
5. Installation labor.

Note:--The cost of "master meters" used to measure the quantity of water produced or delivered into the system shall be entered in account 309 - Supply Mains.

335. Hydrants

This account shall include the cost installed of hydrants owned by the utility.

Note:--A hydrant begins at and includes the fittings at the connection with the main.

336. Backflow Prevention Devices

A. This account shall include the cost of backflow prevention devices, and attached appurtenances, used for preventing the backflow of water, whether actually in service or held in reserve. It shall also include the cost of labor employed, materials used and expenses incurred in connection with the original installation of a customer's backflow prevention device and appurtenances attached thereto unless done in conjunction with a meter installation.

B. When a backflow prevention device is permanently retired from service, the amount at which it is included herein shall be credited to this account.

C. The records covering backflow prevention devices shall be so kept that the utility can furnish information as to the number of backflow prevention devices of each type and size in service and in reserve as well as the location of each backflow prevention device included in this account.

339. Other Plant and Miscellaneous Equipment

This account shall include the cost installed of all other intangible, source of supply and pumping, water treatment and transmission and distribution plant not provided for in the preceding accounts.

340. Office Furniture and Equipment

This account shall include the cost of office furniture and equipment owned and used by the utility. A sample of items to be included in this account are listed below:

Items

1. Adding machines.
2. Addressing machines.
3. Calculating machines.
4. Drafting room equipment.
5. Computers.
6. Postage meter machines.
7. Desks, typewriters.
8. Filing cabinets.
9. Book cases, tables, chairs.

341. Transportation Equipment

A. This account shall include the cost of trucks, automobiles and trailers owned and used by the utility.

B. Records shall be maintained to show the cost of each vehicle.

343. Tools, Shop and Garage Equipment

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

345. Power Operated Equipment

This account shall include the cost of power operated equipment used in construction of repair work exclusive of equipment includible in other accounts. Include, also, the tools and accessories acquired for use with such equipment and the vehicle on which such equipment is mounted. A sample of items to be included in this account are listed below:

Items

1. Air compressors.
2. Back filling machines.
3. Tractors.
4. Trenchers.

Note:--It is intended that this account include only such large units as are generally self-propelled or mounted on moveable equipment.

348. Other Tangible Plant

This account shall include the cost of tangible utility plant not provided for elsewhere.

INCOME ACCOUNTS

Utility Operating Income

400. Operating Revenues
401. Operating Expenses
403. Depreciation Expense
406. Amortization of Utility Plant Acquisition Adjustment
407. Amortization Expense - Other
408. Taxes Other Than Income
409. Income Taxes
     409.10 Federal Income Taxes, Utility Operating Income
410. Provision for Deferred Income Taxes
     410.10 Deferred Income Taxes
411. Provision for Deferred Income Taxes - Credit
     411.10 Provision for Deferred Income Taxes - Credit, Utility Operating Income
412. Investment Tax Credits
     412.10 Investment Tax Credits Deferred to Future Periods, Utility Operations
     412.11 Investment Tax Credits Restored to Operating Income, Utility Operations

Other Income and Deductions

419. Interest and Dividend Income
420. Allowance for Funds Used During Construction
421. Nonutility Income
426. Miscellaneous Nonutility Expenses
427. Interest Expense

Taxes Applicable to Other Income and Deductions

408. Taxes Other Than Income
409. Income Taxes
     409.20 Income Taxes, Other Income and Deductions
410. Provision for Deferred Income Taxes
     410.20 Provision for Deferred Income Taxes, Other Income and Deductions
411. Provision For Deferred Income Taxes - Credit
     411.20 Provision for Deferred Income Taxes - Credit, Other Income and Deductions
412. Investment Tax Credits
     412.20 Investment Tax Credits - Net, Nonutility Operations
     412.30 Investment Tax Credits Restored to Nonoperating Income, Utility Operations

INCOME ACCOUNTS

Operating Income

400. Operating Revenues

This is the revenue control account which totals the accounts credited to revenue accounts 460 through 474 for water systems.

401. Operating Expenses

This is the operating expense control account which totals the amounts charged to operating expense accounts 601 through 675 for water systems.

403. Depreciation Expenses

A. This account shall be charged with depreciation credited to account 108 - Accumulated Depreciation and Amortization of Utility Plant In Service and credited with amortization debited to account 272 - Accumulated Amortization of Contributions in Aid of Construction. Depreciation shall be accrued on a straight-line remaining life basis or straight-line basis, as required by the Commission. A single composite depreciation rate may be used if approval from the Commission is obtained.

Note A:--See Accounting Instruction 4, for more detailed instructions on depreciation accounting.

B. Depreciation for property not used in water operations is charged to account 426 - Miscellaneous Nonutility Expense, and is credited to account 122 - Accumulated Depreciation and Amortization of Nonutility Property.

406. Amortization of Utility Plant Acquisition Adjustments

This account shall be debited or credited, as the case may be, only upon the approval of the governing regulatory authority, for the purpose of providing for the extinguishment of the amount in account 114 - Utility Plant Acquisition Adjustments.

407. Amortization Expense - Other

This account shall include amortization debits or credits, which relate to utility operations and are not provided for elsewhere.

408. Taxes Other Than Income

A. These accounts shall include the amount of ad valorem, gross revenue or gross receipts taxes, regulatory agency general assessments for purposes of public utility regulation, state unemployment insurance, franchise taxes, federal excise taxes,

social security taxes, and all other taxes assessed by federal, state, county, municipal, or other local governmental authorities, except income taxes.

B. These accounts shall be charged in each accounting period with the amounts of taxes which are applicable thereto, with concurrent credits to account 236 - Accrued Taxes, or account 174 - Miscellaneous Current and Accrued Assets, as appropriate. When it is not possible to determine the exact amounts of taxes, the amounts shall be estimated and adjustments made in current accruals as the actual tax levies become known.

C. The charges to these accounts shall be made or supported so as to show the amount of each tax and the basis upon which each charge is made. In the case of a utility rendering more than one utility service, taxes of the kind includible in these accounts shall be assigned directly to the utility department the operation of which gave rise to the tax in so far as practicable. Where the tax is not attributable to a specific utility department, it shall be distributed among the utility departments or nonutility operations on an equitable basis after appropriate study to determine such basis.

Note A:--Special assessments for street and similar improvements shall be included in the appropriate utility plant or nonutility property account.

Note B:--Taxes specifically applicable to construction shall be included in the cost of construction.

Note C:--Gasoline and other sales taxes shall be charged as far as practicable to the same account as the materials on which the tax is levied.

Note D:--Social security and other forms of payroll taxes shall be distributed to utility departments and to nonutility functions on a basis related to payroll. Amounts applicable to construction shall be charged to the appropriate plant account.

Note E:--Interest on tax refunds or deficiencies shall not be included in these accounts but in account 419 - Interest and Dividend Income, or 427 - Interest Expense.

409. Income Taxes

A. These accounts shall 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 shall be made to account 236 - Accrued Taxes, and as the exact amounts of taxes become known, the current tax accruals shall be adjusted by charges

or credits to these accounts unless such adjustments are properly included in account 215 - Retained Earnings, so that these accounts as nearly as can be ascertained shall include the actual taxes payable by the utility.

B. The accruals for local, state and federal income taxes shall be apportioned to Utility Operating Income (by department/division), Other Income and Deductions and Extraordinary Items so that, as nearly as practicable, each tax included in the expenses of the utility department, Other Income and Deductions or Extraordinary Items, shall be related to the income which gave rise to the tax. The income tax effect of amounts recorded in account 215 - Retained Earnings, shall be recorded in that account. The tax effects relating to interest charges, other than interest specifically applicable to indebtedness on property in account 121 shall be included in account 409.10 - Income Taxes, Utility Operating Income.

C. This account shall be maintained according to the subaccounts 409.10 and 409.20, as shown below.

Note A:--Taxes assumed by the utility on interest shall be charged to account 427 - Interest Expense.

Note B:--Interest on tax refunds or deficiencies shall not be included in this account but in account 419 - Interest and Dividend Income, or account 427 - Interest Expense, as appropriate.

Note C:--See Accounting Instruction 7.

409.10 Income Taxes, Utility Operating Income

This account shall include the amount of those federal, state, and local income taxes reflected in account 409 - Income Taxes, which relate to utility operating income after interest charges and other tax adjustments. This account shall be maintained so as to allow ready identification of tax effects (both positive and negative) relating to Utility Operating Income (by department/division), Utility Plant Leased to Others and Other Utility Operating Income.

409.20 Income Taxes, Other Income and Deductions

This account shall include those local, state, and federal income taxes reflected in account 409 - Income Taxes, (both positive and negative), which relate to Other Income and Deductions.

410. Provision for Deferred Income Taxes

A. Accounts 410.10, and 410.20 shall be debited and accounts 281, 282, or 283 Accumulated Deferred Income Taxes - Accelerated

Amortization, Liberalized Depreciation, or Other, shall be credited with amounts equal to any current deferrals of taxes on income or any allocations of deferred taxes originating in prior periods, as provided by the texts of accounts 190, 281, 282, and 283. No credit amounts appropriately includible in account 411.10 or 411.20 shall be netted against entries required to be made to these accounts.

B. This account shall be maintained according to the subaccounts 410.10, and 410.20 inclusive, as shown below.

Note:--See Accounting Instruction 7.

410.10 Deferred Income Taxes

This account shall include the amounts of those deferrals of federal, state, and local income taxes and allocations of deferred federal income taxes which relate to Utility Operating Income (by department/division).

410.20 Provision for Deferred Income Taxes, Other Income and Deductions

This account shall include the amount of those deferred federal, state and local income taxes reflected in account 410 - Provision for Deferred Income Taxes, which relate to Other Income and Deductions.

411. Provision for Deferred Income Taxes - Credit

A. Accounts 411.10 and 412.20 shall be credited, and accounts 281, 282, or 283, Accumulated Deferred Income Taxes - Accelerated Amortization, Liberalized Depreciation or Other, shall be debited, with amounts equal to any allocations of deferred taxes originating in prior periods or any current deferrals of taxes on income, as provided by the texts of accounts 190, 281, 282, and 283. No debit amounts appropriately includible in account 410.10, or 410.20 shall be netted against entries required to be made to these accounts.

411.10 Provision For Deferred Income Taxes - Credit, Utility, Operating Income

This account shall include the amounts of those allocations of deferred federal, state and local income taxes and deferrals of federal, state and local income taxes, credit which relate to Utility Operating Income (by department/division).

411.20 Provision For Deferred Income Taxes - Credit, Other Income and Deductions

This account shall include the amounts of those allocations of deferred taxes and deferrals of taxes, credit, which relate to Other Income and Deductions.

412. Investment Tax Credits

A. This account shall be debited with the total amount of investment tax credits used in calculating the reported current year's income taxes payable.

Account 255 - Accumulated Deferred Investment Tax Credits, shall be credited with an equal amount of investment tax credits debited to this account. Investment tax credits related to property used in utility operations shall be debited to subaccount 412.10 - Investment Tax Credits Deferred to Future Periods, Utility Operations. Those investment tax credits related to property used in nonutility operations shall be debited to account 412.20 - Investment Tax Credits - Net, Nonutility Operations.

B. A company which has deferred its investment tax credits shall amortize these deferred credit amounts by crediting this account and debiting account 255 - Accumulated Deferred Investment Tax credits. Such annual amortization shall be allocated proportionately over the service lives of all assets or of the assets generating the credits. The proportional amounts shall be determined in relation to the method of depreciation actually used on the regulated books of account.

(1) In amortizing the deferred investment tax credits related to property used in utility operations, the annual proportional amount credited to account 412 - Investment Tax Credits may or may not be passed on to customers in accordance with the Internal Revenue Code section applicable to the company. Where the company is subject to Section 46 (f)(2) of the code which provides a "Special rule for ratable flow-through" or Option 2 treatment, the annual proportional amortization is to be credited to subaccount 412.11 - Investment Tax Credits Restored to Operating Income, Utility Operations. Where the company is subject to Code Section 46 (f)(1), which is the "General Rule" or Option 1 treatment, the annual proportional amortization shall be credited to subaccount 412.30 - Investment Tax Credits Restored to Nonoperating Income, Utility Operations.

