



PSC
of WISCONSIN

UNIFORM SYSTEM OF ACCOUNTS

for Municipally Owned
Water Utilities

DIVISION OF WATER UTILITY
REGULATION AND ANALYSIS

January 1, 2013

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Definitions

When used in this System of Accounts:

1. “Accounts” means the accounts prescribed in this system of accounts.
2. “Amortization” means the allocation 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.
3. “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.
4. “Commission” means, unless otherwise indicated by the context, the Public Service Commission of Wisconsin.
5. “Cost” means the amount of money actually paid for property or services. When the consideration given is other than cash, the value of such consideration shall be determined on a cash basis.
6. “Cost of removal” means the cost of demolishing, dismantling, tearing down or otherwise removing utility plant, including the cost of transportation and handling.
7. “Debt expense” means all expenses in connection with the issuance and initial sale of evidences of debt, such as fees for drafting mortgages and trust deeds; fees and taxes for issuing or recording evidences of debt; cost of engraving and printing bonds and certificates of indebtedness; fees paid trustees; specific costs of obtaining governmental authority; fees for legal services; fees and commissions paid underwriters, brokers, and salesmen for marketing such evidences of debt; fees and expenses of listing on exchanges; and other like costs.
8. “Depreciation” means, as applied to depreciable utility plant, 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 regulatory authorities.
9. “Discount” means, as applied to the securities issued or assumed by the utility, the excess of the face value of the securities plus interest accrued at the date of the sale over the cash value of the consideration received from their sale.
10. “Investment advances” means advances, represented by notes or by book accounts only, with respect to which it is mutually agreed or intended between the creditor and debtor that they shall not be subject to current settlement.

Definitions

11. "Minor items of property" means the associated parts or items of which retirement units are composed.
12. "Municipality" means a city, village, town, or other governmental entity which owns the proprietary capital of the public utility.
13. "Net salvage value" means the salvage value of property retired less the cost of removal.
14. "Original cost" means, as applied to utility plant, the cost of such property to the person first devoting it to public utility service.
15. "Premium" means, as applied to the securities issued or assumed by the utility, the excess of the cash value of the consideration received from their sale over the sum of their face value and interest accrued at the date of sale.
16. "Property retired" means, as applied to utility plant, property which has been removed, sold, abandoned, destroyed, or which for any cause has been withdrawn from service.
17. "Property subject to amortization" shall include equipment in Accounts 391, 393, 394, 395, 397, and 398.
18. "Replacing" or "Replacement" means, when not otherwise indicated in the context, the construction or installation of utility plant in place of property retired, together with the removal of the property retired.
19. "Retirement units" means those items of utility plant which, when retired, with or without replacement, are accounted for by crediting the book cost to the utility plant account in which it is included.
20. "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.
21. "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.
22. "Service value" means the difference between the original cost and the net salvage value of utility plant.
23. "Utility" means, as used in this system of accounts and when not otherwise indicated in the context, any public utility to which this system of accounts is applicable. Public utility has the same definition as stated in the Wisconsin Statutes chapter governing the regulation of utilities.

General Instructions

1. Classification of Utilities

- A. For the purpose of applying systems of accounts prescribed by the Commission, water utilities are divided into three classes, as follows:
- | | |
|----------|--|
| Class AB | Utilities having 4,000 or more customers. |
| Class C | Utilities having 1,000 to 3,999 customers. |
| Class D | Utilities having 0001 to 0999 customers. |
- B. Each of the above classes has a separate system of accounts.
- C. Utilities will be reclassified when the average number of customers, for three consecutive years, reported on the annual report filings, exceeds the upper limit of the average number of customers previously applicable to the utility.
- D. Any utility may, at its option, adopt the system of accounts prescribed by the Commission for any higher class of utilities.

2. 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 account so it can furnish readily full information to any item included in any account. Each entry shall be supported by detailed information that will permit a ready identification, analysis, and verification of all relevant facts.
- B. The books and records referred to in this system of accounts 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 facts regarding any transaction.
- C. 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.
- D. All amounts included in the accounts prescribed 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, Other Income Deductions.
- E. The arrangement or sequence of the prescribed accounts shall not be controlling as to the arrangement or sequence in report forms which may be prescribed by the Commission.
- F. 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

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of the cost of operating and maintaining each plant owned or operated. The term “plant” as here used means each source of supply, each pumping station (small boosted stations may be grouped), each water treatment plant and the transmission and distribution system in each city, town, or village, or such other operating area as the Commission may require.

3. Numbering System

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

	<u>General</u>
100-199	Assets and Other Debits
200-299	Liabilities and Other Credits
300-399	Plant Accounts
400-439	Income Accounts
	<u>Water</u>
460-479	Revenue Accounts
600-699	Production, Transmission and Distribution Expenses (Class AB and Class C)
900-949	Customer Accounts, Sales and General Administrative Expenses (Class AB and Class C)
600-660	Plant Operation and Maintenance (Class D)
680-699	General Expenses (Class D)
	<u>Sewer</u>
620-639	Revenue Accounts
820-839	Operation and Maintenance Expenses
840-859	Customer Accounts, Sales and General Administrative Expenses
	<u>Electric</u>
440-459	Revenue Accounts
500-599	Production, Transmission and Distribution Expenses
900-949	Customer Accounts, Sales and General Administrative Expenses

- B. 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.
- C. The numbers prefixed to account titles are solely for convenience of reference and are not part of the titles. Each utility may adopt such scheme of account numbers as it deems appropriate; provided, however, that it 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 so kept as to permit

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classification or summarization each accounting period according to the prescribed accounts.

4. Accounting Period

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

5. Accounting to be on Accrual Basis

- A. Each utility shall keep its accounts on the accrual basis. This requires the inclusion in its accounts of all known transactions of appreciable amount that affect the accounts. During the accounting period, certain amounts may have been earned although the collection is not made until a subsequent period, and certain expenses have been incurred, although payment is not made until a subsequent period. At the end of the accounting period the revenues and expenses shall be recognized by charging the appropriate revenue and expense accounts and corresponding liability or receivable accounts.
- B. Reversing entries may be necessary at the beginning of the subsequent period.
- C. When payments are made in advance for items such as insurance, rents, taxes or interest, the amount applicable to future periods shall be charged to Account 165, Prepayments. These payments are charged to the appropriate accounts for the expense over the relevant period.

6. Submittal of Questions

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

7. Item Lists

Lists of "Items" appearing in the texts of the accounts or elsewhere 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.

8. Delayed Items

Items relating to transactions which occurred prior to the current calendar year but which were not recorded in the books of account shall be included in the same

accounts which would have been charged or credited if the items had not been delayed provided (1) that when the amount of a delayed item is relatively so large that its inclusion in the accounts for a single month would seriously distort the accounts, it may be distributed in equal amounts to the calendar year and (2) that, if the amount of any delayed item is relatively so large that its inclusion in the accounts for a single year would seriously distort the accounts, the amount shall be included in Account 434, Miscellaneous Credits to Surplus, or Account 435, Miscellaneous Debits to Surplus, unless the Commission shall prescribe otherwise in specific instances.

9. 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. The utility is not required to anticipate minor items which would not appreciably affect the accounts.

10. Distribution of Pay and Expenses of Employees

The charges to utility plant, operating expenses and other accounts for services and expenses of employees engaged in activities chargeable to various accounts, such as construction, maintenance, and operation, shall be based upon the actual time engaged in the respective classes of work, or in case that method is not practical, upon the basis of a study of the time actually engaged during a representative period. Charges should not be made to the accounts based upon estimates or in an arbitrary fashion.

11. Payroll Distribution

Underlying accounting data shall be maintained so that the distribution of the cost of labor charged direct to the various accounts will be readily available. Such underlying data shall permit a reasonably accurate distribution to be made of the cost of labor charged initially to clearing accounts so that the total labor cost may be classified between construction, cost of removal, utility operating functions, (source of supply, pumping, transmission and distribution, etc.) and nonutility operations.

12. Operating Reserves

Additions 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. Extraordinary Items

It is the intent that the net income shall reflect all items of profit and loss during the period with the sole exception of prior period adjustments as described in General Instruction 14 and long-term debt as described in Account 181, Unamortized Discount and Expense. 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. Accordingly, there will be events and transactions of significant effect which are abnormal and significantly different from the ordinary and typical activities of the utility, and which would not reasonably be expected to recur in the foreseeable future. (In determining significance, items should be considered individually and not in the aggregate. However, the effects of a series of related transactions arising from a single specific and identifiable event or plan of action should be considered in the aggregate.) To be considered as extraordinary under the above guidelines, an item should be more than approximately 5 percent of income, computed before extraordinary items. Commission approval must be obtained to treat an item of less than 5 percent as extraordinary. Such requests must be accompanied by complete detailed information. (See Accounts 434 and 435)

14. Prior Period Items

- A. Items of profit and loss related to correction of an error in the financial statements of a prior period shall be accounted for as prior period adjustments and excluded from the determination of net income for the current year.
- B. Prior adjustments shall be charged or credited to Account 434, Miscellaneous Credits to Surplus, or to Account 435, Miscellaneous Debits to Surplus, and are not considered in income of the period.
- C. All other items of profit and loss recognized during the year shall be included in the determination of net income for that year.
- D. Changes in depreciation or amortization estimates or methods are considered changes in accounting estimates rather than accounting errors and 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 (1) an income account, (2) Account 186, Miscellaneous Deferred Debits, (3) or Account 253, Other Deferred Credits, as directed by the Commission.

15. Accounting for 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:

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

16. Accounting for Other Departments

If the utility also operates other utility departments, such as electric, sewer, etc, it shall maintain such accounts for the other departments as may be prescribed by proper authority and in the absence of prescribed accounts, it shall maintain such accounts as are proper or necessary to reflect the results of operating each such department. It is not intended that proprietary and similar accounts which apply to the utility as a whole be departmentalized.

Balance Sheet Accounts

Assets and Other Debits

1. Utility Plant Accounts

- 101 Utility Plant in Service
- 101.1 Utility Plant, Financed by Utility Operations or by the Municipality
- 101.2 Utility Plant, Contributed Plant
- 102 Utility Plant Purchased or Sold
- 104 Utility Plant Leased to Others
- 105 Property Held for Future Use
- 106 Completed Construction Not Classified
- 107 Construction Work in Progress
- 111 Accumulated Provision for Depreciation of Utility Plant in Service
- 111.1 Accumulated Provision for Depreciation of Utility Plant, Financed by
Utility Operations or by the Municipality
- 111.2 Accumulated Provision for Depreciation of Utility Plant, Contributed Plant
- 112 Accumulated Provision for Depreciation of Utility Plant Leased to Others
- 113 Accumulated Provision for Depreciation of Property Held for Future Use
- 114 Accumulated Provision for Amortization of Utility Plant in Service
- 115 Accumulated Provision for Amortization of Utility Plant Leased to Others
- 116 Accumulated Provision for Amortization of Property Held for Future Use
- 117 Utility Plant Acquisition Adjustments
- 118 Accumulated Provision for Amortization of Utility Plant Acquisition
Adjustments
- 119 Other Utility Plant Adjustments

2. Other Property and Investments

- 121 Nonutility Property
- 122 Accumulated Provision for Depreciation and Amortization of Nonutility
Property
- 123 Investment in Municipality
- 124 Other Investments
- 125 Sinking Funds
- 126 Depreciation Fund
- 128 Other Special Funds

3. Current and Accrued Assets

131	Cash
134	Special Deposits
135	Working Funds
136	Temporary Cash Investments
141	Notes Receivable
142	Customer Accounts Receivable
143	Other Accounts Receivable
144	Accumulated Provision for Uncollectible Accounts - Credit
145	Receivables from Municipality
154	Plant Materials and Operating Supplies
155	Merchandise
156	Other Materials and Supplies
163	Stores Expense
165	Prepayments
171	Interest and Dividends Receivable
173	Accrued Utility Revenues
174	Miscellaneous Current and Accrued Assets

4. 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

Liabilities and Other Credits

5. Proprietary Capital

200	Capital Paid in by Municipality
215	Appropriated Earned Surplus
216	Unappropriated Earned Surplus
216.1	Unappropriated Earned Surplus, Earnings
216.2	Unappropriated Earned Surplus, Contributed Plant

6. Long-Term Debt

221	Bonds
223	Advances from Municipality
224	Other Long-Term Debt

7. Current and Accrued Liabilities

231	Notes Payable
232	Accounts Payable
233	Payables to Municipality
235	Customer Deposits
236	Taxes Accrued
237	Interest Accrued
241	Tax Collections Payable
242	Miscellaneous Current and Accrued Liabilities

8. Deferred Credits

251	Unamortized Premium on Debt
252	Customer Advances for Construction
253	Other Deferred Credits

9. Operating Reserves

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

Utility Plant

101 Utility Plant in Service

101.1 Utility Plant, Financed by Utility Operations or by the Municipality

- A. This account shall include the original cost of utility plant, (1) included in the prescribed plant accounts and in similar accounts for other utility departments, (2) owned and used by the utility in its utility operations, and (3) having an expectation of life in service of more than one year from the date of installation, which is financed by utility operations or by the municipality, including such plant owned by the utility but held by others. Separate subaccounts shall be maintained for each utility department. This account shall not include contributed plant included in Account 101.2, Utility Plant, Contributed Plant.
- B. The cost of additions to and improvements of property leased from others, which are included in this account, shall be recorded in subaccounts separate and distinct from those relating to owned property. (*See Utility Plant Instruction 5.*)

101.2 Utility Plant, Contributed Plant

This account shall include plant, owned and used by the utility in its utility operations, and having an expectation of life in service of more than one year from the date of installation, which is or will be financed by donations or contributions in cash, services, or property from states, other municipalities or other governmental agencies, individuals, and others for construction purposes.

102 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 and shall be credited with the selling price of like property transferred to others pending the distribution to appropriate accounts. (*See Utility Plant Instruction 4.*)
- B. Within six months from the date of acquisition or transfer of recorded property, the utility shall file with the Commission the proposed journal entries to clear from this account the recorded amounts.

104 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 detail similar to property used by the owner in its utility operations.

105 Property Held for Future Use

- 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: (1) property acquired but never used by the utility in utility service, but held for such service in the future under a definite plan, and (2) 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.
- B. 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 for each utility department for which plant is held for future use.

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

106 Completed Construction Not Classified

At the end of the year or such other date as a balance sheet may be required by the Commission, this account shall include the total of the balances of work orders for utility plant which (1) have been completed and placed in service and (2) have not been classified for transfer to the detailed utility plant accounts.

107 Construction Work in Progress

- A. This account shall include the total of the 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 practical after completion of the job. Further, if a project, such as a pumping station or water treatment plant, is designed to consist of two or more units, which may be placed in service at different dates, the expenditures, which are common to the project as a whole, shall be included in utility plant in service when the first unit is placed in service. Any expenditures, which are identified exclusively with units of property not yet in service, shall be included in this account.

NOTE: See also Account 106, Completed Construction Not Classified.

111 Accumulated Provision for Depreciation of Utility Plant in Service

111.1 Accumulated Provision for Depreciation of Utility Plant, Financed by Utility Operations or by the Municipality

A. This account shall be credited with the following:

(1) Amounts charged to Account 403, Depreciation Expense, for plant and equipment recorded in Account 101.1, Utility Plant, Financed by Utility Operations or by the Municipality; to Account 416, Costs and Expenses of Merchandising, Jobbing, and Contract Work; to other utility departments for shared services; or to clearing accounts for current depreciation expense.

(2) Amounts of depreciation applicable to utility properties acquired as operating units or systems. (*See Utility Plant Instruction 4.*)

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

B. At the time of retirement of depreciable utility plant in Account 101.1, Utility Plant, Financed by Utility Operations or by the Municipality, 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.

C. For general ledger and balance sheet purposes, this account shall be treated as a single provision for depreciation for utility plant recorded in Account 101.1, Utility Plant, Financed by Utility Operations or by the Municipality. For purposes of analysis, however, each utility shall maintain subsidiary records for this account segregated according to the description of the individual plant accounts. These subsidiary records shall reflect the current credits and debits to this account in sufficient detail to show separately for each plant account (a) the amount of accrual for depreciation, (b) the book cost of property retired, (c) cost of removal, (d) salvage, and (e) other items, including recoveries from insurance.

D. When transfers of plant recorded in Account 101.1, Utility Plant, Financed by Utility Operations or by the Municipality, are made from one utility plant account to another, or from or to Account 121, Nonutility Property, the accounting shall be as provided in Utility Plant Instruction 11.

E. The utility is restricted in its use of the accumulated provisions for depreciation to the purpose set forth above. It shall not divert any portion of this account to surplus or make any other use without authorization by the Commission.

111.2 Accumulated Provision for Depreciation of Utility Plant, Contributed Plant

- A. Amounts of depreciation charged to Account 426, Other Income Deductions, for utility plant recorded in Account 101.2, Utility Plant, Contributed Plant.
- B. At the time of retirement of depreciable utility plant in Account 101.2, Utility Plant, Contributed 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.
- C. For general ledger and balance sheet purposes, this account shall be treated as a single provision for depreciation for utility plant recorded in Account 101.2, Utility Plant, Contributed Plant. Each utility shall maintain subsidiary records for this account segregated according to the description of the individual plant accounts.

112 Accumulated Provision for Depreciation of Utility Plant Leased to Others

- A. This account shall be credited with amounts charged to Account 413, Expenses of Utility Plant Leased to Others, for currently accruing depreciation or to Account 435, Miscellaneous Debits to Surplus, for past accrued depreciation of property included in Account 104, Utility Plant Leased to Others. Include also credits for depreciation applicable to plant acquired as operating units or systems, to plant donated to the utility or for losses transferred to Account 182, Extraordinary Property Losses.
- B. The requirements of Account 111, Accumulated Provision for Depreciation of Utility Plant in Service, regarding retirements chargeable to this account and subsidiary data to be maintained shall also be applicable to this account.
- C. The utility is restricted in its use of the accumulated provisions for depreciation to the purposes set forth above. It shall not divert any portion of this account to surplus or make any other use without authorization by the Commission.

113 Accumulated Provision for Depreciation of Property Held for Future Use

This account shall be credited with amounts charged to Account 421, Miscellaneous Nonoperating Income, for depreciation expense on property included in Account 105, Property Held for Future Use. Include also the balance of accumulated provision for depreciation or amortization on property which may be transferred to Account 105, Property Held for Future Use, from other property accounts.

NOTE: Normally, this account will not be used for current depreciation provisions because the service life during which depreciation is computed commences with the date property is included in utility plant in service. However, if special circumstances indicate the propriety of

current accruals for depreciation, such charges shall be made to Account 421, Miscellaneous Nonoperating Income.

114 Accumulated Provision for Amortization of Utility Plant in Service

- A. This account shall be credited with amounts charged to Account 404, Amortization of Limited-Term Utility Plant, for the current amortization of limited-term utility investments or to Account 435, Miscellaneous Debits to Surplus, for past accrued amortization. It shall be credited also with amounts which may be charged to Account 405, Amortization of Other Utility Plant, to Account 425, Miscellaneous Amortization, or the Account 435, Miscellaneous Debits to Surplus, to amortize intangible or other utility plant which does not have a definite or terminable life and is not subject to charges for depreciation expenses.
- 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 434, Miscellaneous Credits to Surplus, or Account 435, Miscellaneous Debits to Surplus, as appropriate.
- C. Records shall be maintained 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 provisions for amortization to the purposes set forth above. It shall not divert any portion of this account to surplus or make any other use without authorization of the Commission.

115 Accumulated Provision for Amortization of Utility Plant Leased to Others

- A. This account shall be credited with amounts charged to Account 413, Expenses of Utility Plant Leased to Others, for the current amortization of limited-term or other investments subject to amortization included in Account 104, Utility Plant Leased to Others, or to Account 435, Miscellaneous Debits to Surplus, for past accrued amortization.
- 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 434, Miscellaneous Credits to Surplus, or Account 435, Miscellaneous Debits to Surplus, as appropriate.
- C. Records shall be maintained to show separately the balance applicable to each class of property which is being amortized.

Balance Sheet – Assets and Other Debits

116 Accumulated Provision for Amortization of Property Held for Future Use

This account shall be credited with amounts charged to Account 421, Miscellaneous Nonoperating Income, for amortization expense on property included in Account 105, Property Held for Future Use. Include also the balance of accumulated provision for amortization on property which may be transferred to Account 105, Property Held for Future Use, from other property accounts.

NOTE: See also the note to Account 113, Accumulated Provision for Depreciation of Property Held for Future Use.

117 Utility Plant Acquisition Adjustments

A. This account shall include the difference between (1) the cost to the purchasing utility of utility plant acquired as an operating unit or system and (2) the original cost, estimated if not known, of such property, less the amount or amounts credited by the purchasing utility at the time of acquisition to accumulated provisions for depreciation and amortization.

B. 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.

118 Accumulated Provision for Amortization of Utility Plant Acquisition Adjustments

This account shall be credited or debited with amounts which are included in Account 406, Amortization of Utility Plant Acquisition Adjustments, Account 425, Miscellaneous Amortization, or Account 435, Miscellaneous Debits to Surplus, for the purpose of providing for the extinguishment of amounts in Account 117, Utility Plant Acquisition Adjustments, in instances where the amortization of Account 117 is not being made by direct write-off of the account.

119 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 included in Account 117, Utility Plant Acquisition Adjustments.

B. Amounts included in this account shall be classified 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

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 included in Account 105, Property Held for Future Use.

122 Accumulated Provision for Depreciation and Amortization of Nonutility Property

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

123 Investment in Municipality

This account shall include the book cost of securities of the municipality owned by the utility and the amount of loans and advances made by the utility to the municipality, when such loans and advances are subject to repayment but are not subject to current settlement.

NOTE: Balances in open accounts with the municipality, which are subject to current settlement, are included in Account 145, Receivables from Municipality.

124 Other Investments

- A. This account shall include the book cost of investments in securities issued or assumed by others 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 records shall be maintained to show the amount of each investment and the investment advances to each person.

NOTE 1: 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 2: Securities held as temporary cash investments shall not be included in this account.

Balance Sheet – Assets and Other Debits - Other Property and Investment Accounts

125 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 special deposit accounts 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 on these obligations.

126 Depreciation Fund

This account shall include the amount of cash and the book cost of investments which have been segregated in a special fund for the purpose of identifying plant assets with the accumulated provisions for depreciation.

128 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 where payment is reasonably assured, and amounts accruing to the utility which are subject to current settlement. Certain exceptions are noted in each account description. Any item the amount or collectibility of which is not reasonably assured unless an adequate provision for possible loss has been made shall not be included in the current and accrued asset accounts. 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

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

134 Special Deposits

This account shall include deposits with fiscal agents or others for the payment of interest and for special purposes other than the payment of interest. Such special 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 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; etc. 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 128, Other Special Funds.

135 Working Funds

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

136 Temporary Cash Investments

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

141 Notes Receivable

This account shall include the book cost, not included elsewhere, of all collectible obligations in the form of notes receivable and similar evidences (except interest

Balance Sheet – Assets and Other Debits - Current and Accrued Accounts

coupons) of money due on demand or within one year from the date of issue, except, however, notes receivable from municipality.

NOTE: The face amount of notes receivable discounted, sold or transferred, without releasing the utility from liability as endorser, 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.

142 Customer Accounts Receivable

- A. This account shall include amounts due from customers for utility service and for merchandising, jobbing and contract work. This account shall not include amounts due from the municipality.
- B. This account shall be maintained to show separately the amounts due for merchandising, jobbing and contract work.

143 Other Accounts Receivable

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

144 Accumulated Provision for Uncollectible Accounts - Credit.

- 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. Concurrent charges shall be made to Account 904, Uncollectible Accounts, for amounts applicable to utility operations and to corresponding accounts for other operations. Records shall be maintained 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: Additions 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 other receivables are necessary, separate subaccounts shall be established under the account in which the receivable is carried.

145 Receivables from Municipality

This account shall include amounts due the utility from the municipality or its other departments which are subject to current settlement.

Note: On the balance sheet, accounts receivable from the municipality may be set off against accounts payable to it.

154 Plant Materials and Operating Supplies

A. This account shall include the cost of plant materials and operating supplies purchased primarily for use in the utility business. It shall include also the book cost of materials recovered in connection with construction, maintenance or the retirement of property, such materials being credited to construction, maintenance or accumulated depreciation provision, respectively, and included in this account 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) cannot be ascertained without undue refinement in accounting, shall be included in this account at current prices for new 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 realizable net amount. 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 practical, shall be adjusted to the accounts credited when the materials were charged to this account.

B. Materials and supplies issued shall be credited to this account and charged to the appropriate construction, operating expense, or other account on the basis of a unit price determined by the use of cumulative average, first-in-first-out, or 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 or other transportation charges when practical 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

Balance Sheet – Assets and Other Debits - Current and Accrued Accounts

NOTE: Where expenses applicable to materials purchased cannot be directly assigned to particular purchases, they shall be charged to Account 163, Stores Expense.

155 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.

156 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.

163 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 exclusive of fuel, as any amount applicable to fuel costs should already have been included in Account 154, Plant Materials and Operating Supplies.

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 material needs, investigating sources of supply, analyzing prices, preparing and placing orders, and related activities to extent applicable to materials handled through stores (Optional. Purchasing department expenses may 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 store 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 at least every two years.