(2) In amortizing the deferred investment tax credits related to property used in nonutility operations, the annual amount shall be credited to subaccount 412.20, Investment Tax Credits - Net, Nonutility Operations.

C. This account shall be maintained so that the debits and credits relating to each allowable percentage of credit, i.e., 3%, 4%, 6%, 7%, 8%, 10%, etc., may be readily identified.

D. This account shall be maintained so that the debits and credits relating to each utility department/division and each nonutility operation may be readily identified.

E. This account shall be maintained according to subaccounts 412.10, 412.11, 412.20 and 412.30 as shown below.

412.10 Investment Tax Credits Deferred to Future Periods, Utility Operations

This account shall be debited and account 255 - Accumulated Deferred Investment Tax Credits, shall be credited with the amounts of realized investment tax credits deferred to future periods related to property used in utility operations (department/division).

412.11 Investment Tax Credits Restored to Operating Income, Utility Operations

This account shall be credited and account 255 - Accumulated Deferred Investment Tax Credits, shall be debited with the proportionate amounts of deferred investment tax credits related to property used in utility operations being restored to operating income in accordance with the "Special Rule for Ratable Flow-through" or Option 2 treatment as provided in the Revenue Act of 1971, the Tax Reduction Act of 1975 or the Economic Recovery Tax Act of 1981.

412.20 Investment Tax Credits - Net, Nonutility Operations

A. This account shall be debited and account 255 - Accumulated Deferred Investment Tax Credits, shall be credited with the amounts of realized investment tax credits deferred to future periods which relate to property used in nonutility operations.

B. This account shall be credited and account 255 - Accumulated Deferred Investment Tax Credits shall be debited with the proportionate amounts of deferred investment tax credits related to property used in nonutility operations being restored to nonoperating income.

412.30 Investment Tax Credits Restored to Nonoperating Income, Utility Operations

This account shall be credited and account 255 - Accumulated Deferred Investment Tax Credits shall be debited with the proportionate amounts of deferred investment tax credits related to property used in utility operations being restored to nonoperating income in accordance with the "General Rule" or Option 1 as provided by the Revenue Act of 1971, the Tax Reduction Act of 1975 and the Economic Recovery Tax Act of 1981.

Other Income and Deductions

419. Interest and Dividend Income

This account shall include interest revenues on securities, loans, notes, advances, special deposits, tax refunds and all other interest bearing assets and dividends on stocks of other companies, whether the securities are carried as investments or included in sinking or other special funds accounts.

420. Allowance for Funds Used During Construction

This account shall include concurrent credits for allowance for funds used during construction based upon the net cost of funds used for construction purposes and a reasonable rate upon other funds when so used. Appropriate regulatory approval shall be obtained for "a reasonable rate".

421. Nonutility Income

In this account is entered all income not includible in operating revenue accounts 460 through 474 or in account 419 - Interest and Dividend Income. Items in this account shall include:

1. Gross income from nonutility operations;
2. Net gain on sale of nonutility property; and
3. Revenues from merchandising, jobbing and contract work.

426. Miscellaneous Nonutility Expenses

This account shall contain all expenses other than expenses of utility operations and interest expense. Items which are included in this account are:

1. Expenses disallowed in a proceeding before the Commission.
2. Amortization of an Acquisition Adjustment not approved by the Commission.

3. Depreciation associated with plant not used and useful in the public service.
4. Depreciation of Nonutility Plant.
5. Imprudent expenses.
6. Donations for charitable, social or community welfare purposes.
7. Life insurance on officers and employees where utility is beneficiary (net premiums less increase in cash surrender value of policies).
8. Penalties or fines for violations of statutes pertaining to regulation.
9. Expenditures for the purpose of:
   a. Influencing public opinion with respect to the election or appointment of public officials, or the adoption, repeal, revocation or modification of referenda, legislation or ordinances.
   b. Influencing public opinion with respect to obtaining approval, modification or revocation of franchises.
   c. Influencing the decisions of public officials not including such expenditures which are directly related to appearances before regulatory or other governmental bodies in connection with the utility's existing or proposed operations.
10. Loss relating to investments in securities written-off or written-down.
11. Loss on sale of investments.
12. Loss on reacquisition, resale or retirement of utility's debt securities.
13. Preliminary survey and investigation expenses related to abandoned projects, when not written-off to the appropriate operating expense account.
14. Golf club dues, social club dues and service club dues (Kiwanis, Rotary, etc.) house charges and items of a similar nature whether such expenditures are made directly by the utility or indirectly by payment or reimbursement to associated companies, officers, or other employees, or by any other direct or indirect means.
15. Costs and expenses of merchandising, jobbing, and contract work.

427. Interest Expense

This account shall be charged all interest expense of the utility. The contra credit to entries in this account shall be charged to account 237 - Accrued Interest.

WATER OPERATING REVENUE ACCOUNTS

Water Sales

460. Unmetered Water Revenue
  - 460.1 Unmetered Sales to Residential Customers
  - 460.2 Unmetered Sales to Commercial Customers
  - 460.3 Unmetered Sales to Industrial Customers
  - 460.4 Unmetered Sales to Public Authorities
  - 460.5 Unmetered Sales to Multiple Family Dwellings
  - 460.6 Unmetered Sales - Other

461. Metered Water Revenue
  - 461.1 Metered Sales to Residential Customers
  - 461.2 Metered Sales to Commercial Customers
  - 461.3 Metered Sales to Industrial Customers
  - 461.4 Metered Sales to Public Authorities
  - 461.5 Metered Sales to Multiple Family Dwellings

462. Fire Protection Revenue
465. Sales to Irrigation Customers
466. Sales for Resale

Other Water Revenues

469. Guaranteed Revenues
474. Other Water Revenues

WATER OPERATING REVENUE ACCOUNTS

462. Fire Protection Revenue

Include herein all revenue from public agencies and others for hydrant charges, private fire protection service, street sprinkling, sewer flushing and similar sources.

465. Sales to Irrigation Customers

A. This account shall include the net billing for water supplied for commercial irrigation purposes, under distinct irrigation rates, billed under either metered or flat rate tariff schedules.

B. Records shall be maintained so that the quantity (estimated if not metered) of water sold and the amount of revenue under each rate schedule shall be readily available.

466. Sales for Resale

A. This account shall include the net billing for water supplied (including stand-by service) to other water utilities or to public authorities for resale purposes.

B. Records shall be maintained so that the quantity (estimated if not metered) of water sold and the amount of revenue under each rate schedule shall be readily available.

Note:--Where the contract is reciprocal, i.e., where either party thereto may take water from the other, the total amount receivable for water supplied to the other party shall be included herein and the total amount payable for water received from the other party shall be charged to account 610 - Purchased Water.

Other Water Revenues

469. Guaranteed Revenues

This account shall be credited with revenue received from developers or other persons for a period of time prior to water service being established. Normally, this type of revenue is usually received to reserve or guarantee the availability of plant capacity when needed.

474. Other Water Revenues

This account shall include revenues derived from water operations not includible in any of the preceding accounts.

WATER OPERATION AND MAINTENANCE EXPENSE ACCOUNTS

601. Salaries and Wages - Employees

This account shall include the compensation (salaries, bonuses and other consideration of services) paid or accrued to employees of the utility company for work related to operation and maintenance of that utility company. This account shall not include the salaries and wages of officers, directors or majority stockholders of the utility company.

603. Salaries and Wages - Officers, Directors and Majority Stockholders

This account shall include the compensation (salaries, bonuses and other consideration for services) paid or accrued to officers, directors or majority stockholders of the utility company.

604. Employee Pensions and Benefits

This account shall include all accruals under employee pension plans to which the utility has irrevocably committed such funds, and payments for employee accident, sickness, hospital and death benefits or insurance therefor. Include also expenses for medical, educational or recreational activities of employees.

610. Purchased Water

A. This account shall include the cost at the point of delivery of water purchased for resale.

B. The records supporting this account shall be so kept as to show for each supplier from which water is purchased, point of delivery, quantity purchased, basis of charges, and the cost of water purchased.

615. Purchased Power

This account shall include the cost of all electric power expense incurred by the utility.

616. Fuel For Power Production

A. This account shall include the cost of fuel used in the production of power to operate the pumps. Records shall be maintained to show the quantity and cost of each type of fuel used.

B. The cost of fuel shall be charged initially to appropriate fuel accounts under account 151 - Plant Materials and Supplies, and cleared to this account on the basis of the fuel used.

WATER OPERATION AND MAINTENANCE EXPENSE ACCOUNTS

618. Chemicals

This account shall include the cost of all chemicals used in the treatment of water. Include also the cost (except salaries and wages includible in accounts 600 - 603) of any chemicals manufactured by the utility and used to provide water services.

620. Materials and Supplies

This account shall include all materials and supplies used in the operation and maintenance of the water system, other than materials and supplies charged to account 636 - Contractual Services - Other.

630. Contractual Services - Billing

This account shall include the costs associated with billing customers for water service if such work is not performed by employees of the utility.

631. Contractual Services - Professional

This account shall include the cost of accounting, legal and engineering if such work is not performed by employees of the utility.

635. Contractual Services - Testing

This account shall include costs paid to outside laboratories for testing.

636. Contractual Service - Other

This account shall include the cost of operation and maintenance work not performed by utility employees. This account shall also include the cost of management and data processing if such work is not performed by employees of the utility.

640. Rents

This account shall include those costs associated with the rental of buildings, real property and equipment, except for the rental of automobiles and trucks which shall be included in account 650 - Transportation Expense.

650. Transportation Expenses

This account shall include all truck, automobile, construction equipment, and other vehicle expense chargeable to utility operations, except depreciation and insurance.

655. Insurance Expense

This account shall include all insurance costs applicable to the accounting period, including workman's compensation, liability, vehicle, fire and theft or robbery insurance.

Note A:--Insurance dividends and refunds shall be credited to this account.

Note B:--The cost of policies extending over a period of more than one year shall be prorated over the period of coverage. Prepaid insurance shall be charged to account 174 - Miscellaneous Current and Accrued Assets.

665. Regulatory Commission Expenses

This account shall include all expenses (except salaries of regular utility employees) incurred by the utility in connection with formal cases before regulatory commissions. This account shall not include payment of taxes which shall be reported in the taxes other than income account.

670. Bad Debt Expense

This account shall be charged with amounts sufficient to provide for losses from uncollectible utility revenues. Concurrent credits shall be made to account 143.

675. Miscellaneous Expenses

This account shall include all expenses not includible in other operating expenses accounts.

Items

1. Industry association dues for company memberships.
2. Contributions for conventions and meetings of the industry.
3. Communication service not chargeable to other accounts.
4. Trustee, registrar, and transfer agent fees and expenses.
5. Stockholders meeting expenses.
6. Dividend and other financial notices.
7. Printing and mailing dividend checks.
8. Director's fees and expenses.
9. Publishing and distributing annual reports to stockholders.
10. Public notices of financial, operating and other data required by regulatory statutes, not including, however, notices required in connection with security issues or acquisition of property.

11. Write off of expenditures for preliminary surveys, plans, investigations, etc., included in account 183 - Preliminary Survey and Investigation Charges, relative to projects which have been abandoned.

NATIONAL ASSOCIATION OF REGULATORY UTILITY COMMISSIONERS

1996 Uniform System of Accounts For Class C Wastewater Utilities

Pursuant to action by the National Association of Regulatory Utility Commissioners, this System of Accounts is recommended to the Commissions represented in the membership of this Association for consideration and for adoption in their respective jurisdictions with such modifications only as they may deem necessary in the public interest.

PREFACE

The 1996 Water and Wastewater Uniform systems of Accounts were proposed by the Subcommittee on Accounts of the Committee on Finance and Technology of the National Association of Regulatory Utility Commissioners (NARUC). The NARUC Executive Committee unanimously approved these uniform systems of accounts at its Summer Committee Meeting held in Los Angeles, California, July 22-25, 1996. We would like to express our appreciation to Marshall Willis of the Florida Public Service Commission for his participation in this project and the many hours he spent rewriting these uniform systems of accounts.

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DEFINITIONS

When used in this system of accounts:

1. "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.

2. "Commission", unless otherwise indicated by the context, means the commission prescribing this system of accounts.

3. "Composite depreciation rate" is a percentage based on the weighted average service life of a number of units of plant, each of which may have a different individual life expectancy. Composite depreciation rates may be determined for (a) a single depreciable plant account, (b) a single rate for several depreciable accounts or (c) a single composite rate may be determined for all depreciable plant of the utility.

4. "Cost" means the amount of money actually paid for property or service. When the consideration given is other than cash, the value of such consideration shall be determined on a cash basis.

5. "Cost of removal" means the cost of demolishing, dismantling, tearing down or otherwise removing utility plant, including the cost of transportation and handling incidental thereto.

6. "Depreciation", as applied to depreciable utility plant, means the loss in service value not restored by current maintenance, incurred in connection with the consumption or prospective retirement of utility plant in the course of service from causes which are known to be in current operation and against which the utility is not protected by insurance. Among the causes to be given consideration are wear and tear, decay, action of the elements, inadequacy, obsolescence, changes in the art, changes in demand, and requirements of public authorities.

7. "Gross-up of contributions in aid of construction" is the method by which a utility extracts, from developers or others, a sum of money sufficient to pay all or a portion of the tax obligation due to the change in the federal tax law in 1987 which resulted in contributions made to utilities in aid of construction (CIAC) being considered ordinary income instead of contributions of capital. Because the sum extracted to pay the tax is also considered income subject to tax, the term tax-on-tax has been used to describe the additional sum of money that must be extracted in order to pay the tax on the initial amount.

   Common gross-up methods are the full gross-up method and the net present value method. Under the full gross-up method, a sum sufficient to meet the full tax obligation, including the tax-on-tax, is extracted. Under the net present value method, the sum

extracted is the net present value of the estimated future stream of tax benefits resulting from the depreciation deductions for the contributed asset to be taken on the tax returns of the utility.

8. "Net salvage value" means the salvage value of property retired less the cost of removal.

9. "Original cost", as applied to utility plant, means the cost of such property to the person first devoting it to public service.

10. "Property retired", as applied to utility plant, means property which has been removed, sold, abandoned, destroyed, or which for any cause has been withdrawn from service.

11. "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.

12. "Service life" means the period between the time of installation of utility plant and the time of its retirement.

13. "Service value" means the difference between the original cost and net salvage value of utility plant.

14. "Straight-line remaining life method", as applied to depreciation accounting, means the plan under which the service value of property is charged to operating expenses (and to clearing accounts if used), and credited to the accumulated depreciation account through equal annual charges during its service life. "Remaining life" implies that estimates of future life and salvage will be reexamined periodically and that depreciation rates will be corrected to reflect any changes in these estimates.

15. "Straight-line method" as applied to depreciation accounting, means the plan under which the service value of property is charged to operating expenses (and to clearing accounts if used), and credited to the accumulated depreciation account through equal annual charges during its service life. Estimates of the service life and salvage will be reexamined periodically and depreciation rates will be corrected to reflect any changes in these estimates.

16. "Utility", as used herein and when not otherwise indicated in the context, means any public utility to which this system of accounts is applicable.

ACCOUNTING INSTRUCTIONS

1. General - Classification of Utilities

A. For the purpose of applying the system of accounts prescribed by the Commission, wastewater utilities are divided into three classes, as follows:

Class A - Utilities having annual wastewater operating revenues of $1,000,000 or more.

Class B - Utilities having annual wastewater operating revenues of $200,000 or more but less than $1,000,000.

Class C - Utilities having annual wastewater operating revenues of less than $200,000.

B. This system of accounts applies to Class C utilities. The system of accounts applicable to Class A and B utilities are issued separately.

C. The class to which any utility belongs shall originally be determined by the average of its annual wastewater operating revenues for the last three consecutive years. Subsequent changes in classification shall be made when the average annual wastewater operating revenues for the three immediately preceding years exceed the upper limit or are less than the lower limit, of the annual wastewater operating revenues of the classification previously applicable to the utility. For utility's with both water and wastewater operations, the classification shall be based on the operation with the highest annual revenues.

2. General - Records

A. The books of accounts of all wastewater utilities shall be kept by the double entry method, on an accrual basis. Each utility shall keep its accounts monthly and shall close its books at the end of each calendar year.

B. All books of accounts, together with records and memoranda supporting the entries therein, shall be kept in such a manner as to support fully the facts pertaining to such entries. The books and records referred to herein include not only the accounting records in a limited technical sense, but also all other records, reports, correspondence, invoices, memoranda and information useful in determining the facts regarding a transaction.

C. Utilities may further subdivide any of the accounts provided that such subdivisions do not impair the integrity of the accounts, or they may maintain such additional accounts as are included in the Uniform System of Accounts for Class A or B Utilities.

3. Utility Plant

All utility plant shall be recorded at original cost (See definition 8).

4. Utility Plant - Capitalization Level

The cost of individual items of equipment of less than $150 or of short life, including small portable tools and implements, shall not be charged to utility plant accounts. The cost shall be charged to the appropriate operating expense or clearing accounts, according to the use of such items, or, if such items are consumed directly in construction work, the cost shall be included as part of the cost of the construction unit.

5. Utility Plant - Depreciation

A. Depreciation charges shall be computed using either the straight-line remaining life method (See definition 13) or the straight-line method (See definition 14), according to which method has been approved by the Commission. Composite depreciation rates (See definition 3) may be used with prior Commission approval.

B. When the straight-line remaining life method is used, the rates shall be reviewed periodically and adjusted as required, so that the depreciation accrual will bear a reasonable relationship to the remaining life, the estimated net future salvage, cost of plant in service and to the balance of accumulated depreciation accrued in prior periods.

C. When the straight-line method is used, the rates shall be reviewed periodically and adjusted as required, so that the depreciation accrual will bear a reasonable relationship to the service life, the estimated net salvage, and the cost of plant in service.

D. When an item of plant is retired, account 108 - Accumulated Depreciation and Amortization of Utility Plant in Service, shall be charged and the appropriate plant accounts shall be credited with the entire recorded original cost of plant retired regardless of the amount of depreciation which has been accumulated for this particular item of plant, except as provided in paragraph C. Account 108 - Accumulated Depreciation and Amortization of Utility Plant in Service, also shall be charged with the costs of removal of retired plant, and shall be credited with the salvage value, sales price or other amounts recovered from plant retired.

E. In rare instances the unexpired early retirement of a major unit of property, which would eliminate or seriously deplete the existing depreciation reserve, may require accounting treatment which differs from that described in paragraph D above. In such instances the Commission may authorize or order the loss on

retirement (less any tax savings) to be charged to income in the current year or transferred to account 186 - Miscellaneous Deferred Debits, and amortized in future periods. Such accounting treatment shall be used only when specifically authorized or directed by the Commission.

F. It is suggested that all utilities maintain a separate accumulated depreciation subaccount for each depreciable plant account.

6. Utility Plant - Contributions in Aid of Construction

A. Nonrefundable contributions of cash or plant facilities donated to the wastewater utility to assist it in constructing, extending or relocating its wastewater facilities shall be credited to account 271 - Contributions in Aid of Construction (See account 271 for description of items includible in this account).

B. Balances in this account representing contributions of depreciable plant shall be amortized using the contra account 272 - Accumulated Amortization of Contributions in Aid of Construction. The corresponding credit shall be to account 403 - Depreciation Expenses (if amortization is recognized by the Commission).

C. The balance in this account representing contributions of nondepreciable plant shall remain unchanged until such time as the property is sold or otherwise retired. At the time of retirement of nondepreciable contributed plant, its cost shall be credited to the appropriate plant account and charged to account 271.

7. Operating Income - Income Taxes

A. Current income tax provision

1. The utility shall initially debit account 409 - Income Taxes, and credit account 236 - Accrued Taxes, to record its estimated current income tax liability. As the exact amounts of taxes become known, the current tax accruals shall be adjusted by debits or credits to these accounts unless such adjustments are properly includible in account 215 - Retained Earnings, so that this account as nearly as can be ascertained shall include the actual taxes payable by the utility.

2. The accruals for income taxes shall be apportioned among utility departments and to Other Income and Deductions so that, as nearly as practicable, each tax shall be included in the expenses of the utility department or Other Income and Deductions, shall be related to the income which gave rise to the tax. The income tax effect of amounts recorded in account 215 - Retained Earnings, shall be recorded in that amount.

B. Interperiod Tax Allocation - Depreciation

The Federal Economic Recovery Tax Act of 1981 (ERTA).

ERTA provides that a utility claiming accelerated depreciation (Accelerated Cost Recovery System (ACRS)) must use a normalized method of accounting for federal income taxes on its regulated books of account and for ratemaking purposes. A utility must use the same depreciation method and lives in computing federal income tax expense when establishing cost of service for ratemaking purposes as is used in its regulated books of account, or if it uses a different method, it must make adjustments to a reserve to reflect the deferral of taxes resulting from such differences. Similarly, in order to claim investment tax credits, a utility must defer the entire balance of investment tax credits on its books of account and amortize the balance over the life of the related property.

C. Comprehensive Interperiod Income Tax Allocation - Other Than Depreciation.

1. Certain regulatory bodies have required comprehensive interperiod income tax allocation of all material book-tax timing differences other than depreciation differences. They have reasoned that where there are timing differences between the period 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 interperiod tax allocation should be followed whenever transactions enter into the determination of pretax accounting income for the period even though some transactions may affect the determination of taxes payable in a different period, as further qualified below.

2. Utilities are not required to utilize comprehensive interperiod income tax allocation until the deferred income taxes are included as an expense in the rate level by the regulatory authority having rate jurisdiction over the utility. Where comprehensive interperiod tax allocation accounting is not practiced, the utility shall include as a note to each financial statement, prepared for public use, a footnote explanation setting forth the utility's accounting policies with respect to interperiod tax allocation and

describing the treatment for ratemaking purposes of the tax timing difference by regulatory authorities having jurisdiction.

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

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

EXAMPLE

The following example shows how the various transactions are recorded:

a. A utility purchases depreciable plant at a cost of $10,000. The plant has a 10 year life with no salvage.

b. The utility's federal taxable income from utility operations, before the effect of depreciation is $30,000 (46% tax rate).

c. ACRS depreciation for each year is $800, $1400, $1200, $1000, $1000, $1000, $900, $900, $900, $900.

d. Book depreciation for each year using half year convention in year placed in service is: $500, $1000, $1000, $1000, $1000, $1000, $1000, $1000, $1000, $1000, $500.

e. Investment tax credit is $800 ($10,000 x 8%) in order to use 100% of the $10,000 cost for ACRS depreciation.

f. Deferred taxes are calculated by subtracting tax depreciation from book depreciation and multiplying by the tax rate. If tax depreciation is greater than book, debit Account 410 and credit Account 282. If book depreciation is greater than tax, debit 282 and credit 410.