165 Prepayments

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

171 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 in this account but in the account in which is carried the principal on which the interest is accrued.

Balance Sheet – Assets and Other Debits - Current and Accrued Accounts

NOTE B: Interest receivable from the municipality shall be included in Account 145, Receivables from Municipality.

173 Accrued Utility Revenues

At the option of the utility, the estimated amount accrued for service rendered, but not billed at the end of any accounting period, may be included in this account. In case accruals are made for unbilled revenues, they 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 to show the nature of each included asset.

Deferred Debits

181 Unamortized Debt Discount

- A. This account shall include the total of the debit balances in the discount and premium accounts for all classes of long-term debt, determined as provided in the following paragraphs of this account.
- B. A discount and premium account shall be maintained for each class and series of long-term debt issued or assumed by the utility, in which shall be recorded the discount 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 and premium shall be amortized over the life of the respective issues under a plan which will distribute the amounts equitably in a systematic and rational manner over the life of the securities. The amortization shall be on a monthly basis, and the amounts shall be charged to Account 428, Amortization of Debt Discount or credited to Account 429, Amortization of Premium on Debt - Credit, as may be appropriate. The utility may, however, accelerate the writing off of discount where the amounts are insignificant.
- 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, as the case may be, applicable to the debt redeemed, retired and canceled, shall be debited or credited as appropriate to Account 434, Miscellaneous Credits to Surplus, or Account 435, Miscellaneous Debits to Surplus.
- 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, the difference between the reacquisition price and the face value plus any unamortized premium less any unamortized discount, applicable to the debt refunded, shall be included in Account 181, Unamortized Debt Discount, or Account 251, Unamortized Premium on Debt, as appropriate. These amounts shall be amortized in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. The amortization shall be on a monthly basis, and the amounts shall be charged to Account 428, Amortization of Debt Discount, or credited to Account 429, Amortization of Premium on Debt - Credit, as may be appropriate. The utility may elect to

Balance Sheet – Liabilities and Other Credits – Deferred Debit Accounts

account for unamortized gains or losses by immediate write-off where the amounts are insignificant.

- F. Discount 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 432, Interest Charged to Construction.
- G. Expenses associated with the issuance of debt shall be charged directly to Account 428, Amortization of Debt Discount and Expense.

182 Extraordinary Property Losses

- A. When authorized or directed by the Commission, this account shall include extraordinary losses on property abandoned or otherwise retired from service which are not provided for by the accumulated provisions for depreciation or amortization and 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 provision for depreciation. If all, or a portion, of the loss is to be included in this account, the accumulated provision for depreciation shall then be credited and this account charged with the proper amount.
- C. Application to the Commission for permission to use the account shall be accompanied by a statement giving a complete explanation with respect to the items proposed to be included in this account, the period over which, the account is to be written off, and other pertinent information.

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 435, Miscellaneous Debits to Surplus, or to the appropriate operating expense account.
- B. The records supporting the entries to this account shall be maintained so 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.

Balance Sheet – Liabilities and Other Credits – Deferred Debit Accounts

184 Clearing Accounts

The clearing accounts shall include undistributed balances at the date of the balance sheet. Balances in clearing accounts shall be substantially cleared no later than the end of the calendar year unless items held relate to a future period.

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 474, Other Water Revenues.

186 Miscellaneous Deferred Debits

- A. This account shall include all debits not elsewhere provided for, such as miscellaneous work in progress, and unusual or extraordinary expenses, not included in other accounts, which are in process of amortization, and items the proper final disposition of which is uncertain.
- B. This account shall include deferral of conservation-related costs for which the Commission has authorized escrow accounting. Conservation-related entries in this account shall be netted annually with corresponding conservation-related entries in Account 253.
- C. The records supporting the entries to this account shall be maintained so that the utility can furnish full information for each deferred debit.

Proprietary Capital

200 Capital Paid in by Municipality

- A. This account shall include the capital invested by the municipality in the utility which is not subject to repayment by the utility on demand or at a fixed future date. This includes the cost of plant constructed or acquired by the municipality and transferred to the utility free and clear of debt, cash transferred to the utility for construction of plant or for working capital or other permanent investment of the municipality in the utility.
- B. There shall be charged to this account all amounts paid by the utility in liquidation of the capital paid in by municipality.

NOTE: Do not include in this account any amount representing advances subject to repayment or amounts subject to current settlement. (*See* Accounts 223 and 233.)

215 Appropriated Earned Surplus

This account shall include the amount of earned surplus 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.

216 Unappropriated Earned Surplus

216.1 Unappropriated Earned Surplus, Earnings

This account shall include the balance, either debit or credit, of unappropriated surplus arising from earnings.

216.2 Unappropriated Earned Surplus, Contributed Plant

- A. This account shall include donations or contributions in cash, services, or property from states, other municipalities or other governmental agencies, individuals, and others for construction purposes.
- B. The income statement transactions associated with contributed plant, such as depreciation expense, shall be included in this account.

Long-Term Debt

221 Bonds

This account shall include the face value of actually issued and unmatured bonds which are direct obligations of the utility. Bonds which have been issued as general obligations of the municipality shall not be included even though the proceeds of the issue have been devoted to utility purposes. In such a case, the amount of the proceeds received by the utility department shall be recorded as an advance from the municipality and included in Account 223, Advances from Municipality, if subject to repayment by the utility, otherwise in Account 200, Capital Paid in by Municipality.

223 Advances from Municipality

- A. This account shall include the face value of notes payable to the municipality and the amount of open book accounts representing advances from the municipality. It does not include notes and open accounts representing indebtedness subject to current settlement which are included in Account 233, Payables to Municipality.
- B. The records supporting the entries to these accounts shall be maintained to furnish complete information concerning each note and open account.

224 Other Long-Term Debt

This account shall include, until maturity, all long-term debt not otherwise provided for. Separate accounts shall be maintained for each class of obligation, and records shall be maintained to show for each class all details as to date of obligation, date of maturity, interest dates and rates, security for the obligation, etc.

Current and Accrued Liabilities

Current and accrued liabilities are those obligations which have either matured or which become due within one year of maturity: except, however, bonds, receivers' certificates and similar obligations which shall be classified as long-term debt until date of maturity; accrued 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 Notes Payable

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

232 Accounts Payable

This account shall include all amounts payable by the utility which are subject to current settlement, which are not provided for in other accounts.

233 Payables to Municipality

This account shall include amounts payable to the municipality or its other departments which are subject to current settlement.

NOTE: On the balance sheet, accounts payable to the municipality may be set off against accounts receivable from it.

235 Customer Deposits

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

236 Taxes Accrued

A. This account shall be credited with the amount of taxes accrued during the accounting period, corresponding debits being made to the appropriate accounts for tax charges. Such credits may be based upon estimates, but from time to time during the year as the facts become known, the amount of the periodic credits shall be adjusted to include as nearly as can be determined in each year the applicable taxes. Any amount representing a prepayment of taxes applicable to the period subsequent to the date of the balance sheet, shall be shown under Account 165, Prepayments.

Balance Sheet – Liabilities and Other Credits – Current and Accrued Liability Accounts

- B. If accruals for taxes are found to be insufficient or excessive, correction shall be made through current tax accruals. However, if such corrections are so large as to seriously distort current expenses, they shall be charged or credited, as appropriate, to Account 434, Miscellaneous Credits to Surplus, or Account 435, Miscellaneous Debits to Surplus.
- C. The records supporting the entries to this account shall be maintained 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 Interest Accrued

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 to show the amount of interest accrued on each obligation.

241 Tax Collections Payable

This account shall include the amount of taxes, sewage charges or rentals, surcharges, etc., collected by the utility through payroll deductions or otherwise for the account of, and pending transmittal to the proper taxing authority or political subdivision.

NOTE: Do not include liability for taxes assessed directly against the utility which is accounted for as part of the utility's own tax expense.

242 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 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 and premium accounts, for all classes of long-term debt. (*See* Account 181, Unamortized Debt Discount.)

252 Customer Advances for Construction

This account shall include advances by or on behalf of customers for construction that are to be refunded either wholly or in part. When the entire amount is refunded 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 421, Miscellaneous Nonoperating Income.

253 Other Deferred Credits

- A. This account shall include advance billings and receipts and other deferred credit items, not provided for elsewhere, including amounts which cannot be entirely cleared or disposed of until additional information has been received.
- B. This account shall include credits for conservation-related costs for which the Commission has authorized escrow accounting. Conservation-related entries in this account shall be netted annually with corresponding conservation-related entries in Account 186.

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 amounts charged to Account 924, Property Insurance, or other appropriate accounts to cover such risks shall be 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 charged to Account 925, Injuries and Damages, 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 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 to this account, the cost of repairs to property of others, if so provided for 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 purpose for which this reserve is established shall be charged to this account.
- C. A separate account shall be kept for each kind of reserve included in this account.

Balance Sheet – Liabilities and Other Credits – Operating Reserve Accounts

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, shall not be included in this account.

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 to show the amount of each separate reserve and the nature and amounts of the debits and credits.

NOTE: This account includes only such reserves created for operating purposes and does not include any reservations of income, the credits for which should be carried in Account 215, Appropriated Earned Surplus.

Utility Plant Instructions

The water utility plant Accounts 301 to 398, inclusive, are designed to show the investment in the company's tangible and intangible water utility plant which ordinarily has a service life of more than one year.

1. 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.
- 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 detail to identify it. The utility shall be prepared to furnish the Commission the details 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 resulting solely by this form of payment.
- D. Utility plant contributed to the utility or constructed by it from contributions of cash or its equivalent shall be charged to the utility plant Subaccount 101.2, Utility Plant, Contributed Plant, at cost of construction, estimated if not known.

2. Components of Construction Cost

The cost of construction chargeable to the utility plant accounts shall include, where applicable, the direct and overhead costs as listed and defined below:

- A. "Contract Work" includes amounts paid for work performed under contract by other companies, firms, or individuals, costs incident to the award of such contracts, and the inspection of such work.
- B. "Labor" includes the pay and expenses of employees of the utility engaged in construction work. 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.
- C. "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 small value (for example, \$2,000 or less) or of short life, including small portable tools and implements, shall not be charged to utility plant accounts unless the correctness of the accounting 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.

- D. "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 E below.)
- E. "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, ditchers, scrapers, material unloaders, and other labor saving machines. It also includes 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 C, 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, less the appraised or salvage value at time of release from the job, shall be included in the cost of construction.
- F. "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." (*See* Item C, above.)
- G. "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 perpetrators, witness fees, amounts paid to municipalities and others for fire protection, and other analogous items of expenditures in connection with construction work.
- H. "Injuries and damages" includes expenditures or losses in connection with construction work due to injuries to persons and damages to the property of others. It also includes the cost of investigation of and defense against actions for such injuries and damages. Insurance recovered or recoverable due to 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 due to property damages incident to construction shall be credited to the account or accounts charged with the cost of the damages.

- I. "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 and consents. (*See Account 302, Franchises and Consents.*)
- J. "Rents" includes amounts paid for the use of construction quarters and related office space.
- K. "Engineering and supervision" includes the portion of the pay and expenses of engineers, surveyors, draftsmen, inspectors, superintendents and their assistants applicable to construction work.
- L. "General administration capitalized" includes the portion of the pay and expenses of the general officers and administrative and general expenses applicable to construction work.
- M. "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.
- N. "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, embezzlement by employees and agents, and the nonperformance of contractual obligations of others. It does not include worker's compensation or similar insurance on employees included as "labor" in Item B, above.
- O. "Legal expenditures" includes the general law expenditures incurred in connection with construction and the directly related court and legal costs, other than legal expenses included in "protection" in Item G and in "injuries and damages" in Item H.
- P. "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.
- Q. "Interest during construction" includes the net interest cost for the period of construction of borrowed funds used for construction purposes and a reasonable rate on other funds when used. No interest charges shall be included in these accounts for expenditures of abandoned construction projects.

NOTE: When only a part of a plant or project is placed in operation or is completed and ready for service but the construction work as a whole is incomplete, that part of the cost of the property placed in operation, or ready for service, shall be treated as "Utility Plant in Service" and the interest charged to construction shall cease. Interest on the 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 Q, above.

R. "Earnings and expenses during construction" are as follows:

1. 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 land, buildings, etc., and miscellaneous receipts not properly includible in other accounts.
2. The expenses shall consist of the cost of operating the water plant, and other costs incident to the production and delivery of the water for which construction is credited under paragraph (1), 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.