	Account Number	Account Title	Debit	Credit
Year 1				
1-a	409.10	Income Taxes, Utility Operating Income	$12,632	
	236	Accrued Taxes		$12,632
		To record taxes estimated to be payable for period (.46($30,000 - $800)) - $800		
1-b	410.10	Deferred Income Taxes	138	
	282	Accumulated Deferred Income Taxes Liberalized Depreciation		138
		To record deferral of a portion of taxes based on the difference between straight-line depreciation		

	Account Number	Account Title	Debit	Credit
		and ACRS depreciation (.46($500-$800). NOTE:--The deferred tax balance of $138 would either be deducted from rate base or be included in capital structure at zero cost.		
1-c	412.10	Investment Tax Credits Deferred to Future Periods, Utility Operations	800	
	255	Accumulated Deferred Investment Tax Credits		800
		To record the investment tax credits realized and deferred to future years in accordance with provisions of either the "General Rule"/Option 1 Treatment or the "Special Rule for Ratable Flow - through"/Option 2 Treatment ($10,000 x 8%).		
1-d	255	Accumulated Deferred Investment Tax Credits	40	
	412.30	Investment Tax Credits Restored to Nonoperating Income, Utility Operations		40
		To record ratable amortization over the book depreciable life of the investment tax credits deferred to future periods (.50 ($800 (1/10))). NOTE:--The net balance of deferred investment tax credits ($800 - $40) would be either deducted from rate base or included in capital structure at zero cost. This treatment is followed by utilities subject to the "General Rule"/Option 1 Treatment.		
1-e	255	Accumulated Deferred Investment Tax Credits	40	
	412.11	Investment Tax Credits Restored to Operating Income, Utility Operations		40
		To record ratable flow-through over the asset's book		

	Account Number	Account Title	Debit	Credit
		depreciable life of investment tax credits deferred to future periods (.50($800 (1/10))). NOTE:--The net balance of deferred ITC ($800-$40) would earn the overall rate of return. This treatment is followed by utilities subject to "Special Rule for Ratable Flow-through"/Option 2 Treatment.		
Year 2				
2-a	409.10	Income Taxes, Utility Operating Income	$13,156	
	236	Accrued Taxes		$13,156
		To record taxes estimated to be payable for period .46($30,000 - $1,400).		
2-b	410.10	Deferred Income Taxes	184	
	282	Accumulated Deferred Income Taxes-Liberalized Depreciation		184
		To record deferral of a portion of taxes based on the difference between straight-line depreciation and ACRS depreciation (.46($1000-$1400)). NOTE:--The cumulative balance of deferred taxes ($138 + $184) would be either deducted from rate base or included in capital structure at zero cost.		
2-c	255	Accumulated Deferred Investment Tax Credits	80	
	412.30	Investment Tax Credits Restored to Nonoperating Income, Utility Operations		80

	Account Number	Account Title	Debit	Credit
		To record ratable amortization over the asset's book depreciable life of the ITC deferred to future periods ($800 (1/10)). NOTE:--The net balance of deferred ITC ($800 - ($40 + $80)) would be either deducted from rate base or included in capital structure at zero cost. This treatment is followed by utilities subject to the "General Rule"/Option 1 Treatment.		
2-d	255	Accumulated Deferred Investment Tax Credits	80	
	412.11	Investment Tax Credits Restored to Operating Income, Utility Operations		80
		To record ratable flow-through over the asset's book depreciable life of investment tax credits deferred to future period ($800(1/10)). NOTE:--The net balance of deferred ITC ($800-($40 + $80)) would earn the overall rate of return. This treatment is followed by utilities subject to the "Special Rule for Ratable Flow-Through"/Option 2 Treatment.		
Year 3				
3-a	409.10	Income Taxes, Utility Operating Income	13,248	
	236	Accrued Taxes		13,248
		To record taxes estimated to be payable for the period (.46($30,000-$1,200)).		
3-b	410.10	Deferred Income Taxes	92	
	282	Accumulated Deferred Income Taxes - Liberalized Depreciation		92
		To record deferral of a portion of taxes based on the difference between straight-line depreciation and		

	Account Number	Account Title	Debit	Credit
		ACRS depreciation (($1,000-$1,200).46). The cumulative balance of deferred taxes ($138 + $184 + $92) would be either deducted from rate base or included in capital structure at zero cost.		
3-c	255 412.30	"General Rule"/Option 1 Treatment utilities would record the same entry as in Year 2 for amortization of ITC. The net balance deducted from rate base or included in capital structure at zero cost would be ($800-($40 + 2 ($80))).	80	80
3-d	255 412.11	"Special Rule for Ratable Flow-Through"/Option 2 Treatment utilities would record the same entries recorded in Year 2 for ratable flow-through of ITC. The net ITC balance earning the overall rate of return would be $600.	80	80
Year 4				
4-a	409.10 236	Income Taxes, Utility Operating Income Accrued Taxes To record taxes estimated to be payable for the period (.46($30,000-$1,000)).	13,340	13,340
4-b	410.10 282	No entry would be made related to deferred taxes because book and tax depreciation are equal. The cumulative balance of $414 would continue to be deducted from rate base or included in capital structure at zero cost.		
4-c	255 412.30	"General Rule"/Option 1 Treatment utilities. Same entry as Year 2 Net deferred balance either deducted	80	80

	Account Number	Account Title	Debit	Credit
		from rate base or included in capital structure at zero cost would be ($800-($40+3($80))).		
4-d	255 412.11	"Special Rule for Ratable Flow-Through"/Option 2 Treatment utilities. Same entry as Year 2. Net balance earning the overall rate of return would be $520.	80	80
Year 5				
5-a	409.10 236	Same entry as Year 4.	13,340	13,340
5-b	410.10 282	See Year 4.		
5-c	255 412.30	"General Rule"/Option 1 Treatment utilities. Same entry as Year 2. Net ITC balance deducted from rate base or included in capital structure is $440.	80	80
5-d	255 412.11	"Special Rule for Ratable Flow-Through"/Option 2 Treatment utilities. Same entry as Year 2. Net ITC balance earning overall rate of return is $440.	80	80
Year 6				
6-a	409.10 236	Same entry as Year 4.	13,340	13,340
6-b	410.10 282	See Year 4.		
6-c	255 412.30	"General Rule"/Option 1 Treatment utilities same entry as Year 2. Net ITC balance deducted from rate base or included in capital structure at zero cost is $360.	80	80

	Account Number	Account Title	Debit	Credit
6-d	255 412.11	"Special Rule for Ratable Flow-Through"/Option 2 Treatment utilities. Same entry as Year 2. Net ITC balance earning the overall rate of return is $360.	80	80
Year 7				
7-a	409.10 236	Income Taxes, Utility Operating Income Accrued Taxes To record taxes estimated to be payable for the period (.46($30,000 - $900)).	13,386	13,386
7-b	282 410.10	Accumulated Deferred Income Taxes - Liberalized Depreciation Deferred Income Taxes To record reversal of taxes deferred in prior years ($1000 - $900).46). NOTE:--The net deferred tax balance deducted from rate base or included in capital structure at zero cost is $368.	46	46
7-c	255 412.30	"General Rule"/Option 1 Treatment utilities. Same entries as Year 2. Net ITC balance deducted from rate base or included in capital structure at zero cost is $280.	80	80
7-d	255 412.11	"Special Rule for Ratable Flow-Through"/Option 2 Treatment utilities. Same entry as Year 2. NOTE:--Net ITC balance earning the overall rate of return is $280.	80	80
Year 8				
8-a	409.10 236	Same entry as Year 7.	13,386	13,386

	Account Number	Account Title	Debit	Credit
Year 10				
10-a	409.10	Same entry as Year 7.	13,386	
	236			13,386
10-b	282	Same entry as Year 7. NOTE:--	46	
	410.10	Net balance deferred taxes deducted from rate base or included in capital structure at zero cost is $230.		46
10-c	255	"General Rule"/Option 1 Treatment	80	
	412.30	utilities. Same entry as Year 2. NOTE:--Net balance ITC deducted from rate base or included in capital structure at zero cost is $40.		80
10-d	255.1	"Special Rule for Ratable Flow-	80	
	412.11	Through"/Option 2 Treatment utilities. Same entry as Year 2. NOTE:--Net balance ITC earning overall rate of return is $40.		80
Year 11				
11-a	409.10	Income Taxes, Utility Operating Income	13,800	
	236.1	Accrued Taxes, Utility Operating Income		13,800
		To record taxes estimated to be payable for period (.46($30,000)).		
11-b	282	Accumulated Deferred Income Taxes Liberalized Depreciation	230	
	410.10	Deferred Income Taxes		230
		To record reversal of taxes deferred in prior years (($500 - 0).46). NOTE:--There is no longer a deferred tax balance to be deducted from rate base or included in capital structure at zero cost.		

	Account Number	Account Title	Debit	Credit
11-c	255.1 412.30	"General Rule"/Option 1 Treatment utilities. Same entry as Year 1. NOTE:--There is no longer an ITC balance to be deducted from rate base or included in capital structure at zero cost.	40	40
11-d	255.1 412.11	"Special Rate for Ratable Flow-Through"/Option 2 Treatment utilities. Same entry as Year 1. NOTE:--There is no longer an ITC balance to earn the overall rate of return.	40	40

8. Operating Income - Clearing Accounts

A. The purpose of a clearing account is to temporarily accumulate in one account costs of a specific type which affect more than a single account, and which subsequently will be apportioned among utility plant accounts, operating expense accounts and other appropriate accounts.

B. The use of clearing accounts is optional. In addition to the payroll clearing account, a utility may use such additional clearing accounts as it finds useful.

BALANCE SHEET ACCOUNTS

Assets and Other Debits

101. Utility Plant in Service
103. Property Held for Future Use
104. Utility Plant Purchased or Sold
105. Construction Work in Progress
108. Accumulated Depreciation and Amortization of Utility Plant in Service
114. Utility Plant Acquisition Adjustments
115. Accumulated Amortization of Utility Plant Acquisition Adjustments
121. Nonutility Property
122. Accumulated Depreciation and Amortization of Nonutility Property
124. Utility Investments
131. Cash
132. Special Deposits
141. Customer Accounts Receivable
143. Accumulated Provision for Uncollectible Accounts--Cr.
151. Plant Material and Supplies
174. Miscellaneous Current and Accrued Assets
186. Miscellaneous Deferred Debits
190. Accumulated Deferred Income Taxes

Equity Capital

201. Common Stock Issued
204. Preferred Stock Issued
211. Other Paid-In Capital
215. Retained Earnings

218. Proprietary Capital (for proprietorships and partnerships only)

Liabilities and Other Credits

224. Long-Term Debt
231. Accounts Payable
232. Notes Payable
235. Customer Deposits
236. Accrued Taxes
237. Accrued Interest
241. Miscellaneous Current and Accrued Liabilities
252. Advances for Construction
253. Other Deferred Credits
255. Accumulated Deferred Investment Tax Credits
265. Miscellaneous Operating Reserves
271. Contributions in Aid of Construction
272. Accumulated Amortization of Contributions in Aid of Construction
281. Accumulated Deferred Income Taxes - Accelerated Amortization
282. Accumulated Deferred Income Taxes - Liberalized Depreciation
283. Accumulated Deferred Income Taxes - Other

BALANCE SHEET ACCOUNTS

Utility Plant

101. Utility Plant in Service

A. This account is the control account for plant accounts 351 through 398.

B. This account shall include the original cost of utility plant owned and used by the utility in providing wastewater service.

103. Property Held for Future Uses

A. This account shall include the cost of property owned and held for future use in utility service under a definite plan for such use.

B. The property included in this account shall be classified according to the detailed accounts (301 to 348) for utility plant in service and the account shall be maintained in such manner and in such detail as though the property were in service.

Note:--Materials and supplies, and meters held in reserve shall not be included in this account.

104. Utility Plant Purchased or Sold

A. This account shall be temporarily charged with the cost and expense incidental to acquisition of utility systems acquired as operating units or systems. The account shall be temporarily credited with the selling price of utility systems transferred to others.

B. Within six months from the date of acquisition or sale of a wastewater system the utility shall file with the Commission for approval proposed journal entries to clear this account.

Note:--In clearing this account the original cost of acquired plant shall be charged to plant accounts, and accumulated depreciation shall be credited to account 108 - Accumulated Depreciation and Amortization of Utility Plant in Service. Any balance (representing the difference between the net original cost of the assets acquired and the cost to the acquiring utility) shall be charged or credited to account 114 - Utility Plant Acquisition Adjustments.

C. When an existing wastewater system or operating unit is acquired the utility shall be obligated to obtain from the vendor all existing records, including records of plant construction dates and costs, records of accumulated depreciation applicable to such properties, and records of Contributions in Aid of Construction.

105. Construction Work in Progress

This account shall include the cost of wastewater plant in process of construction, but not ready for service.

108. Accumulated Depreciation and Amortization of Utility Plant in Service

A. This account shall reflect the depreciation and amortization accumulated on plant used in wastewater utility service.

B. This account shall be credited with:

1. Amounts concurrently charged to account 403 - Depreciation Expense, representing currently accruing depreciation of wastewater plant (other than contributed plant).

2. Amounts concurrently charged to account 407 - Amortization Expense - Other, representing currently accruing amortization of utility plant.

3. Amounts concurrently charged to account 272 - Accumulated Amortization of Contributions in Aid of Construction, representing amortization of contributed utility plant, if recognized by the Commission.

4. Salvage value, sales price, insurance settlements and other amounts recovered from plant retired.

5. Amounts representing the balance of accumulated depreciation and amortization of utility plant acquired from others.

Note:--Also see account 104 - Utility Plant Purchased or Sold.

C. This account shall be charged with:

1. Original cost of depreciable utility plant retired.

2. Cost of removal of plant retired.

D. The utility is restricted in the use of this account to the purposes set forth above. It shall not transfer any portion to retained earnings or to other accounts without prior written authorization from the Commission.

Note:--See Accounting Instruction 4 for information on depreciation accruals and plant retirement procedures.

114. Utility Plant Acquisition Adjustments

A. This account shall include the difference between (1) the cost to the utility of plant acquired as an operating unit or system by purchase, merger, or otherwise, and (2) the net of amounts distributed to the plant accounts, the accumulated depreciation account and other appropriate accounts.

B. No transfers shall be made from this account unless prior written authorization has been obtained from the Commission.

Note:--See also account 104 - Utility Plant Purchased or Sold.

115. Accumulated Amortization of Utility Plant Acquisition Adjustments

This account shall be credited or debited with amounts which are includible in account 406 - Amortization of Utility Plant Acquisition Adjustments, or account 426 - Miscellaneous Nonutility Expenses, for the purpose of providing for the extinguishment of amounts in account 114 - Utility Plant Acquisition Adjustments.

121. Nonutility Property

A. This account shall include all property and other assets owned by the utility, but not used in providing wastewater service, for which separate balance sheet accounts have not been provided.

B. This account shall be appropriately subdivided.

Items

1. Land and buildings not used in wastewater operations.
2. Utility assets transferred to "nonoperative" status.
3. Investments in securities.
4. Assets of nonutility businesses owned by the utility.
5. Accounts receivable and notes receivable not due within one year.

122. Accumulated Depreciation and Amortization of Nonutility Property

A. This account shall reflect the depreciation and amortization accumulated on property not used in utility operations.

B. This account shall be credited with amounts currently charged to account 426 - Miscellaneous Nonutility Expenses, representing currently accruing depreciation and amortization on property not used in utility operations.

C. This account shall be charged with the amount of depreciation accumulated on items of nonutility property sold, abandoned, or otherwise retired.

124. Utility Investments

This account shall include book cost of investments in securities issued or assumed by nonassociated companies for the purpose of insuring adequate wastewater service.

131. Cash

This account shall include the amount of cash on hand or on deposit in banks.

132. Special Deposits

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

141. Customer Accounts Receivable

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

143. Accumulated Provision for Uncollectible Accounts--Cr

This account shall be credited with amounts provided for losses on accounts receivable which may become uncollectible, and also with collections on accounts previously charged hereto. Concurrent charges shall be made to account 770 - Bad Debt Expense, for amounts applicable to utility operations, and to corresponding accounts for other operations. Records shall be maintained so as to show the write-offs of accounts receivable for each utility department.

151. Plant Material and Supplies

A. This account shall include the cost of materials and supplies on hand, purchased for use in plant construction or repair work.

B. The cost shall include, when practicable, transportation charges, sales and use taxes and other directly assignable costs. Cash discounts realized on material purchases shall be credited to this account.

C. Reusable materials which are retired from plant and returned to the materials and supplies inventory shall be charged to this account and credited to account 108 - Accumulated Depreciation and Amortization of Utility Plant in Service. Identifiable units which have been removed from service (i.e., pumps, motors, etc.) shall be carried in inventory at original cost. Items of small value whose original cost cannot be readily determined shall be carried in inventory at current prices. Scrap materials shall be carried in inventory at estimated scrap value.

D. Inventories of materials and supplies shall be taken at least annually and the necessary adjustments shall be made to bring this account into agreement with the actual quantities on hand.

174. Miscellaneous Current and Accrued Assets

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

186. Miscellaneous Deferred Debits

A. This account shall include such items as expenses of security issues, bond discount, items in suspense, and costs which the Commission has authorized the utility to amortize over future periods (i.e., deferred portion of rate case expense).

B. This account shall be appropriately subdivided.

190. Accumulated Deferred Income Taxes

A. This account shall be debited and account 411.10 - Provision for Deferred Income Taxes - Credit, Utility Operating Income, or account 411.20 - Provision for Deferred Income Taxes - Credit, Other Income and Deductions, as appropriate, shall be credited with an amount equal to that by which income taxes payable for the year are higher because of the inclusion of certain items in income for tax purposes, which items for general accounting purposes will not be fully reflected in the utility's determination of annual net income until subsequent years.

B. This account shall be credited and account 410.10 - Deferred Income Taxes, or account 410.20 - Provision for Deferred Income Taxes, Other Income and Deductions, as appropriate, shall be debited with an amount equal to that by which income taxes payable for the year are lower because of prior payment of taxes as provided by paragraph A above, because of differences in timing for tax purposes of particular items of income or income deductions from that recognized by the utility for general accounting purposes. Such credit to this account and debit to account 410.10 or 410.20 shall, in general, represent the effect on taxes payable in the current year of the smaller amount of book income recognized for tax purposes as compared to the amount recognized in the utility's current accounts with respect to the item or class of items for which deferred tax accounting by the utility was authorized by the Commission.

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

D. The utility is restricted in its use of this account to the purpose set forth above. It shall not make use of the balance in this account or any portion thereof except as provided in the text of this account, without prior approval of 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 utility's income accounts has been completed, or other disposition made shall be debited to account 410.10 - Deferred Income Taxes, or account 410.20 - Provision for Deferred Income Taxes - Other Income and Deductions, as appropriate, or otherwise disposed of as the Commission may authorize or direct (See Accounting Instruction 6).

Equity Capital

201. Common Stock Issued

A. This account shall be credited with the total par value or stated value of common stock outstanding.

B. Premiums related to the issue of common stock shall be carried in a separate subaccount of account 211 - Other Paid-In Capital.

204. Preferred Stock Issued

A. This account shall be credited with the total par value or stated value of preferred stock outstanding.

B. A separate subaccount shall be maintained for each class and series of preferred stock.

C. Premiums and discounts related to the issue of preferred stock shall be carried in a separate subaccount of account 211 - Other Paid-In Capital.

211. Other Paid-In Capital

A. This account shall include all paid-in capital not derived from earnings. It shall include such items as premiums and discounts related to the issuance of capital stock, donations to the utility of its capital stock, credits arising from the forgiveness of debt of the utility; credits arising out of a reorganization of the utility, or in connection with its recapitalization.

B. Each type of paid-in capital shall be carried in a separate subaccount.

215. Retained Earnings (for corporations only)

A. This account shall reflect corporation earnings retained in the business.

B. The account shall be credited with:

1. Net Income.
2. Accounting adjustments associated with correction of errors attributable to a prior period.

C. The account shall be charged with:

1. Net losses.
2. Accounting adjustments associated with correction of errors attributable to a prior period.
3. Dividends.

D. Adjustments caused by the correction of an estimate or a change in an accounting method shall not adjust the balance of this account but shall rather affect either an income, asset, liability or deferred credit account. For example, adjustments to accumulated depreciation shall not affect this account but rather shall affect an income account, account 186 - Miscellaneous Deferred Debits, or account 253 - Other Deferred Credits.

218. Proprietary Capital (for proprietorships and partnerships only)

A. This account shall be credited with the investment of a sole proprietor, or partners, in an unincorporated wastewater utility.

B. Separate subaccount shall be maintained for each partner.

C. At the end of each calendar year the net income or loss for the year shall be entered in this account.

D. Accounting adjustments associated with correction of errors attributable to a prior period shall be charged or credited to this account. See also account 215, item D, above.

Note:--This account may be restricted to the amount considered by the proprietor to be the permanent investment in the business, subject to change only by additional investment by the proprietor or the withdrawal of portions thereof not representing net income. When this option is taken, earned surplus accounts shall be maintained.

Liabilities and Other Credits

224. Other Long-Term Debt

A. This account shall include all notes, conditional sales contracts or other evidences of indebtedness payable more than one year from date of issue.

B. Separate subaccounts shall be maintained for obligations outstanding.

231. Accounts Payable

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

232. Notes Payable

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

235. Customer Deposits

This account shall include all amounts deposited with the utility by customers as security for the payment of bills.

236. Accrued Taxes

A. This account shall include all taxes accrued or payable by the utility including property taxes, payroll taxes, withholding taxes, and corporate taxes.

B. This account shall be credited during the accounting period with the amount of taxes accrued during the period. Such credits may be based upon estimates, but from time to time during the year, the amount of the periodic credits shall be adjusted so as to reflect the correct tax liability. Any amount representing a prepayment of taxes applicable to a period subsequent to the date of the balance sheet shall be shown under account 174 - Miscellaneous Current and Accrued Assets.

Note:--Liability for personal income or self-employment taxes of owner or partners shall not be entered in the books of the utility, although payment of such taxes may be charged as withdrawals to proprietary capital.

237. Accrued Interest

This account shall include the amount of interest accrued but not matured on all liabilities of the utility not including,

proportionate restorations to income shall be credited to account 412.30.

C. Subdivisions of this account by department shall be maintained for deferred investment tax credits that are related to nonutility or other operations. Contra entries affecting such account subdivisions shall be appropriately recorded. Use of deferral or nondeferral accounting procedures adopted for nonutility or other operations are to be followed on a consistent basis.

D. Separate records for each utility department, and nonutility or other operations shall be maintained identifying the properties giving rise to the investment tax credits for each year with the appropriate service life of such properties and any unused balances of such credits. Such records are not necessary unless the tax credits are deferred.

265. Miscellaneous Operating Reserves

A. This account shall include all operating reserves maintained by the utility.

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

271. Contributions in Aid of Construction

A. This account shall include:

1. Any amount or item of money, services or property received by a utility, from any person or governmental agency, any portion of which is provided at no cost to the utility, which represents an addition or transfer to the capital of the utility, and which is utilized to offset the acquisition, improvement or construction costs of the utility's property, facilities, or equipment used to provide utility services to the public.

2. Amounts transferred from account 252 - Advances for Construction, representing unrefunded balances of expired contracts or discounts resulting from termination of contracts in accordance with the Commission's rules and regulations.

3. Compensation received from governmental agencies and others for relocation of sewer mains or other plants.

4) Any amount of money received by a utility, any portion of which is provided at no cost to the utility, which represents an addition or transfer to the capital of the utility and which is utilized to offset the federal, state or local income tax effect of taxable contributions in aid of construction, taxable amounts transferred from Account 252 - Advances for Construction, and taxable compensation received from governmental agencies and others for relocation of water mains or other plants shall be reflected in a sub-account of this account.

B. The credits to this account shall not be transferred to any other account without the approval of the Commission.

C. The records supporting the entries to this account shall be so kept that the utility can furnish information as to the purpose of each donation, the conditions, if any, upon which it was made, the amount of donations from (a) states, (b) municipalities, (c) customers, and (d) others, and the amount applicable to each utility department.

Note:--There shall not be included in this account advances for construction which are ultimately to be repaid wholly or in part (See account 252 - Advances for Construction).