3. Overhead Construction Costs

- A. All overhead construction costs, such as engineering, supervision, general office salaries and expenses, construction engineering and supervision by other than the accounting utility, legal expenses, insurance, injuries and damages, pensions and benefits, taxes and interest, shall be charged to particular jobs or units on the basis of the amounts of the applicable overheads, so that each job or unit shall bear its equitable proportion of such costs and that the entire cost 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 practical, the determination of payroll charges includible in construction overheads shall be based on time card distributions. 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 kept 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.

4. Utility Plant Purchased or Sold

- A. When utility plant constituting an operating unit or system is acquired by purchase after the effective date of this system of accounts, the cost of acquisition, including incidental expenses properly includible in utility plant, shall be charged to Account 102, 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 102, Utility Plant Purchased or Sold, and concurrently charged to the appropriate utility plant in service accounts and to Account 104, Utility Plant Leased to Others, Account 105, Property Held for Future Use, and Account 107, 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 the purchaser's 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 102, Utility Plant Purchased or Sold, and concurrently credited to the appropriate account for accumulated provision for depreciation or amortization.
 3. The cost to the utility of any nonutility property shall be transferred to Account 121, Nonutility Property.
 4. The amount remaining in Account 102, Utility Plant Purchased or Sold, shall then be closed to Account 117, 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 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 constituting an operating unit or system, the utility shall procure, if possible, all existing records relating to the property acquired, or certified copies, 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, 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 117, Utility Plant Acquisition Adjustments, and the amounts (estimated if not known) carried in the accounts for accumulated provision for depreciation and amortization and in Account 252, Customer Advances for Construction shall be charged to such accounts and the contra entries made to Account 102, 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 434, Miscellaneous Credits to Surplus, or Account 435, Miscellaneous Debits to Surplus. (See Account 102, Utility Plant Purchased or Sold.)

5. Expenditures on Leased Property

- A. The cost of substantial initial improvements (including repairs, rearrangements, additions, and improvements) made in the course of preparing for utility service property leased for a period of more than one year, and the cost of subsequent substantial additions, replacements, or improvements 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 404, Amortization of Limited-Term Utility Plant. However, if the service life is not terminated by action of the lease but by becoming fully depreciated, 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.

6. 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 and land rights and rights-of-way costs incurred in connection with first clearing and grading of land and rights-of-way and the damage costs associated with the construction and installation of 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 shall be charged to the appropriate tax account.

- C. The net profit from the sale of timber, cord wood, or other property acquired with rights-of-way or other lands shall be credited to the appropriate plant account. Where land is held for a considerable period of time and timber on the land at the time of purchase increases in value, the net profit (after giving effect to the cost of the timber) from the sales of timber or its products shall be credited to Account 421, Miscellaneous Nonoperating Income.
- D. 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 or use, 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.
- E. Any difference between the amount received from the sale of land or land rights, less agents' commissions and other costs incident to the sale, and the book cost of such land or rights, shall be charged or credited as appropriate to Account 434, Miscellaneous Credits to Surplus, or Account 435, Miscellaneous Debits to Surplus, unless a reserve has been authorized and provided. Appropriate adjustments of the accounts shall be made with respect to any structures or improvements located on land sold.
- F. 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 utility 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.
- G. 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 105, Property Held for Future Use, or Account 121, Nonutility Property, as appropriate.
- H. Provision shall be made for amortizing amounts carried in the accounts for limited-term interests in land to apportion equitably the cost of each interest over its life. (*See* Account 114, Accumulated Provision for Amortization of Utility Plant in Service, and Account 404, Amortization of Limited-Term Utility Plant.)

- I. The items of cost to be included in the accounts for land and land rights are as follows:
1. Appraisals prior to closing title
 2. Bulkheads, buried not requiring maintenance or replacement
 3. Cost, first, of acquisition including mortgages and other liens assumed (but not subsequent interest)
 4. Cost such as recording power of attorney, recording will or exemplification of will, recording satisfaction of state tax
 5. Condemnation proceedings, including court and counsel costs
 6. Consents and abutting damages, payments
 7. Conveyancers' and notaries' fees
 8. Fees, commissions, and salaries to brokers, agents, and others in connection with the acquisition of the land or land rights
 9. Leases, cost of voiding upon purchase to secure possession of land
 10. Mortgage, filing satisfaction of
 11. 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
 12. Retaining walls unless identified with structures
 13. Rights-of-way, labor and expenses in connection with securing where performed by utility employees and agents
 14. Sidewalks and curbs constructed by the utility on public property
 15. 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
 16. 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
 17. Taxes assumed, accrued to date of transfer of title
 18. Title, examining, clearing, insuring, and registering in connection with the acquisition and defending against claims relating to the period prior to the acquisition

7. Structures and Improvements

- A. The accounts for structures and improvements include the cost of all buildings and facilities to house, support, or safeguard property of persons, including (1) all fixtures permanently attached to and made a part of buildings and which cannot be removed without cutting into the walls, ceilings, or floors, or without in some way impairing the buildings, and (2) 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 foundations not intended to outlast the machinery or apparatus for which provided, and the cost of angle irons, castings, etc., installed at the base of an item of equipment, shall be charged to the same account as the cost of the machinery, apparatus, or equipment.
- C. Minor buildings and structures shall be considered a part of that facility constructed or operated and the cost 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, 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, reservoir, etc. forms also the foundation of a building, such foundation shall be considered a part of the dam, reservoir, etc.
- 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:
 - (1) 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 the work in connection with which the material is used or
 - (2) 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 buildings for purposes of display or demonstration shall not be included in the cost of the building but in the appropriate equipment account.
- H. The items of cost to be included in the accounts for structures and improvements are as follows:
 - 1. Architects' plans and specifications including supervision
 - 2. Athletic field structures and improvements
 - 3. 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.
 - 4. Bulkheads, including dredging, riprap fill, piling, decking, concrete, fenders, etc., when exposed and subject to maintenance and replacement
 - 5. Chimneys
 - 6. Commissions and fees to brokers, agents, architects and others
 - 7. Conduit (not to be removed) with its contents
 - 8. Damages to abutting property during construction
 - 9. Docks
 - 10. Door checks and door stops

11. Drainage and sewerage systems
12. Elevators, cranes, hoists, etc., and the machinery for operating them
13. Electric service equipment
14. Excavation, including shoring, bracing, bridging, refilling, and disposing of excess excavated material, cofferdams around foundation, pumping water from cofferdam during construction, test borings
15. Fences and fence curbs (not including protective fences isolating items of equipment, which should be charged to the appropriate equipment account)
16. Fire protection systems when forming a part of a structure
17. Flagpole
18. Floor covering (permanently attached)
19. Foundations and piers for machinery, constructed as a permanent part of a building or other item listed herein
20. Grading and clearing when directly occasioned by the building of a structure
21. Intrasite communication system, poles, pole fixtures, wires and cables
22. Landscaping, lawns, shrubbery, etc.
23. Leases, voiding upon purchase, to secure possession of structures
24. Leased property, expenditures on
25. Lighting fixtures and outside lighting systems
26. Marquee, permanently attached to building
27. Painting (first cost)
28. Permanent paving, concrete, brick, flagstone, asphalt, etc., within the property line
29. Partitions, including movable
30. Permits and privileges
31. Platforms, railings, and gratings when constructed as a part of a structure
32. Refrigeration systems
33. Retaining walls except when identified with land
34. Roadways, railroads, bridges, and trestles intrasite except railroads provided for in equipment accounts
35. Roofs
36. Scales, connected to and forming a part of a structure
37. Screens
38. Sewer systems
39. Sidewalks, culverts, curbs and streets constructed by the utility on its property
40. Sprinkling system
41. Sump pumps and pits
42. Stacks – brick, steel, or concrete, when set on foundation forming part of general foundation and steelwork of a building
43. Steel inspection during construction
44. Storage facilities constituting a part of a building
45. Storm doors and windows
46. Subways, areaways, and tunnels, directly connected to and forming part of a structure
47. Tanks, constructed as part of a building or as a distinct structural unit
48. Temporary heating during construction (net cost)

49. Temporary water connection during construction (net cost)
50. Temporary structures used during construction (net cost)
51. Topographical maps
52. Tunnels, intake and discharge, when constructed as part of a structure, including sluice gates, and those constructed to house mains
53. Vaults constructed as part of a building
54. Water basins or reservoirs
55. Water front improvements
56. Water supply piping, hydrants and wells
57. Water meters and supply system for a building or for general company purposes
58. Wharves
59. Window shades and ventilators
60. Yard drainage system
61. Yard lighting system
62. Yard surfacing, gravel, concrete, or bituminous, (first cost only)

NOTE: Structures and Improvements accounts shall be credited with the cost of coal bunkers, stacks, foundations, subways, tunnels, etc., the use of which has terminated with the removal of the equipment with which they are associated even though they have not been physically removed.

8. 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, 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 \$2,000 or short life, unless the correctness of the accounting for 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., 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 building and which cannot be removed without cutting

into the walls, ceilings or floors or 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 during an experimental or test period prior to becoming available for service.
- 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.

9. Additions and Retirements of Utility Plant

- 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 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 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 Utility Plant Instruction 4.
 - (2) When a retirement unit is retired from utility plant, with or without replacement, the book cost 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 provision for 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 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 shall be credited to the utility plant account in which it is included. In the event the minor

item is a part of a depreciable plant, the account for accumulated provision for 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 account appropriate for the item, except that if the replacement effects a substantial improvement (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 improvement 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 impractical to determine the book cost of each unit, due to the relatively large number or small cost, 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 (less any accumulated provision for depreciation or amortization which has been authorized and provided) and the sale price of the land (less commissions and other expenses of making the sale) shall be charged or credited as appropriate to Account 434, Miscellaneous Credits to Surplus, or Account 435, Miscellaneous Debits to Surplus. If the land is not used in utility service but is retained by the utility, the book cost shall be charged to Account 105, Property Held for Future Use, for Class AB or Class C utilities and Account 394, Property Held for Future Use, for Class D utilities, 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 111, Accumulated Provision for 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 111, Accumulated Provision for Depreciation of Utility Plant in Service.
- G. The accounting for the retirement of amounts included in Account 302, Franchises and Consents, and Account 303, Miscellaneous Intangible Plant, 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 114, Accumulated Provision for Amortization of Utility Plant in Service, Account 404, Amortization of Limited-Term Utility Plant, and Account 405, Amortization of Other Utility Plant.

10. Work Order and Property Record System Required (Optional for Class C and Class D Utilities)

- A. Each Class AB 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 Class AB utility shall keep its work order system to show the nature of each addition to or retirement of utility plant, the total cost, 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 Class AB utility shall maintain records in which, for each plant account, the amounts of the annual additions and retirements are classified to show the number and the cost of the various retirement units or other appropriate record units.

11. Transfers of Property

When property is transferred from one account for utility plant to another, from one utility department to another, from one operating division or area to another, to or from Account 101, Utility Plant in Service, Account 104, Utility Plant Leased to Others, Account 105, Property Held for Future Use, and Account 121, Nonutility Property, the transfer shall be recorded by transferring the original cost from the one account, department, or location to the other. Any related amounts carried in the accounts of accumulated provision for depreciation or amortization shall be transferred in accordance with the segregation for such accounts.

12. Common Utility Plant

- A. If the utility is engaged in more than one utility service such as water, wastewater, electric and natural 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 impractical to segregate it by utility services currently in the accounts, such property 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 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 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 appropriate accounts and the allocation of such expenses to the departments using the common utility plant shall be supported to reflect readily the basis of allocation used.

13. Supply, Transmission, and Distribution Mains

All mains, pipes, aqueducts, canals, or other facilities for carrying water shall be classified according to their primary functional use as follows:

- A. "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.
- B. "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 to customers.

14. Multiple Use Plant

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

15. Amortizable Property

- A. All references in these USOA to the maintenance of plant account records (examples: the number of record or retirement units, the location of retirement units or physical inventories) are suspended for amortizable equipment.
- B. All references in these USOA to the accounting for retirements to reflect mortality experience and percentages of salvage or cost of removal are suspended for amortizable equipment.
- C. All references in these USOA to the accounting for net salvage in the Account 111, Accumulated Provision for Depreciation of Utility Plant in Service, are suspended for amortizable equipment.
- D. The annual amortization expense will be increased/decreased for costs of removal and salvage in the year of occurrence.
- E. The qualifying equipment will be amortized as follows:

Utility Plant - Instructions

- (1) For Utility Plant, Financed by Utility Operations or by the Municipality (Account 101.1) by a charge to Account 403, Depreciation Expense, and a credit to Account 111.1, Accumulated Provision for Depreciation of Utility Plant Financed by Utility Operation or by the Municipality, over the fixed amortization time period.
 - (2) For Utility Plant, Contributed Plant (Account 101.2), by a charge to Account 426, Other Income Deductions, and a credit to Account 111.2, Accumulated Provision for Depreciation of Utility Plant, Contributed Plant, over the fixed amortization period.
- F. When net vintage investment equals zero (fully amortized), the vintage account balance will be retired, by charging the full cost of the vintage investment to the vintage account accumulated depreciation and crediting the full cost to the vintage investment account. Individual retirements will not be recorded.