272. Accumulated Amortization of Contributions in Aid of Construction

A. This account shall reflect the amortization accumulated on account 271 - Contributions in Aid of Construction, if recognized by the Commission.

B. Specifically, balances in account 271 which represent contributions of depreciable plant shall be amortized by charges to this account over a period equal to the estimated service life of the related contributed asset. A group or overall composite rate may be used for contributed balances that cannot be directly related to a plant asset.

C. The concurrent credit for the amortization recorded in this account shall be made to account 403 - Depreciation Expense.

D. If a regulatory body allows the amortization of any portion of the monies collected to pay the tax obligation caused by the receipt of CIAC, such amortization shall also be reflected in a sub-account of this account. Specifically, balances in account 271 which represent monies collected for the gross-up of CIAC (See Definition 7.) shall be amortized by charges to this account over a period determined by the regulatory body.

Accumulated Deferred Income Taxes

Before using the deferred tax accounts provided below, refer to Accounting Instruction 7 (B) and (C). Interperiod Income Tax Allocation - Depreciation and Comprehensive Interperiod Income Tax Allocation - Other Than Depreciation.

Public utilities shall use the accounts provided below for prior accumulations of deferred taxes on income for additional provisions. Prior to any use of these accounts, the utility must file with the Commission, for the purpose of obtaining authorization, its proposed plan of accounting for deferred taxes on income. The utility shall not use these accounts unless such use has been authorized by the Commission. If deferred tax accounting is initiated with respect to any property such accounting shall not be discontinued on that property without prior approval of the Commission.

The utility is restricted in its use of these accounts to the purposes set forth therein. It shall not make any transfers from these accounts or make any use thereof except as provided in the text of the accounts without prior approval of the Commission. It shall not transfer the balance in these accounts or any portion thereof to retained earnings 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 plant on which there is a related balance in these accounts, the deferred tax account shall be debited with an amount equal to the related income tax expense, if any, arising from such disposition and account 411 - Provision for Deferred Income Taxes-Credit, shall be credited. When the remaining balance, after consideration of any related income tax expenses, is not significant, the deferred tax account shall be debited and account 411 credited with such balance. If after consideration of any related income tax expense, and the remaining amount is significant, then the Commission shall authorize or direct how such amount shall be accounted for at the time approval for the disposition of account is granted. When plant is disposed of by transfer to a wholly owned subsidiary, the related balance in the deferred tax account shall also be transferred. When the disposition relates to retirement of an item or items under a group method of depreciation where there is no tax effect in the year of retirement, no entries are required in the deferred tax account if it can be determined that the related balances would be necessary to be retained to offset future group item tax deficiencies.

Note:--Public utilities having more than one utility department and/or nonutility property and which have deferred taxes on income with respect thereto shall classify such deferrals in the accounts provided elsewhere so as to allow ready identification of items

B. This account shall be credited and accounts 410.10 Deferred Income Taxes, or 410.20 - Provision for Deferred Income Taxes, Other Income and Deductions, as appropriate, shall be debited with tax effects related to property described in paragraph A above where taxable income is lower than pretax accounting income due to differences between the periods in which revenue and expense transactions affect taxable income and the periods in which they enter into the determination of pretax accounting income.

C. This account shall be debited and accounts 411.10 - Provision for Deferred Income Taxes - Credit, Utility Operating Income, or 411.20 - Provision for Deferred Income Taxes - Credit, Other Income and Deductions, as appropriate, shall be credited with tax effects related to property described in paragraph A above where taxable income is higher than pretax accounting income due to differences between the periods in which revenue and expense transactions affect taxable income and the periods in which they enter into the determination of pretax accounting income.

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

283. Accumulated Deferred Income Taxes - Other

A. This account shall include all credit tax deferrals resulting from the adoption of the principles of comprehensive interperiod income tax allocation described in Accounting Instruction 7 of this system of accounts other than those deferrals which are includible in accounts 281 - Accumulated Deferred Income Taxes - Accelerated Amortization, and 282 - Accumulated Deferred Income Taxes - Liberalized Depreciation.

B. This account shall be credited and account 410 - Provision for Deferred Income Taxes, shall be debited with tax effects related to items described in paragraph A above where taxable income is lower than pretax accounting income due to differences between the periods in which revenue and expense transactions affect taxable income and the periods in which they enter into the determination of pretax accounting income.

C. This account shall be debited and accounts 411.10 - Provision for Deferred Income Taxes - Credit, Utility Operating Income or 411.20 - Provision for Deferred Income Taxes - Credit, Other Income and Deductions, as appropriate, shall be credited with tax effects related to items described in paragraph A above where taxable income is higher than pretax accounting income due to differences

between the periods in which revenues and expense transactions affect taxable income and the periods in which they enter into the determination of pretax accounting income.

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

E. For ratemaking purposes, the balance in accounts 281, 282, and 283 - Accumulated Deferred Income Taxes - Accelerated Amortization, Liberalized Depreciation, and Other, net of any balance in account 190 - Accumulated Deferred Income Taxes, shall either be deducted from rate base by all companies having a net credit balance of deferred taxes or shall be included in capital structure as zero cost funds. The treatment shall be determined by the regulatory body having jurisdiction over the regulated operations of the utility. Where regulated operations are subject to the jurisdiction of more than one regulatory body, each regulatory body shall establish the ratemaking treatment of those deferrals related to operations under its jurisdiction.

WASTEWATER UTILITY PLANT ACCOUNTS

Amortizable

351. Organization
352. Franchises

Nondepreciable

353. Land and Land Rights

Depreciable

354. Structures and Improvements
355. Power Generation Equipment
360. Collection Sewers - Force
361. Collection Sewers - Gravity
362. Special Collecting Structures
363. Services to Customers
364. Flow Measuring Devices
365. Flow Measuring Installations
370. Receiving Wells
380. Treatment and Disposal Equipment
381. Plant Sewers
382. Outfall Sewer Lines
389. Other Plant and Miscellaneous Equipment
390. Office Furniture and Equipment
391. Transportation Equipment
393. Tools, Shop and Garage Equipment
395. Power Operated Equipment
398. Other Tangible Plant

351. Organization

This account shall include all fees paid to federal or state governments for the privilege of incorporation and expenditures incident to organizing the corporation, partnership or other enterprise and putting it into readiness to do business. A sample of items to be included in this account are listed below.

1. Actual cost of obtaining certificates authorizing an enterprise to engage in the public utility business.
2. Fees and expenses for incorporation.
3. Fees and expenses for mergers or consolidations.
4. Office expenses incident to organizing the utility.
5. Stock and minute books and corporate seal.

352. Franchises

A. This account shall include amounts paid to the federal government, to a state or to a political subdivision thereof in consideration for franchises, consents or certificates, running in perpetuity or for a specified term of more than one year, together with necessary and reasonable expenses incident to procuring such franchises or certificates of permission and approval.

B. This account shall not include any expenses incurred in connection with the authorization or sale of securities, or discounts on securities issued.

C. This account shall not include any sum for franchises or certificates in excess of the amounts actually paid to the state or political subdivision, and necessary and reasonable expenses incident to obtaining such franchises or certificates.

D. When any franchise has expired, the book cost thereof shall be credited hereto and charged to account 426 - Miscellaneous Nonutility Expenses, or to account 108 - Accumulated Depreciation and Amortization of Utility Plant in Service, as appropriate.

353. Land and Land Rights

This account shall include the cost of land, rights-of-way and easement used in wastewater operations.

354. Structures and Improvements

This account shall include cost in place of structures and improvements used in connection with wastewater collection, pumping, treatment and disposal, and general operations. A sample of items to be included in this account are listed below:

Items

1. Yard paving and fencing.
2. Pump houses and storage sheds.
3. Grading and clearing.
4. Landscaping, sidewalks.
5. Roadways paved, concrete, etc.).
6. Buildings.

355. Power Generation Equipment

This account shall include the cost installed of any equipment used for the production of power principally used in pumping operations.

360. Collecting Sewers - Force

This account shall include all sewers which are used to lift wastewater from a low elevation to a higher elevation. The force sewer will include that pipe between the discharge outlet of the lift station and the receiving manhole.

361. Collecting Sewers - Gravity

This account shall include the installed cost of all gravity collecting sewers, interceptor, branch, trunk, lateral including service wye, and manholes and lampholes. Manholes shall be included as a separate unit of property.

362. Special Collecting Structures

Inverted siphon shall be included in this account but so distinctly noted; also any other special designed structures unusual to wastewater system should be included herein but specifically noted as to what they do.

363. Services to Customers

This account shall include the installed cost of service sewers, from collection sewer to the customer's property or curb line. A sample of items to be included in this account are listed below:

Items

1. Manhole or clean-out.
2. Municipal inspection and permits
3. Jointing.
4. Pavement disturbed.
5. Tapping saddle.

364. Flow Measuring Devices

A. This account shall include the cost of flow measuring and recording equipment and initial testing used for measuring the quantity of wastewater or wastewater effluent delivered by customers, whether actually in service or held in reserve.

B. When flow measuring equipment is permanently retired from service, the amount at which it is included herein shall be credited to this account.

C. The records covering flow measuring equipment shall be so kept that the utility can furnish information as to the number of devices of each type and size in service and in reserve, as well as the location of each device included in this account.

365. Flow Measuring Installations

A. This account shall include the cost of labor employed, materials used and expenses incurred in connection with the original installation of customers' flow measuring equipment. A sample of items to be included in this account are listed below:

1. Floats, connections, flumes, or wires.
2. Special manhole, boxes, or other separate housing.

B. When a flow measuring installation is permanently retired from service, the cost thereof shall be credited to this account.

370. Receiving Wells

this account shall include the cost of constructing wells at pumping stations or at other junction points along the collecting system, used for intercepting wastewater for clearing and screening, transfer to a pumping well or otherwise further convey it along the collecting system to the treatment plant or point of final discharge. This account shall include any chemical feed apparatus and holding basins associated with the receiving well. This account shall include the cost installed of pumping equipment driven by electric power or diesel engines.

Items

1. Engines.
2. Motors.
3. Pumps.
4. Pressure regulating and recording instruments.
5. Electric power line.
6. Switching equipment.

364. Flow Measuring Devices

A. This account shall include the cost of flow measuring and recording equipment and initial testing used for measuring the quantity of wastewater or wastewater effluent delivered by customers, whether actually in service or held in reserve.

B. When flow measuring equipment is permanently retired from service, the amount at which it is included herein shall be credited to this account.

C. The records covering flow measuring equipment shall be so kept that the utility can furnish information as to the number of devices of each type and size in service and in reserve, as well as the location of each device included in this account.

365. Flow Measuring Installations

A. This account shall include the cost of labor employed, materials used and expenses incurred in connection with the original installation of customers' flow measuring equipment. A sample of items to be included in this account are listed below:

1. Floats, connections, flumes, or wires.
2. Special manhole, boxes, or other separate housing.

B. When a flow measuring installation is permanently retired from service, the cost thereof shall be credited to this account.

370. Receiving Wells

this account shall include the cost of constructing wells at pumping stations or at other junction points along the collecting system, used for intercepting wastewater for clearing and screening, transfer to a pumping well or otherwise further convey it along the collecting system to the treatment plant or point of final discharge. This account shall include any chemical feed apparatus and holding basins associated with the receiving well. This account shall include the cost installed of pumping equipment driven by electric power or diesel engines.

Items

1. Engines.
2. Motors.
3. Pumps.
4. Pressure regulating and recording instruments.
5. Electric power line.
6. Switching equipment.

380. Treatment and Disposal Equipment

This account shall include the cost installed of apparatus equipment and other facilities used for the treatment of wastewater and disposal of sewage wastes. A sample of items to be included in this account are listed below:

Items

1. Aeration chambers.
2. Chemical equipment.
3. Imhoff tank.
4. Oxidation pond or lagoon.
5. Sedimentation equipment.
6. Screen unit.
7. Sludge system.
8. Trucks, tractors, or other equipment used primarily for sludge disposal.
9. Package mechanical treatment plant.
10. Sedimentation basin.
11. Sludge digestion and filtration or dewatering equipment.