Utility Plant Accounts

1. Intangible Plant

- 301 Organization
- 302 Franchises and Consents
- 303 Miscellaneous Intangible Plant

2. Source of Supply Plant

- 310 Land and Land Rights
- 311 Structures and Improvements
- 312 Collecting and Impounding Reservoirs
- 313 Lake, Rivers, and Other Intakes
- 314 Wells and Springs
- 316 Supply Mains
- 317 Other Water Source Plant

3. Pumping Plant

- 320 Land and Land Rights
- 321 Structures and Improvements
- 323 Other Power Production Equipment
- 325 Electric Pumping Equipment
- 326 Diesel Pumping Equipment
- 328 Other Pumping Equipment

4. Water Treatment Plant

- 330 Land and Land Rights
- 331 Structures and Improvements
- 332 Sand or Other Media Filtration Equipment
- 333 Membrane Filtration Equipment
- 334 Other Water Treatment Equipment

5. Transmission and Distribution Plant

- 340 Land and Land Rights
- 341 Structures and Improvements
- 342 Distribution Reservoirs and Standpipes
- 343 Transmission and Distribution Mains
- 345 Services
- 346 Meters
- 348 Hydrants
- 349 Other Transmission and Distribution Plant

6. General Plant

389	Land and Land Rights
390	Structures and Improvements
391	Office Furniture and Equipment
391.1	Computer Equipment
392	Transportation Equipment
393	Stores Equipment
394	Tools, Shop and Garage Equipment
395	Laboratory Equipment
396	Power Operated Equipment
397	Communication Equipment
397.1	SCADA Equipment
398	Miscellaneous Equipment

Intangible Plant

301 Organization

This account shall include expenditures incurred in organizing the municipal utility and putting it into readiness to do business.

NOTE: This account shall not include any discounts upon securities issued or assumed; nor shall it include any cost incurred in negotiating loans, selling bonds or other evidences of debt.

302 Franchises and Consents

- A. This account shall include amounts paid to the federal government, to a state or to a political subdivision 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 incurred in procuring such franchises, consents or certificates of permission and approval.
- B. Records supporting this account shall be kept to show separately the book cost of each franchise or consent.

303 Miscellaneous Intangible Plant

- A. This account shall include the cost of patent rights, licenses, privileges and other intangible property necessary or valuable in the conduct of utility operations and not specifically chargeable to any other account.
- B. When any item included in this account is retired or expires, the book cost shall be credited to this account and charged to Account 435, Miscellaneous Debits to Surplus, or to Account 114, Accumulated Provision for Amortization of Utility Plant in Service, as appropriate.
- C. This account shall be maintained in such a manner that the utility can furnish full information with respect to the recorded amounts.

Source of Supply Plant

310 Land and Land Rights

This account shall include the cost of land and land rights used in connection with source of supply operations. (See Utility Plant Instruction 6.)

311 Structures and Improvements

This account shall include the cost of structures and improvements used in connection with source of water supply not includible in other accounts provided for source of supply plant. (See Utility Plant Instruction 7.)

312 Collecting and Impounding Reservoirs

This account shall include the cost of structures and improvements used for impounding, collecting and storing water in the source of supply system.

Items

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

313 Lake, River, and Other Intakes

This account shall include the installed cost of lake, river, and other intakes used as source of water supply.

Items

1. Bridges and culverts
2. Clearing land
3. Drainage conduits
4. Gate houses and equipment

Balance Sheet – Source of Supply Plant Accounts

5. Intake wells or cribs
6. Lighting systems
7. Screens and racks

314 Wells and Springs

This account shall include the installed cost of wells and springs used as a source of water supply.

Items

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, but only within the same supply area

316 Supply Mains

This account shall include the installed cost of supply mains, pipes, aqueducts and canals and their appurtenances. (*See Utility Plant Instruction 13.*)

Items

1. Air chambers
2. Blow-offs and overflows
3. Bridges and culverts
4. Canals
5. Electrolysis control equipment
6. Gauges and recorders
7. Jointing and jointing material
8. Manholes
9. Meters and meter houses
10. Municipal inspection or permits
11. Pavement disturbed, including cutting and replacing pavement, pavement base, and sidewalks
12. Pipes, aqueducts or conduits
13. Placing mains and accessories
14. Pressure regulators
15. Protection of street openings
16. Shut-offs
17. Special castings

Balance Sheet – Source of Supply Plant Accounts

- 18. Sterilizing new mains
- 19. Surge tanks
- 20. Trenching, including shoring, bracing, bridging, pumping, backfill and disposal of excess excavated material
- 21. Tunnels
- 22. Valves and appurtenances
- 23. Valve vaults

317 Other Water Source Plant

This account shall include the installed cost of other water source plant which is not properly includible in other source of supply plant accounts.

Pumping Plant

320 Land and Land Rights

This account shall include cost of land and land rights used in connection with pumping operations. (See Utility Plant Instruction 6.)

321 Structures and Improvements

This account shall include cost of structures and improvements used in pumping operations. (See Utility Plant Instruction 7.)

323 Power Production Equipment

- A. This account shall include the installed cost of any equipment used for the production of power for use in pumping operations.
- B. Subdivisions shall be maintained for the cost of equipment used for each type of power produced, such as hydraulic works, generators, etc.

325 Pumping Equipment

This account shall include the installed cost of pumping equipment.

Items

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

326 Diesel Pumping Equipment

This account shall include the installed cost of pumping equipment driven by diesel engines.

Items

- 1. Auxiliary equipment for engines and pumps such as oiling systems, cooling systems, condensers, etc.
- 2. Engines for driving pumps
- 3. Foundations, frames and bed plates
- 4. Ladders, stairs and platforms if a part of pumping unit

Balance Sheet – Liabilities and Other Credits – Pumping Plant Accounts

5. Oil supply lines and accessories
6. Pumps, including setting, gearing, shafting, and belting
7. Regulating, recording and measuring devices
8. Water piping within station, including valves

328 Other Pumping Equipment

This account shall include cost of equipment used in pumping operations not properly includible in Accounts 325 and 326, such as gas engines, gasoline engine and hydraulic pumping equipment. Subdivisions shall be maintained hereunder for each type of pumping equipment.

Water Treatment Plant

330 Land and Land Rights

This account shall include the cost of land and land rights used in connection with water treatment plant operations. (See Utility Plant Instruction 6.)

331 Structures and Improvements

This account shall include the cost of structures and improvements used in connection with the operation of the water treatment plant. (See Utility Plant Instruction 7.)

332 Sand or Other Media Filtration Equipment

This account shall include the installed cost of apparatus, equipment and other facilities used for the treatment of water.

Aerators (when installed as an integral part of the Water Treatment Plant):

1. Air compressor
2. Piping system, including valves
3. Spray nozzles
4. Substructures

Clear Water Basin:

1. Basin
2. Gauges
3. Piping system, including valves
4. Substructures

Filter Plant:

1. Air blower and compressor
2. Filters
3. Gauges
4. Piping system
5. Rate controllers
6. Sand, gravel or other filtering media
7. Substructures
8. Surface work equipment
9. Valve control tables
10. Valve operating mechanism
11. Valves
12. Wash troughs
13. Wash water pumps
14. Wash water tanks

Mixing Chambers:

1. Chambers
2. Mechanical mixers
3. Piping system, including valves

Sedimentation or Coagulation Basin:

1. Basins
2. Coagulant storage tanks
3. Feeder equipment
4. Industrial railroad
5. Mechanical mixers
6. Orifice devices
7. Piping system, including valves
8. Screens and hoists
9. Sludge removal apparatus

NOTE: Protecting superstructures shall be included in Account 331, Structures and Improvements

333 Membrane Filtration Equipment

This account shall include the installed cost of apparatus, equipment and other facilities used for the treatment of water.

Filter Plant:

1. Air blower, compressor, and vacuums
2. Filtering media
3. Gauges.
4. Membranes
5. Piping system
6. Rate controllers
7. Substructures
8. Surface work equipment
9. Valve control tables
10. Valve operating mechanism
11. Valves
12. Wash troughs
13. Wash water pumps
14. Wash water tanks

334 Other Water Treatment Equipment

This account shall include the cost of equipment used in treatment operations not properly includible in Accounts 332 and 333.

Chemical Treatment Plant and Equipment:

1. Agitating equipment
2. Air stripping tower and related equipment

3. Carbonating equipment
4. Chemical manufacturing plants
5. Chemical pumps
6. Chemical handling equipment
7. Activated carbon
8. Dry feed equipment
9. Dry storage bins
10. Electrolytic cell
11. Elevator (when not part of building)
12. Fluoridation equipment
13. Gauges
14. Gravity feed or pump feed apparatus
15. Motors
16. Piping system, including valves
17. Rate controllers
18. Sludge pumps
19. Softening equipment
20. Solution feed equipment
21. Solution tanks
22. Switchboards
23. Weighing equipment

Softening Plant and Equipment:

1. Clear water basins
2. Gauges
3. Gravel
4. Meters
5. Mixing tanks and chambers
6. Permanent chemical softening agents
7. Piping system, including valves
8. Salt solution or brine tanks and appurtenances
9. Salt solution pumps
10. Salt storage bins
11. Sedimentation or coagulation basins
12. Substructures
13. Underdrain systems
14. Wash water controllers

Disinfection Plant and Equipment

1. Chlorination equipment
2. Ozonation equipment
3. Ultraviolet equipment
4. Other technology equipment

Transmission and Distribution Plant

340 Land and Land Rights

This account shall include the cost of land and land rights used in connection with transmission and distribution operations. (*See Utility Plant Instruction 6.*)

341 Structures and Improvements

This account shall include the cost of structures and improvements, other than reservoirs and standpipes, used in connection with transmission and distribution operations. (*See Utility Plant Instruction 7.*)

342 Distribution Reservoirs and Standpipes

This account shall include the cost of reservoirs, tanks, standpipes, and appurtenances used in storing water for distribution. (*See Utility Plant Instruction 7.*)

Items

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. Sewers
16. Spillways and channels
17. Standpipes
18. Superstructures
19. Tanks
20. Towers
21. Valves and appurtenances
22. Valve vaults and houses
23. Water level control apparatus

343 Transmission and Distribution Mains

- A. This account shall include the installed cost of transmission and distribution mains and appurtenances. (*See Utility Plant Instruction 13 and note to Account 673, Maintenance of Transmission and Distribution Mains.*)
- B. Records supporting this account shall be kept to show separately the cost of mains of different sizes and types and of each tunnel, bridge, or river crossing.

Items

- 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. Placing mains and accessories
- 13. Pressure regulators
- 14. Protection of street openings
- 15. Shut-offs
- 16. Special castings
- 17. Sterilizing new mains
- 18. Surge tanks
- 19. Trenching, including shoring, bracing, bridging, pumping, backfill, and disposal of excess excavated material
- 20. Tunnels
- 21. Valves and appurtenances
- 22. Valve vaults

345 Services

- A. This account shall include the installed cost of service pipes and accessories leading to the customer 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.

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. Pavement 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
12. Tapping main
13. Trenching, including shoring, bracing, bridging, pumping, backfill, and disposal of excess excavated material

346 Meters

- A. This account shall include the installed cost of meters used for measuring the quantity of water delivered to users, whether actually in service or held in reserve.
- B. When a meter is permanently retired from service, the amount at which it is included shall be credited to this account.
- C. The records covering meters shall be 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.

Items

1. Meters, including initial testing, automated meter reading (AMR) equipment
2. Meter yokes
3. Meter fittings and connections
4. Valves

NOTE: The cost of removing and resetting meters shall be charged to Account 663, Meter Expenses.

348 Hydrants

- A. This account shall include the installed cost of hydrants in service owned by the utility.
- B. Records shall be kept to show number, size (nominal diameter of bottom connection), number and size of hose connections, diameter of main to which attached and type of hydrants classified as to public use and private use.

Balance Sheet – Liabilities and Other Credits – Transmission and Distribution Plant Accounts

Items

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. Piping
7. Valves and valve boxes

349 Other Transmission and Distribution Plant

This account shall include the installed cost of all other transmission and distribution system plant not provided for in the foregoing account.

Items

1. Cisterns or basins
2. Connections to main
3. Excavation, backfill, and disposal of excess excavated material
4. Fountains, basins, troughs, pools, etc.
5. Pavement disturbed, cutting and replacing pavement, pavement base and sidewalks
6. Piping
7. Valves and valve boxes

General Plant

389 Land and Land Rights

This account shall include the cost of land and land rights used for utility purposes, the cost of which is not properly includible in other land and land rights accounts. (See Utility Plant Instruction 6.)

390 Structures and Investments

This account shall include the cost of structures and improvements used for utility purposes, the cost of which is not properly includible in other structures and improvements accounts. (See Utility Plant Instruction 7.)

391 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.
- B. If the utility has equipment includible in this account at more than one location, separate records shall be maintained for each location.

Items

- 1. Bookcases and shelves
- 2. Desks, chairs, and desk equipment
- 3. Drafting room equipment
- 4. Filing, storage, and other cabinets
- 5. Floor covering
- 6. Library and library equipment
- 7. Office equipment
- 8. Safes
- 9. Tables

391.1 Computer Equipment

- A. This account shall include the original cost of computers and peripheral devices which are designed to perform general administrative information processing activities.
- B. Administrative information processing includes but is not limited to activities such as preparation of financial, statistical, or other business analytical reports; preparation of payroll, customer bills, and cash management reports, and other records and reports not specifically designed for testing, diagnosis, maintenance or control of pumping, treatment, storage or distribution plant.

- C. This account shall include the original cost of initial operating system software for computers classifiable to this account whether acquired separately or in conjunction with associated hardware.
- D. This account does not include the cost of computers, their associated peripheral devices, and their initial operating system software associated with the testing, diagnosis, maintenance or control of pumping, treatment, and storage or distribution plant. Such computers, peripherals, and software shall be classified to the appropriate plant account.

392 Transportation Equipment

This account shall include the cost of transportation vehicles used for utility purposes.

Items

- 1. Automobiles
- 2. Bicycles
- 3. Electrical vehicles
- 4. Motorcycles
- 5. Tractors and trailers
- 6. Trucks
- 7. Other transportation vehicles

393 Stores Equipment

- A. This account shall include the cost of equipment used for the receiving, shipping, handling, and storing 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.

Items

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

394 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.

Items

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

395 Laboratory Equipment

- A. This account shall include the installed cost of laboratory equipment used for general laboratory purposes and not specifically provided for or includible in other departmental or functional plant accounts.

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

Items

1. Autoclaves
2. Barometers
3. Cameras
4. Centrifuges
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 equipment
16. Thermometers
17. Voltmeters
18. Other bacteriological, electrical, chemical, hydraulic or research equipment

396 Power Operated Equipment

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

Items

1. Air compressors, including driving unit and vehicle
2. Backhoes
3. Boring machines
4. Bulldozers and skid loaders
5. Cranes and hoists
6. Engines and generators
7. Pile drivers
8. Pipe cleaning machines
9. Pipe coating or wrapping machines
10. Tractors
11. Trenchers
12. 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.

397 Communication Equipment

This account shall include the installed cost of telephone and wireless equipment for general use in connection with utility operations.

397.1 SCADA Equipment

This account shall include the original cost of computers and peripheral devices including fiber optics, and their initial operating system software which are designed to perform the testing, diagnosis, maintenance or control of pumping, storage or distribution plant.

398 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.

Items

1. First aid and infirmary equipment
2. Kitchen equipment
3. Recreation equipment
4. Other miscellaneous equipment

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

Income Accounts

1. Utility Operating Income

400	Operating Revenues
	Operating Expenses:
401	Operation Expense
402	Maintenance Expense
403	Depreciation Expense
404-407	Amortization Expense
408	Taxes
	Total Operating Expenses
	Net Operating Income
412-413	Income from Utility Plant Leased to Others
	Total Utility Operating Income

2. Other Income

415-416	Income from Merchandising, Jobbing and Contract Work
417	Income from Nonutility Operations
418	Nonoperating Rental Income
419	Interest and Dividend Income
421	Miscellaneous Nonoperating Income
	Total Other Income
	Total Income

3. Miscellaneous Income Deductions

425	Miscellaneous Amortization
426	Other Income Deductions
	Total Income Deductions
	Income Before Interest Charges

4. Interest Charges

427	Interest on Long-Term Debt
428	Amortization of Debt Discount and Expense
429	Amortization of Premium on Debt – Credit
430	Interest on Debt to Municipality
431	Other Interest Expense
432	Interest Charged to Construction – Credit
	Total Interest Charges
	Net Income

Income Statement Accounts

5. Earned Surplus

216	Unappropriated Earned Surplus (at beginning of period)
433	Balance Transferred from Income
434	Miscellaneous Credits to Surplus
435	Miscellaneous Debits to Surplus
436	Appropriations of Surplus
439	Appropriations of Income to Municipal Funds
216	Unappropriated Earned Surplus (at end of period)

Utility Operating Income Account Details

400 Operating Revenues

This account shall include the total amount included in the operating revenue accounts of the regulated utility departments. Separate subaccounts shall be maintained for each regulated utility department.

401 Operation Expense

This account shall include the total amount included in the operation expense accounts of the regulated utility departments. Separate subaccounts shall be maintained for each regulated utility department.

402 Maintenance Expense

This account shall include the total amount included in the maintenance expense accounts of the regulated utility departments. Separate subaccounts shall be maintained for each regulated utility department.

403 Depreciation Expense

- A. This account shall include the amount of depreciation expense for all classes of depreciable utility plant in service recorded in Account 101.1, Utility Plant, Financed by Utility Operations or by the Municipality, except such depreciation expense chargeable to clearing accounts or to Account 416, Costs and Expenses of Merchandising, Jobbing and Contract Work.
- B. The utility shall keep such records of property and property retirements as will reflect the service life of property which has been retired and aid in estimating probable service life by mortality, turnover, or other appropriate methods; and also such records as will reflect the percentage of salvage and cost of removal for property retired from each account, or subdivision for depreciable utility plant.
- C. If the utility is engaged in more than one utility service, a separate account shall be kept for each regulated utility service.

NOTE 1: Depreciation expense applicable to property included in Account 104, Utility Plant Leased to Others, shall be charged to Account 413, Expenses of Utility Plant Leased to Others.

NOTE 2: Depreciation expense applicable to transportation equipment, shop equipment, tools, work equipment and power operated equipment and other general equipment may be charged to clearing accounts as necessary in order to obtain a proper distribution of expenses between construction and operation.

404 Amortization of Limited-Term Utility 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 distribute the book cost of each investment evenly over the period of its benefit to the utility. (See Account 114, Accumulated Provision for Amortization of Utility Plant in Service.)

405 Amortization of Other Utility Plant

- A. When authorized by the 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 charges for 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 over which it is being written off.

406 Amortization of Utility Plant Acquisition Adjustments

This account shall be debited or credited, as the case may be, with amounts includible in operating expenses, pursuant to approval or order of the Commission, for the purpose of providing for the extinguishment of the amount in Account 117, Utility Plant Acquisition Adjustments.

407 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.

408 Taxes

- A. This account shall include the amount of taxes assessed by federal, state, county, municipal, or other local governmental authorities, which are properly chargeable to utility operations. The charge for tax equivalents due to the municipality shall be made in accordance with Wis. Admin. Code § PSC 109.
- B. The charges to this account shall be made or supported to show the amount of each tax and the basis upon which each charge is made. In the case of a utility rendering a number of utility services, taxes includible in this account shall be assigned directly to the utility department which incurred the tax. 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.

Balance Sheet – Liabilities and Other Credits – Utility Operating Income Account Details

NOTE 1: Taxes applicable to nonutility property or investments shall be charged to the account in which the income from the property or investments is included.

NOTE 2: Special assessments for street and similar improvements shall be included in the appropriate utility plant or nonutility property account.

NOTE 3: Taxes specifically applicable to construction shall be included in the cost of construction.

NOTE 4: Taxes assumed by the utility on property leased from others for use in utility operations shall be charged to the appropriate rent expense or clearing account.

NOTE 5: 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 6: 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.

412 Revenues from Utility Plant Leased to Others

413 Expenses of Utility Plant Leased to Others

A. These accounts shall include, respectively, 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 104, Utility Plant Leased to Others, and the expenses attributable to such property.

B. The detail of expenses shall be kept or supported to permit ready summarization as follows:

Operation
Maintenance
Amortization
Depreciation
Rents
Taxes

Other Income

415 Revenues from Merchandising, Jobbing and Contract Work

416 Costs 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 where 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 kept to permit ready summarization of revenues, costs and expenses by such major items as are feasible.

Account 415:

- 1. Charges for installing meters owned by customers
- 2. Charges for tapping mains and installing services
- 3. Discounts and allowances made in settlement of bills for merchandise and jobbing work
- 4. Revenues from sales of meters to customers or others for installation on customers' premises
- 5. Revenues from sale of water appliances and from piping and other jobbing or contract work

Account 416:

- 1. Clerical labor and expenses in merchandise and jobbing activities
- 2. Cost of merchandise sold and of materials used for jobbing work, including transportation, storage and handling
- 3. Inventory adjustments applicable to merchandise and jobbing stock
- 4. Light, heat and power
- 5. Losses from uncollectible accounts
- 6. Payroll and related labor costs and expenses of employees engaged in selling, delivery, and installation of appliances or of jobbing or contract work
- 7. Shop expenses
- 8. Supervision of merchandise and jobbing activities
- 9. Taxes directly assignable to merchandise and jobbing operations
- 10. Tool expenses

417 Income from Nonutility Operations

- A. This account shall include revenues and expenses applicable to operations which are nonutility in character but constitute a distinct operating activity. This account shall be maintained to permit ready summarization as follows:

Bottled Water Revenues
Other Revenues

- B. The expenses shall include all elements of costs incurred in such operations, and the accounts shall be maintained to permit ready summarization as follows:

Operations
Maintenance
Amortization
Depreciation
Rents
Taxes

418 Nonoperating Rental Income

- A. This account shall include all rent revenues and related expenses of land, buildings, or other property included in Account 121, Nonutility Property, which is not used in operations covered by Account 417, Income from Nonutility Operations.

- B. The expenses shall include all elements of costs incurred in the ownership and rental of the property and the account shall be maintained to permit ready summarization as follows:

Operation
Maintenance
Amortization
Depreciation
Rents
Taxes

419 Interest and Dividend Income

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

- B. If any interest or dividends are required to be retained in a special fund and the fund is represented by a reserve, the amount of such addition to the fund shall concurrently be credited to the appropriate reserve account and charged to Account 436, Appropriations of Surplus.

- C. This account may include for each accounting period the pro rata amount necessary to extinguish (during the interval between the date of acquisition and the date of maturity) the difference between the cost to the utility and the face value of interest-bearing securities. Amounts credited or charged shall be concurrently included in the accounts in which the securities are carried.

NOTE: Interest accrued, the payment of which is not reasonably assured, dividends receivable which have not been declared or guaranteed, and interest upon reacquired securities issued or assumed by the utility shall not be credited to this account.

421 Miscellaneous Nonoperating Income

This account shall include all revenue and expense items properly included in the income account and not provided for elsewhere.

Items

1. Contributed Plant (Donations or contributions in cash, services, or property, from states, other municipalities or other governmental agencies, individuals, and others, for construction purposes)
2. Profits from operations of others realized by the utility under contracts
3. Profit on sale of timber (*See* Utility Plant Instruction 6.)

Miscellaneous Income Deductions

425 Miscellaneous Amortization

This account shall include amortization charges not included in other accounts which are properly deductible in determining the income of the utility before interest charges. Charges included, if significant in amount, must be in accordance with an orderly and systematic amortization program. Similar charges made irregularly without a definite program, or which are dependent upon the amount of net income shall be charged to Account 435, Miscellaneous Debits to Surplus.

Items

1. Amortization of utility plant acquisition adjustments, or of intangibles included in utility plant in service when not authorized to be included in utility operating expenses by the Commission.
2. Amortization of amounts in Account 182, Extraordinary Property Losses, when not authorized to be included in utility operating expenses by the Commission.
3. Amortization of regulatory assets or liabilities as directed by the Commission.

426 Other Income Deductions

This account shall include miscellaneous expense items which are nonoperating in nature but which are properly deductible before determining total income before interest charges.

Items

1. Depreciation expense on property, plant and equipment recorded in Account 101.2, Utility Plant, Contributed Plant
2. Expenditures for the purpose of:
 - (a) 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
 - (b) 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
 - (c) Obtaining approval, modification or revocation of franchises
3. Life insurance of officers and employees where utility is beneficiary (net premiums less increase in cash surrender value of policies)
4. Penalties or fines for violations of statutes pertaining to regulation

Interest Charges

427 Interest on Long-Term Debt

- A. This account shall include in each accounting period the amount of interest applicable to outstanding long-term debt issued or assumed by the utility, the liability for which is included in Account 221, Bonds, or Account 224, Other Long-Term Debt.
- B. This account shall be kept to show the interest accruals on each class and series of long-term debt.

NOTE: This account shall not include interest on nominally issued or nominally outstanding long-term debt, including securities assumed.