381. Plant Sewers

This account shall include the cost installed of plant yard piping and appurtenances, and facilities required to dispose of treatment plant liquid effluent into the outfall sewer line. A sample of items to be included in this account are listed below:

Items

1. Unit to unit sections of yard piping.
2. Valves and vaults.
3. Pipe tunnels and galleries.

382. Outfall Sewer Lines

This account shall include the installed cost of sewer line carrying effluent from treatment facility to point of discharge. Includible in this account would be headwall or outlet.

389. Other Plant and Miscellaneous Equipment

This account shall include the cost installed of all other intangible, collection system pumping, and treatment and disposal plant not provided for in the foregoing accounts.

390. Office Furniture and Equipment

This account shall include the cost of office furniture and equipment owned and used by the utility. A sample of items to be included in this account are listed below:

Items

1. Adding machines.
2. Addressing machines.
3. Calculating machines.
4. Drafting room equipment.
5. Computers.
6. Postage meter machines.
7. Desks, typewriters.
8. Filing cabinets.
9. Book cases, tables, chairs.

391. Transportation Equipment

A. This account shall include the cost of trucks, automobiles and trailers owned and used by the utility.

B. Records shall be maintained to show the cost of each vehicle.

393. Tools, Shop and Garage Equipment

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

395. Power Operated Equipment

This account shall include the cost of power operated equipment used in construction of repair work exclusive of equipment includible in other accounts. Include, also, the tools and accessories acquired for use with such equipment and the vehicle on which such equipment is mounted. A sample of items to be included in this account are listed below:

Items

1. Air compressors.
2. Back filling machines.
3. Tractors.
4. Trenchers.

Note:--It is intended that this account include only such large units as are generally self-propelled or mounted on moveable equipment.

398. Other Tangible Plant

This account shall include the cost of tangible utility plant not provided for elsewhere.

INCOME ACCOUNTS

Utility Operating Income

400. Operating Revenues
401. Operating Expenses
403. Depreciation Expense
406. Amortization of Utility Plant Acquisition Adjustment
407. Amortization Expense - Other
408. Taxes Other Than Income
409. Income Taxes
     409.10 Federal Income Taxes, Utility Operating Income
410. Provision for Deferred Income Taxes
     410.10 Deferred Income Taxes
411. Provision for Deferred Income Taxes - Credit
     411.10 Provision for Deferred Income Taxes - Credit, Utility Operating Income
412. Investment Tax Credits
     412.10 Investment Tax Credits Deferred to Future Periods, Utility Operations
     412.11 Investment Tax Credits Restored to Operating Income, Utility Operations

Other Income and Deductions

419. Interest and Dividend Income
420. Allowance for Funds Used During Construction
421. Nonutility Income
426. Miscellaneous Nonutility Expenses
427. Interest Expense

Taxes Applicable to Other Income and Deductions

408. Taxes Other Than Income
409. Income Taxes
     409.20 Income Taxes, Other Income and Deductions
410. Provision for Deferred Income Taxes
     410.20 Provision for Deferred Income Taxes, Other Income and Deductions
411. Provision For Deferred Income Taxes - Credit
     411.20 Provision for Deferred Income Taxes - Credit, Other Income and Deductions
412. Investment Tax Credits
     412.20 Investment Tax Credits - Net, Nonutility Operations
     412.30 Investment Tax Credits Restored to Nonoperating Income, Utility Operations

INCOME ACCOUNTS

Operating Income

400. Operating Revenues

This is the revenue control account which totals the accounts recorded in wastewater revenue accounts 521 through 536.

401. Operating Expenses

This is the operating expense control account which totals the amounts recorded in operating expense accounts 701 through 775 for wastewater systems.

403. Depreciation Expenses

A. This account shall be charged with depreciation credited to account 108 - Accumulated Depreciation and Amortization of Utility Plant In Service and credited with amortization debited to account 272 - Accumulated Amortization of Contributions in Aid of Construction. Depreciation shall be accrued on a straight-line remaining life basis or straight-line basis, as required by the Commission. A single composite depreciation rate may be used if approval from the Commission is obtained.

Note A:--See Accounting Instruction 4, for more detailed instructions on depreciation accounting.

B. Depreciation for property not used in wastewater operations is charged to account 426 - Miscellaneous Nonutility Expense, and is credited to account 122 - Accumulated Depreciation and Amortization of Nonutility Property.

406. Amortization of Utility Plant Acquisition Adjustments

This account shall be debited or credited, as the case may be, only upon the approval of the governing regulatory authority, for the purpose of providing for the extinguishment of the amount in account 114 - Utility Plant Acquisition Adjustments.

407. Amortization Expense - Other

This account shall include amortization debits or credits, which relate to utility operations and are not provided for elsewhere.

408. Taxes Other Than Income

A. These accounts shall include the amount of ad valorem, gross revenue or gross receipts taxes, regulatory agency general assessments for purposes of public utility regulation, state unemployment insurance, franchise taxes, federal excise taxes, social security taxes, and all other taxes assessed by federal,

state, county, municipal, or other local governmental authorities, except income taxes.

B. These accounts shall be charged in each accounting period with the amounts of taxes which are applicable thereto, with concurrent credits to account 236 - Accrued Taxes, or account 174 - Miscellaneous Current and Accrued Assets, as appropriate. When it is not possible to determine the exact amounts of taxes, the amounts shall be estimated and adjustments made in current accruals as the actual tax levies become known.

C. The charges to these accounts shall be made or supported so as to show the amount of each tax and the basis upon which each charge is made. In the case of a utility rendering more than one utility service, taxes of the kind includible in these accounts shall be assigned directly to the utility department the operation of which gave rise to the tax in so far as practicable. Where the tax is not attributable to a specific utility department, it shall be distributed among the utility departments or nonutility operations on an equitable basis after appropriate study to determine such basis.

Note A:--Special assessments for street and similar improvements shall be included in the appropriate utility plant or nonutility property account.

Note B:--Taxes specifically applicable to construction shall be included in the cost of construction.

Note C:--Gasoline and other sales taxes shall be charged as far as practicable to the same account as the materials on which the tax is levied.

Note D:--Social security and other forms of payroll taxes shall be distributed to utility departments and to nonutility functions on a basis related to payroll. Amounts applicable to construction shall be charged to the appropriate plant account.

Note E:--Interest on tax refunds or deficiencies shall not be included in these accounts but in account 419 - Interest and Dividend Income, or 427 - Interest Expense.

409. Income Taxes

A. These accounts shall 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 shall be made to account 236 - Accrued Taxes, and as the exact amounts of taxes become known, the current tax accruals shall be adjusted by charges or credits to these accounts unless such adjustments are properly included in account 215 - Retained Earnings, so that these

accounts as nearly as can be ascertained shall include the actual taxes payable by the utility.

B. The accruals for local, state and federal income taxes shall be apportioned to Utility Operating Income (by department/division), Other Income and Deductions and Extraordinary Items so that, as nearly as practicable, each tax included in the expenses of the utility department, Other Income and Deductions or Extraordinary Items, shall be related to the income which gave rise to the tax. The income tax effect of amounts recorded in account 215 - Retained Earnings, shall be recorded in that account. The tax effects relating to interest charges, other than interest specifically applicable to indebtedness on property in account 121 shall be included in account 409.10 - Income Taxes, Utility Operating Income.

C. This account shall be maintained according to the subaccounts 409.10 and 409.20, as shown below.

Note A:--Taxes assumed by the utility on interest shall be charged to account 427 - Interest Expense.

Note B:--Interest on tax refunds or deficiencies shall not be included in this account but in account 419 - Interest and Dividend Income, or account 427 - Interest Expense, as appropriate.

Note C:--See Accounting Instruction 7.

409.10 Income Taxes, Utility Operating Income

This account shall include the amount of those federal, state, and local income taxes reflected in account 409 - Income Taxes, which relate to utility operating income after interest charges and other tax adjustments. This account shall be maintained so as to allow ready identification of tax effects (both positive and negative) relating to Utility Operating Income (by department/division), Utility Plant Leased to Others and Other Utility Operating Income.

409.20 Income Taxes, Other Income and Deductions

This account shall include those local, state, and federal income taxes reflected in account 409 - Income Taxes, (both positive and negative), which relate to Other Income and Deductions.

410. Provision for Deferred Income Taxes

A. Accounts 410.10, and 410.20 shall be debited and accounts 281, 282, or 283 Accumulated Deferred Income Taxes - Accelerated Amortization, Liberalized Depreciation, or Other, shall be credited with amounts equal to any current deferrals of taxes on income or any allocations of deferred taxes originating in prior periods, as provided by the texts of accounts 190, 281, 282, and 283. No credit amounts appropriately includible in account 411.10 or 411.20 shall be netted against entries required to be made to these accounts.

B. This account shall be maintained according to the subaccounts 410.10, and 410.20 inclusive, as shown below.

Note:--See Accounting Instruction 7.

410.10 Deferred Income Taxes

This account shall include the amounts of those deferrals of federal, state, and local income taxes and allocations of deferred federal income taxes which relate to Utility Operating Income (by department/division).

410.20 Provision for Deferred Income Taxes, Other Income and Deductions

This account shall include the amount of those deferred federal, state and local income taxes reflected in account 410 - Provision for Deferred Income Taxes, which relate to Other Income and Deductions.

411. Provision for Deferred Income Taxes - Credit

A. Accounts 411.10 and 412.20 shall be credited, and accounts 281, 282, or 283, Accumulated Deferred Income Taxes - Accelerated Amortization, Liberalized Depreciation or Other, shall be debited, with amounts equal to any allocations of deferred taxes originating in prior periods or any current deferrals of taxes on income, as provided by the texts of accounts 190, 281, 282, and 283. No debit amounts appropriately includible in account 410.10, or 410.20 shall be netted against entries required to be made to these accounts.

411.10 Provision For Deferred Income Taxes - Credit, Utility Operating Income

This account shall include the amounts of those allocations of deferred federal, state and local income taxes and deferrals of federal, state and local income taxes, credit which relate to Utility Operating Income (by department/division).

411.20 Provision For Deferred Income Taxes - Credit, Other Income and Deductions

This account shall include the amounts of those allocations of deferred taxes and deferrals of taxes, credit, which relate to Other Income and Deductions.

412. Investment Tax Credits

A. This account shall be debited with the total amount of investment tax credits used in calculating the reported current year's income taxes payable.

Account 255 - Accumulated Deferred Investment Tax Credits, shall be credited with an equal amount of investment tax credits debited to this account. Investment tax credits related to property used in utility operations shall be debited to subaccount 412.10 - Investment Tax Credits Deferred to Future Periods, Utility Operations. Those investment tax credits related to property used in nonutility operations shall be debited to account 412.20 - Investment Tax Credits - Net, Nonutility Operations.

B. A company which has deferred its investment tax credits shall amortize these deferred credit amounts by crediting this account and debiting account 255 - Accumulated Deferred Investment Tax credits. Such annual amortization shall be allocated proportionately over the service lives of all assets or of the assets generating the credits. The proportional amounts shall be determined in relation to the method of depreciation actually used on the regulated books of account.

(1) In amortizing the deferred investment tax credits related to property used in utility operations, the annual proportional amount credited to account 412 - Investment Tax Credits may or may not be passed on to customers in accordance with the Internal Revenue Code section applicable to the company. Where the company is subject to Section 46 (f)(2) of the code which provides a "Special rule for ratable flow-through" or Option 2 treatment, the annual proportional amortization is to be credited to subaccount 412.11 - Investment Tax Credits Restored to Operating Income, Utility Operations. Where the company is subject to Code Section 46 (f)(1), which is the "General Rule" or Option 1 treatment, the annual proportional amortization shall be credited to subaccount 412.30 - Investment Tax Credits Restored to Nonoperating Income, Utility Operations.