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.
- B. Debt expenses as defined in the Definition Section shall be charged directly to this account.
- C. This account shall be kept to show the debt discount and expense on each class and series of long-term debt.

429 Amortization of Premium on Debt - Credit

- 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.

430 Interest on Debt to Municipality

- A. This account shall include in each accounting period interest accrued on amounts included in Account 223, Advances from Municipality, and on all other obligations to the municipality.
- B. The records supporting the entries to this account shall be kept to show to whom the interest is to be paid, the period covered by the accrual, the rate of interest and the principal amount of the advances or other obligations on which the interest is accrued.

Balance Sheet – Liabilities and Other Credits – Interest Charges Accounts

431 Other Interest Expense

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

Items

1. Interest on customers' deposits
2. Interest on claims and judgments, tax assessments, and assessments for public improvements past due
3. Interest on notes payable on demand or maturing one year or less from date and on open accounts, except notes and accounts with the municipality

432 Interest Charged to Construction - Credit

This account shall include concurrent credits for interest charged to construction based upon the net cost for the period of construction of borrowed funds used for construction purposes and a reasonable rate upon other funds when so used. (*See* Utility Plant Instruction 2 (Q).)

Earned Surplus

433 Balance Transferred from Income

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

434 Miscellaneous Credits to Surplus

This account shall include credits affecting earned surplus not provided for elsewhere. To permit ready analysis, all items included in this account shall be sufficiently described in the related entries.

Items

1. Delayed credits as provided in General Instruction 8
2. Profit on sale of property or investments
3. Profit on reacquisition and resale or retirement of utility's debt securities
4. Prior period adjustments

435 Miscellaneous Debits to Surplus

This account shall include amounts chargeable to earned surplus but not provided for elsewhere. All items included in this account shall be sufficiently described in the entries to permit ready analysis.

Items

1. Amortization of utility plant acquisition adjustments or of intangibles when not done under an orderly systematic program indicating the propriety of inclusion of the annual charges in Account 425, Miscellaneous Amortization
2. Delayed debits as provided in General Instruction 8
3. Decline in value of investments
4. Long-term debt discount or expense written off
5. Loss on sale of property or investments
6. Loss on reacquisition and resale or retirement of utility's debt securities
7. Preliminary survey and investigation expenses on abandoned projects
8. Provision for past accrued depreciation not provided for
9. Prior period adjustment

436 Appropriations of Surplus

This account shall include appropriations of earned surplus for purposes not provided for elsewhere.

Items

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

Balance Sheet – Liabilities and Other Credits – Earned Surplus Accounts

439 Appropriations of Income to Municipal Funds

This account shall include the amount of cash or other assets payable to the municipality out of the income or earned surplus of the utility subject to limitations set forth in the Wisconsin Statutes.

Operating Revenue Accounts

Introduction and Instructions

The Operating Revenue Accounts section provides the accounting detail for the classification and recording of revenues resulting from the sales of water, water-related services, rents, and other miscellaneous utility activity for which the utility is compensated.

1. Water sales are recorded by customer class and reflect sales to both metered and unmetered customers.
2. Public fire protection service is paid by the municipality, directly by the customer or by some combination of both. The amount shall be updated annually to reflect any expansion of the water distribution system.
3. Private fire protection service is provided to customers electing additional fire protection and is based on the size of the unmetered-connection to the utility's water main.
4. Other operating revenues including forfeited discounts, rents from water property, interdepartmental rents, and other miscellaneous water revenues shall be recorded in this section.

1. Sales of Water

- 460 Unmetered Sales to General Service Customers Revenues
 - 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 Customers
 - 460.5 Unmetered Sales to Multifamily Residential Customers
 - 460.6 Unmetered Sales to Irrigation Customers

- 461 Metered Sales to General Service Customers
 - 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 Customers
 - 461.5 Metered Sales to Multifamily Residential Customers
 - 461.6 Metered Sales to Irrigation Customers

- 462 Private Fire Protection Service
- 463 Public Fire Protection Service
- 465 Other Water Sales
- 466 Sales for Resale
- 467 Interdepartmental Sales

2. Other Operating Revenues

- 470 Forfeited Discounts
- 472 Rents from Water Property
- 473 Interdepartmental Rents
- 474 Other Water Revenues

Account Descriptions

1. Sales of Water

460 Unmetered Sales to General Service Customers

- A. This account shall include the billing for water supplied for residential, commercial, industrial and public authority purposes where the charge is not dependent in any way on the quantity of water delivered but is based on residential equivalent units (REU), diameter of service pipe, number of rooms, 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.
- C. This account shall be subdivided at least as follows:
 - 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 Customers
 - 460.5 Unmetered Sales to Multifamily Residential Customers
 - 460.6 Unmetered Sales to Irrigation Customers

461 Metered Sales to General Service Customers

- A. This account shall include the billing for measured water supplied for residential, commercial, industrial, and public authority 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 Customers
 - 461.5 Metered Sales to Multifamily Residential Customers
 - 461.6 Metered Sales to Irrigation Customers

462 Private Fire Protection Service

- A. This account shall include the billing for the capacity to deliver unmetered fire flows for the protection of specific facilities either privately or publicly owned, which are billed under distinct fire protection rate schedules. The cost of water

supply (volume) is incidental to the demand cost and is included in the authorized rate schedule.

- B. Records shall be readily available to show the amount of revenue under each rate schedule.

463 Public Fire Protection Service

- A. This account shall include the direct Public Fire Protection charge placed on customer bills unless the municipality adopts a resolution to pay the charge. In this case, this account shall include the billing to municipality for the use of mains, hydrants, supply and treatment facilities, and for water delivered in connection with the provision of fire protection to the general public.
- B. Records shall be maintained to show the basis of the billing to each customer and/or municipality.

465 Other Water Sales

- A. This account shall include the billing for water supplied under special contracts or agreements.
- 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 revenues from water supplied for fire protection, interdepartmental sales, resale, or from sales billed under general service classifications. (See Accounts 460, 461, 462, 463, 466, and 467.)

466 Sales for Resale

- A. This account shall include the billing for water supplied (including stand-by service) to other water utilities 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 may take water from the other, the total amount receivable for water supplied to the other party shall be included in this account and the total amount payable for water received from the other party shall be charged to Account 602, 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 that are regulated by this Commission.
- B. Records shall be maintained so that the quantity of water supplied each other department and the associated charges shall be readily available.

NOTE: Charges for water supplied other utility departments not regulated by this Commission shall be included in either Account 460.4, Unmetered Sales to Public Authorities Customers or to Account 461.4, Metered Sales to Public Authorities Customers as may be appropriate.

2. Other Operating Revenues

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.

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 412, Revenues 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 (natural 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 or return and depreciation and 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 for all miscellaneous services and charges billed to customers which are not specifically provided for in other accounts.

Items

1. Commission on sales or distribution of water of others when sold under rates filed by such others.
2. Compensation for minor or 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. Fees for changing, or reconnecting service.
5. Profit on maintenance of private piping (including hydrants) or other installations on customers' premises.
6. 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.
7. Recovery of expenses in connection with unauthorized taking of water (billing for the water used shall be included in the appropriate water revenue account).
8. Return on net investment in meters allocated to the sewer department.

Operation and Maintenance Expenses – Class AB

Introduction

Structure of the Expense Accounts

The expense section of this system of accounts shall be comprised of seven major expense groups: (1) Source of Supply Expenses; (2) Pumping Expenses; (3) Water Treatment Expenses; (4) Transmission and Distribution Expenses; (5) Customer Accounts Expenses; (6) Sales Expenses; and (7) Administrative Expenses.

Reimbursements

Reimbursements of actual costs incurred in connection with joint operations or projects, repairing plant due to damage by others, and obligations to make changes in utility plant (such as highway relocations), shall be credited to the accounts originally charged.

Instructions

1. Supervision and Engineering

The supervision and engineering included in the operating expense accounts shall consist of the pay and expenses of superintendents, engineers, clerks, other employees and consultants engaged in supervising and directing the operations and maintenance of each utility function. Wherever allocations are necessary in order to arrive at the amount to be included in any account, underlying records shall reflect the method and basis of allocation.

Items

Labor:

1. Establishing organizational setup of departments and executing changes
2. Formulating and reviewing routines of departments and executing changes
3. General training and instruction of employees by supervisors whose pay is chargeable to this account. Specific instruction and training in a particular type of work is chargeable to the appropriate functional account
4. Preparing instructions for operations and maintenance activities
5. Preparing or reviewing budgets, estimates, and drawings relating to operation or maintenance for department approval
6. Reviewing and analyzing operating results
7. Secretarial work for supervisory personnel, but not general clerical work chargeable to other accounts
8. Special tests to determine efficiency of equipment operation

Expenses:

9. Consulting fees and expenses
10. Meals, traveling and incidental expenses

2. Maintenance

- A. The cost of maintenance chargeable to the various operating expense and clearing accounts includes labor, materials, overheads and other expenses incurred in maintenance work. A list of work operations applicable generally to utility plant is included below.
- B. Materials recovered in connection with the maintenance of property shall be credited to the same account to which the maintenance cost was charged.
- C. If the book cost of any property is carried in Account 102, Utility Plant Purchases or Sold, the cost of maintaining such property shall be charged to the accounts for maintenance of property of the same class and use, the book cost of which is carried in other utility plant in service accounts. Maintenance of property leased from others shall be treated as provided in Operating Expense Instruction 3.

Items

- 1. Direct field supervision of maintenance
- 2. Inspecting, testing, and reporting on condition of plant specifically to determine the need for repairs, replacements, rearrangements and changes and inspecting and testing the adequacy of repairs which have been made
- 3. Net cost of installing, maintaining, and removing temporary facilities to prevent interruptions in service
- 4. Rearranging and changing the location of plant not retired
- 5. Repairing for reuse materials recovered from plant
- 6. Replacing or adding minor items of plant which do not constitute a retirement unit (*See Utility Plant Instruction 9.*)
- 7. Testing for, locating and resolving problems
- 8. Work performed specifically for the purpose of preventing failure, restoring serviceability or maintaining life of plant

3. Rents

- A. The rent expense accounts provided under the several functional groups of expense accounts shall include all rents, including taxes paid by the lessee on leased property, for property used in utility operations, except (1) minor amounts paid for occasional or infrequent use of any property or equipment and all amounts paid for use of equipment that, if owned, would be included in plant Accounts 391 to 398, inclusive, which shall be treated as an expense item and included in the appropriate functional account and (2) rents which are chargeable to clearing accounts, and distributed to the appropriate account. If rents cover property used for more than one function, such as pumping and distributing, or by more than one department, the rents shall be apportioned to the appropriate rent expense or clearing accounts of each department on an actual, or, if necessary, an estimated basis.
- B. When a portion of property or equipment rented from others for use in connection with utility operations is subleased, the revenue derived from such subleasing shall be credited to the rent revenue account in operating revenues; provided, however, that in case the rent

was charged to a clearing account, amounts received from subleasing the property shall be credited to such clearing account.

- C. The cost, when incurred by the lessee, of operating and maintaining leased property, shall be charged to the accounts appropriate for the expense if the property were owned.
- D. The cost incurred by the lessee of additions and replacements to utility plant leased from others shall be accounted for as provided in Utility Plant Instruction 5.

NOTE: The aggregate of the rents included in the functional operating expense accounts shall be included in the income statement in Account 401, Operation Expense. However, where the rents are significant the aggregate amount shall be shown separately in the income statement.