(2) In amortizing the deferred investment tax credits related to property used in nonutility operations, the annual amount shall be credited to subaccount 412.20, Investment Tax Credits - Net, Nonutility Operations.

C. This account shall be maintained so that the debits and credits relating to each allowable percentage of credit, i.e., 3%, 4%, 6%, 7%, 8%, 10%, etc., may be readily identified.

D. This account shall be maintained so that the debits and credits relating to each utility department/division and each nonutility operation may be readily identified.

E. This account shall be maintained according to subaccounts 412.10, 412.11, 412.20 and 412.30 as shown below.

412.10 Investment Tax Credits Deferred to Future Periods, Utility Operations

This account shall be debited and account 255 - Accumulated Deferred Investment Tax Credits, shall be credited with the amounts of realized investment tax credits deferred to future periods related to property used in utility operations (department/division).

412.11 Investment Tax Credits Restored to Operating Income, Utility Operations

This account shall be credited and account 255 - Accumulated Deferred Investment Tax Credits, shall be debited with the proportionate amounts of deferred investment tax credits related to property used in utility operations being restored to operating income in accordance with the "Special Rule for Ratable Flow-through" or Option 2 treatment as provided in the Revenue Act of 1971, the Tax Reduction Act of 1975 or the Economic Recovery Tax Act of 1981.

412.20 Investment Tax Credits - Net, Nonutility Operations

A. This account shall be debited and account 255 - Accumulated Deferred Investment Tax Credits, shall be credited with the amounts of realized investment tax credits deferred to future periods which relate to property used in nonutility operations.

B. This account shall be credited and account 255 - Accumulated Deferred Investment Tax Credits shall be debited with the proportionate amounts of deferred investment tax credits related to property used in nonutility operations being restored to nonoperating income.

412.30 Investment Tax Credits Restored to Nonoperating Income, Utility Operations

This account shall be credited and account 255 - Accumulated Deferred Investment Tax Credits shall be debited with the proportionate amounts of deferred investment tax credits related to property used in utility operations being restored to nonoperating income in accordance with the "General Rule" or Option 1 as provided by the Revenue Act of 1971, the Tax Reduction Act of 1975 and the Economic Recovery Tax Act of 1981.

Other Income and Deductions

419. Interest and Dividend Income

A. This account shall include interest revenues on securities, loans, notes, advances, special deposits, tax refunds and all other interest bearing assets and dividends on stocks of other companies, whether the securities are carried as investments or included in sinking or other special funds accounts.

420. Allowance for Funds Used During Construction

This account shall include concurrent credits for allowance for funds used during construction based upon the net cost of funds used for construction purposes and a reasonable rate upon other funds when so used. Appropriate regulatory approval shall be obtained for "a reasonable rate".

421. Nonutility Income

In this account is entered all income not includible in operating revenue accounts 460 through 474 or in account 419 - Interest and Dividend Income. Items in this account shall include:

1. Gross income from nonutility operations;
2. Net gain on sale of nonutility property; and
3. Revenues from merchandising, jobbing and contract work.

426. Miscellaneous Nonutility Expenses

This account shall contain all expenses other than expenses of utility operations and interest expense. Items which are included in this account are:

1. Expenses disallowed in a proceeding before the Commission.
2. Amortization of an Acquisition Adjustment not approved by the Commission.
3. Depreciation associated with plant not used and useful in the public service.

4. Depreciation of Nonutility Plant.
5. Imprudent expenses.
6. Donations for charitable, social or community welfare purposes.
7. Life insurance on officers and employees where utility is beneficiary (net premiums less increase in cash surrender value of policies).
8. Penalties or fines for violations of statutes pertaining to regulation.
9. Expenditures for the purpose of:
   a. Influencing public opinion with respect to the election or appointment of public officials, or the adoption, repeal, revocation or modification of referenda, legislation or ordinances.
   b. Influencing public opinion with respect to obtaining approval, modification or revocation of franchises.
   c. Influencing the decisions of public officials not including such expenditures which are directly related to appearances before regulatory or other governmental bodies in connection with the utility's existing or proposed operations.
10. Loss relating to investments in securities written-off or written-down.
11. Loss on sale of investments.
12. Loss on reacquisition, resale or retirement of utility's debt securities.
13. Preliminary survey and investigation expenses related to abandoned projects, when not written-off to the appropriate operating expense account.
14. Golf club dues, social club dues and service club dues (Kiwanis, Rotary, etc.) house charges and items of a similar nature whether such expenditures are made directly by the utility or indirectly by payment or reimbursement to associated companies, officers, or other employees, or by any other direct or indirect means.
15. Costs and expenses of merchandising, jobbing, and contract work.

427. Interest Expense

This account shall be charged all interest expense of the utility. The contra credit to entries in this account shall be charged to account 237 - Accrued Interest.

WASTEWATER OPERATING REVENUE ACCOUNTS

Wastewater Sales

521. Flat Rate Revenues
    521.1 Residential Revenues
    521.2 Commercial Revenues
    521.3 Industrial Revenues
    521.4 Revenues from Public Authorities
    521.5 Multiple Family Dwelling Revenues
    521.6 Other Revenues
522. Measured Revenue
    522.1 Residential Revenues
    522.2 Commercial Revenues
    522.3 Industrial Revenues
    522.4 Revenues from Public Authorities
    522.5 Multiple Family Dwelling Revenues
524. Revenues From Other Systems

Other Wastewater Revenues

530. Guaranteed Revenues
536. Other Wastewater Revenues

WASTEWATER OPERATING REVENUE ACCOUNTS

Wastewater Sales

521. Flat Rate Revenues

A. This account shall be credited with all revenue for wastewater service rendered to residential, commercial and industrial property where the charge is not dependent upon metered water consumption or metered effluent output but is based on diameter of service, structure size, area front footage or other similar unit.

B. All revenue credited hereto shall be classified to one of the following subaccounts:

521.1 Residential Revenues
521.2 Commercial Revenues
521.3 Industrial Revenues
521.4 Revenues from Public Authorities
521.5 Multiple Family Dwelling Revenues
521.6 Other Revenues

Note:--When service is supplied through a single lateral to property used for both residential and commercial purposes, the total revenue shall be included in subaccount 521.1 or 521.2 according to the principle use of the property.

522. Measured Revenues

A. This account shall credited with all revenues for wastewater service rendered to residential, commercial or industrial property where the charge is, or may be, in any way dependent on the quantity of water consumed or the quantity of effluent output by the customers.

B. All revenues credited hereto shall be classified to one of the following subaccounts:

522.1 Residential Revenues
522.2 Commercial Revenues
522.3 Industrial Revenues
522.4 Revenues from Public Authorities
522.5 Multiple Family Dwelling Revenues

Note:--See note following 521 above.

524. Revenues form Other Systems

This account shall be credited with all revenues derived from wastewater services rendered to other wastewater system properties, whether operated by a public authority or a private enterprise.

WASTEWATER OPERATING REVENUE ACCOUNTS

530. Guaranteed Revenues

This account shall be credited with revenue received from developers or other persons for a period of time prior to wastewater service being established. Normally, this type of revenue is usually received to reserve or guarantee the availability of plant capacity when needed.

536. Other Wastewater Revenues

This account shall include revenues for all miscellaneous services and charges billed to customers which are not specifically provided for in other accounts.

WASTEWATER OPERATION AND MAINTENANCE EXPENSE ACCOUNTS

701. Salaries and Wages - Employees
703. Salaries and Wages - Officers, Directors and Majority Stockholders
704. Employee Pensions and Benefits
710. Purchased Wastewater Treatment
711. Sludge Removal Expense
715. Purchased Power
716. Fuel for Power Production
718. Chemicals
720. Materials and Supplies
730. Contractual Services - Billing
731. Contractual Services - Professional
735. Contractual Services - Testing
736. Contractual Services - Other
740. Rents
750. Transportation Expenses
755. Insurance Expenses
765. Regulatory commission Expenses
770. Bad Debt Expense
775. Miscellaneous Expenses

WASTEWATER OPERATION AND MAINTENANCE EXPENSE ACCOUNTS

701. Salaries and Wages - Employees

This account shall include the compensation (salaries, bonuses and other consideration of services) paid or accrued to employees of the utility company for work related to operation and maintenance of that utility company. This account shall not include the salaries and wages of officers, directors or majority stockholders of the utility company.

703. Salaries and Wages - Officers, Directors and Majority Stockholders

This account shall include the compensation (salaries, bonuses and other consideration for services) paid or accrued to officers, directors or majority stockholders of the utility company.

704. Employee Pensions and Benefits

This account shall include all accruals under employee pension plans to which the utility has irrevocably committed such funds, and payments for employee accident, sickness, hospital and death benefits or insurance therefor. Include also expenses for medical, educational or recreational activities of employees.

710. Purchased Wastewater Treatment

A. This account shall include the cost at the point of delivery of wastewater treatment provided by another entity.

B. The records supporting this account shall be so kept as to show for each entity from which wastewater treatment is purchased, point of delivery, quantity treated, basis of charges, and the cost of wastewater treatment.

711. Sludge Removal Expense

This account shall include the costs of removal of sludge if such work is performed by persons other than owners, stockholders, and employees of the utility.

715. Purchased Power

This account shall include the cost of all electric power expense incurred by the utility.

716. Fuel For Power Production

A. This account shall include the cost of fuel used in the production of power to operate the pumps and other equipment used in the wastewater treatment process. Records shall be maintained to show the quantity and cost of each type of fuel used.

B. The cost of fuel shall be charged initially to appropriate fuel accounts under account 151 - Plant Materials and Supplies, and cleared to this account on the basis of the fuel used.

718. Chemicals

This account shall include the cost of all chemicals used in the treatment of wastewater. Include also the cost (except salaries and wages includible in accounts 701 - 703) of any chemicals manufactured by the utility and used in providing utility services.

720. Materials and Supplies

This account shall include all materials and supplies used in the operation and maintenance of the wastewater system, other than materials and supplies charged to account 736 - Contractual Services - Other.

730. Contractual Services - Billing

This account shall include the costs associated with billing customers for wastewater service if such work is not performed by employees of the utility.

731. Contractual Services - Professional

This account shall include the cost of accounting, legal and engineering if such work is not performed by employees of the utility.

735. Contractual Services - Testing

This account shall include costs paid to outside laboratories for testing.

736. Contractual Service - Other

This account shall include the cost of operation and maintenance work not performed by utility employees. This account shall also include the cost of management and data processing if such work is not performed by employees of the utility.

740. Rents

This account shall include those costs associated with the rental of buildings, real property and equipment, except for the rental of automobiles and trucks which shall be included in account 750 - Transportation Expense.

750. Transportation Expenses

This account shall include all truck, automobile, construction equipment, and other vehicle expense chargeable to utility operations, except depreciation and insurance.

755. Insurance Expense

This account shall include all insurance costs applicable to the accounting period, including workman's compensation, liability, vehicle, fire and theft or robbery insurance.

Note A:--Insurance dividends and refunds shall be credited to this account.

Note B:--The cost of policies extending over a period of more than one year shall be prorated over the period of coverage. Prepaid insurance shall be charged to account 174 - Miscellaneous Current and Accrued Assets.

765. Regulatory Commission Expenses

This account shall include all expenses (except salaries of regular utility employees) incurred by the utility in connection with formal cases before regulatory commissions. This account shall not include payment of taxes which shall be reported in the taxes other than income account.

770. Bad Debt Expense

This account shall be charged with amounts sufficient to provide for losses from uncollectible utility revenues. Concurrent credits shall be made to account 143.

775. Miscellaneous Expenses

This account shall include all expenses not includible in other operating expenses accounts.

Items

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

10. Public notices of financial, operating and other data required by regulatory statutes, not including, however, notices required in connection with security issues or acquisition of property.
11. Write off of expenditures for preliminary surveys, plans, investigations, etc., included in account 183 - Preliminary Survey and Investigation Charges, relative to projects which have been abandoned.