Listing of Accounts

1. Source of Supply Expenses

Operation

- 600 Operation Supervision and Engineering
- 601 Operation Labor and Expenses
- 602 Purchased Water
- 603 Miscellaneous Expenses
- 604 Rents

Maintenance

- 610 Maintenance Supervision and Engineering
- 611 Maintenance of Structures and Improvements
- 612 Maintenance of Collecting and Impounding Reservoirs
- 613 Maintenance of Lake, River and Other Intakes
- 614 Maintenance of Wells and Springs
- 616 Maintenance of Supply Mains
- 617 Maintenance of Miscellaneous Water Source Plant

2. Pumping Expenses

Operation

- 620 Operation Supervision and Engineering
- 621 Fuel for Power Production
- 622 Power Production Labor Expenses
- 623 Fuel or Power Purchased for Pumping
- 624 Pumping Labor and Expenses
- 625 Expenses Transferred – Credit
- 626 Miscellaneous Expenses
- 627 Rents

Maintenance

- 630 Maintenance Supervision and Engineering
- 631 Maintenance of Structures and Improvements
- 632 Maintenance of Power Production Equipment
- 633 Maintenance of Pumping Equipment

3. Water Treatment Expenses

Operation

- 640 Operation Supervision and Engineering
- 641 Chemicals
- 642 Operation Labor and Expenses
- 643 Miscellaneous Expenses
- 644 Rents

Operation and Maintenance Expenses – Class AB – Listing of Accounts

Maintenance

- 650 Maintenance Supervision and Engineering
- 651 Maintenance of Structures and Improvements
- 652 Maintenance of Water Treatment Equipment

4. Transmission and Distribution Expenses

Operation

- 660 Operation Supervision and Engineering
- 661 Storage Facilities Expenses
- 662 Transmission and Distribution Lines Expenses
- 663 Meter Expenses
- 664 Customer Installation Expenses
- 665 Miscellaneous Expenses
- 666 Rents

Maintenance

- 670 Maintenance Supervision and Engineering
- 671 Maintenance of Structures and Improvements
- 672 Maintenance of Distribution Reservoirs and Standpipes
- 673 Maintenance of Transmission and Distribution Mains
- 675 Maintenance of Services
- 676 Maintenance of Meters
- 677 Maintenance of Hydrants
- 678 Maintenance of Miscellaneous Plant

5. Customer Accounts Expenses

Operation

- 901 Supervision
- 902 Meter Reading Expenses
- 903 Customer Records and Collection Expenses
- 904 Uncollectible Accounts
- 905 Miscellaneous Customer Accounts Expenses
- 906 Customer Service and Information Expenses

6. Sales Expenses

Operation

- 910 Sales Expenses

7. Administrative and General Expenses

Operation

- 920 Administrative and General Salaries
- 921 Office Supplies and Expenses
- 922 Administrative Expenses Transferred – Credit
- 923 Outside Services Employed
- 924 Property Insurance

Operation and Maintenance Expenses – Class AB – Listing of Accounts

925	Injuries and Damages
926	Employee Pensions and Benefits
928	Regulatory Commission Expenses
929	Duplicate Charges – Credit
930	Miscellaneous General Expenses
931	Rents
Maintenance	
932	Maintenance of General Plant

Account Descriptions

1. Source of Supply Expenses

Operation

600 Operation Supervision and Engineering

This account shall include the cost of labor and expenses incurred in the general supervision and direction of the operation of water source of supply facilities. Direct supervision of specific activities shall be charged to the appropriate account. (*See Expenses Instruction 1.*)

601 Operation Labor and Expenses

This account shall include the cost of labor, materials used and expenses incurred in the operation of the source of supply plant.

Items

Labor:

1. Cutting brush and weeds
2. Electrolysis and soil corrosion investigations
3. Keeping plant log and records and preparing reports of operation
4. Operating and lubricating gates and valves
5. Patrolling and inspecting
6. Removing organic growth
7. Removing sediment

Materials and Expenses:

8. Attendants' supplies
9. Charts and gauge supplies
10. Lubricants and waste
11. Tools
12. Transportation, meals and incidental expenses

602 Purchased Water

- A. This account shall include the cost at the point of delivery of water purchased for resale. This includes charges for readiness to serve and the portion applicable to each accounting period of annual or more frequent payments for the right to divert water at the source of supply.
- B. The records supporting this account shall be maintained to show for each supplier from which water is purchased, point of delivery, quantity purchased, basis of charges, and the cost of water purchased. (*See Note to Account 466, Sales for Resale*)

603 Miscellaneous Expenses

This account shall include the cost of labor, materials used and expenses incurred which are not specifically provided for or are not readily assignable to other water source of supply expense accounts.

Items

Labor:

1. Building service
2. Care of grounds including snow removal, cutting grass, etc.
3. General clerical work at source of supply offices
4. Preparing maps

Materials and Expenses:

5. Building service supplies
6. Cost of nonproductive wells (or amortization thereof) drilled as part of a project which did not result in a source of water within the same supply area (See Account 183, Preliminary Survey and Investigation Charges)
7. First-aid supplies and safety equipment
8. Map record supplies
9. Miscellaneous office supplies and expenses, printing and stationery
10. Utility service

604 Rents

This account shall include all rents of property of others used, occupied, or operated in connection with the source of supply system. (*See Expenses Instruction 3.*)

610 Maintenance Supervision and Engineering

This account shall include the cost of labor and expenses incurred in the general supervision and direction of the maintenance of water source of supply facilities. Direct supervision of specific jobs shall be charged to the appropriate expense account. (*See Expenses Instruction 1.*)

611 Maintenance of Structures and Improvements

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of structures and improvements, the book cost of which is included in Account 311, Structures and Improvements, and of similar property leased from others. (*See Expenses Instruction 2.*)

612 Maintenance of Collecting and Impounding Reservoirs

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of collecting and impounding reservoirs, the book cost of which is included in Account 312, Collecting and Impounding Reservoirs, and of similar property leased from others. (*See Expenses Instruction 2.*)

613 Maintenance of Lake, River and Other Intakes

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of lake, river and other intakes, the book cost of which is included in Account 313, Lake, River and Other Intakes, and of similar property leased from others. (*See Expenses Instruction 2.*)

614 Maintenance of Wells and Springs

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of wells and springs, the book cost of which is included in Account 314, Wells and Springs, and of similar property leased from others. (*See Expenses Instruction 2.*)

616 Maintenance of Supply Mains

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of mains and appurtenances, the book cost of which is included in Account 316, Supply Mains, and of similar property leased from others. (*See Expenses Instruction 2.*)

617 Maintenance of Miscellaneous Water Source Plant

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of other water source plant, the book cost of which is included in Account 317, Other Water Source Plant, and any general or other plant the maintenance of which is assignable to the source of supply function and is not provided for elsewhere. (*See Expenses Instruction 2.*)

2. Pumping Expenses

620 Operation Supervision and Engineering

This account shall include the cost of labor and expenses incurred in the general supervision and direction of the operation of power production and pumping. Direct supervision of specific activities such as fuel handling, power production, etc, shall be charged to the appropriate account. (*See Expenses Instruction 1.*)

621 Fuel for Power Production

- A. This account shall include the cost of fuel used in the production of power to operate 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 carried under Account 154, Plant Materials and Operating Supplies, and cleared to this account on the basis of the fuel used. Fuel handling expenses may be charged to this account as incurred.

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- C. The net cost of disposal of residuals (disposal expenses less proceeds from any sales) shall be included.

622 Power Production Labor and Expenses

This account shall include the cost of labor, materials used and expenses incurred in the production of power used to operate pumps. This includes all expenses in preparing and handling of fuel incurred beyond the point where the fuel enters the first boiler plant bunker, hopper tank or holder, etc., and all expense involved in disposal of fuel residuals.

Items

Labor:

1. Cleaning power production plant equipment when not incidental to maintenance work
2. Direct supervision of power production
3. Keeping power production log and records and preparing reports on power production operation
4. Operating fuel conveying, storage, measuring and processing equipment within power production plant
5. Operating other power production equipment
6. Testing, checking, and adjusting meters, gauges and other instruments and equipment in power production plant

Materials and Expenses (other than fuel):

7. Chemicals and inspection fees
8. Lubricants

623 Fuel or Power Purchased for Pumping

- A. This account shall include the cost of fuel or power purchased used directly in operation of pumps.
- B. This account shall also include the cost of power transferred to water pumping operations from other departments under joint facility arrangements.
- C. The cost of fuel shall be charged initially to appropriate fuel accounts carried under Account 151, Fuel, and cleared to this account on the basis of the fuel used.

Items

1. Diesel fuel
2. Electric power
3. Gasoline
4. Gas
5. Other fuel or power

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624 Pumping Labor and Expenses

This account shall include the cost of labor, materials used and expenses incurred in operating pump and auxiliary equipment.

Items

Labor:

1. Cleaning pumping equipment when not incidental to maintenance work
2. Direct supervision of pumping operations
3. Keeping plant log and records and preparing reports of operation
4. Operating pump, turbines, and engines
5. Operating condensers, circulating water systems and other auxiliary apparatus
6. Operating control and protective equipment
7. Operating lubrication and oil control systems, including oil purification
8. Operating valves to point where water enters the water treatment or transmission and distribution system
9. Testing, checking and adjusting meters, gauges and other instruments, controls, etc., in the pumping plant

Materials and Expenses (other than power purchased):

10. Lubricants, waste, gaskets, etc.
11. Transportation, meals and incidental expenses

625 Expenses Transferred - Credit

- A. This account shall include credits for expenses of power production or pumping which are charged to others or to other departments under a joint operating arrangement. Include also credits for expenses chargeable to other water accounts outside the pumping group. Full details of the basis of determination of the cost transferred shall be maintained.
- B. If the charges to others or to other departments of the utility include an amount for depreciation, taxes and return on the joint facilities, such portion of the charge shall be credited, in the case of others, to Account 472, Rents from Water Property, and in the case of other departments of the utility, to Account 473, Interdepartmental Rents.

626 Miscellaneous Expenses

This account shall include the cost of labor, materials used and expenses incurred which are not specifically provided for or are not readily assignable to other pumping expense accounts.

Items

Labor:

1. Building service
2. Care of grounds including snow removal, cutting grass, etc.
3. General clerical work.

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4. Miscellaneous labor

5. Plant security

Materials and Expenses:

6. Building service supplies

7. First-aid supplies and safety equipment

8. General operating supplies

9. Miscellaneous office supplies and expenses, printing and stationery

10. Transportation, meals, and incidental expenses

11. Utility service

627 Rents

This account shall include all rents of property of others used, occupied or operated in connection with the pumping of water. (*See Expenses Instruction 3.*)

630 Maintenance Supervision and Engineering

This account shall include the cost of labor and expenses incurred in the general supervision and direction of the maintenance of power production and pumping plant. Direct supervision of specific maintenance work shall be charged to the appropriate maintenance account. (*See Expenses Instruction 1.*)

631 Maintenance of Structures and Improvements

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of structures and improvements used in connection with pumping, the book cost of which is included in Account 321, Structures and Improvements, and of similar property leased from others. (*See Expenses Instruction 2.*)

632 Maintenance of Power Production Equipment

A. This account shall include the cost of labor, materials used and expenses incurred in the maintenance of power production equipment used directly in pumping operations, the book cost of which is included in Account 323, Power Production Equipment, and of similar equipment leased from others.

B. For the purpose of making changes to this account and to Account 633, Maintenance of pumping Equipment, the point at which power production plant is distinguished from pumping equipment is defined as follows:

1. Flange of all steam extraction lines on prime mover

2. Hotwell pump outlet on condensate lines

3. Inlet flange of all turbine room auxiliaries

4. Inlet flange of throttle valve on prime mover

633 Maintenance of Pumping Equipment

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of pumping equipment, the book cost of which is included in Accounts 325, Electric Pumping Equipment, 326, Diesel Pumping Equipment, 327, Hydraulic Pumping Equipment, and 328, Other Pumping Equipment, and of similar equipment leased from others, and any general or other plant the maintenance of which is assignable to the pumping function and is not provided for elsewhere. (*See Paragraph B of Account 632, Maintenance of Power Production Equipment.*)

3. Water Treatment Expenses

640 Operation Supervision and Engineering

This account shall include the cost of labor and expenses incurred in the general supervision and direction of the operation of water treatment facilities. Direct supervision of specific activities shall be charged to the appropriate account. (*See Expenses Instruction 1.*)

641 Chemicals

This account shall include the cost of all chemicals used in the treatment of water.

642 Operation Labor and Expenses

This account shall include the cost of labor, materials used and expenses incurred in the operation of the water treatment plant.

Items

Labor:

1. Applying chemicals
2. Cleaning basins
3. Operating filters
4. Operating fluoridation plant
5. Operating water softening plant
6. Removing ice
7. Removing sediment
8. Testing and analyzing

Materials and Expenses:

9. Charts
10. Lubricants, waste, etc.
11. Shop and laboratory expenses
12. Transportation, meals and incidental expenses
13. Utility service

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643 Miscellaneous Expenses

This account shall include the cost of labor, materials used and expenses incurred which are not specifically provided for or are not readily assignable to other water treatment operation expense account.

Items

Labor:

1. Building service
2. Care of grounds including snow removal, cutting grass, etc.
3. General clerical work
4. Miscellaneous labor
5. Plant security

Materials and Expenses:

6. Building service supplies
7. First-aid supplies and safety equipment
8. General operating supplies
9. Miscellaneous office supplies and expenses, printing and stationery
10. Transportation, meals and incidental expenses
11. Utility service

644 Rents

This account shall include all rents of property of others used, occupied or operated in connection with water treatment. (*See Expenses Instruction 3.*)

650 Maintenance Supervision and Engineering

This account shall include the cost of labor and expenses incurred in the general supervision and direction of the maintenance of water treatment plant. Direct supervision of specific jobs shall be charged to the appropriate maintenance account. (*See Expenses Instruction 1.*)

651 Maintenance of Structures and Improvements

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of structures and improvements, the book cost of which is included in Account 331, Structures and Improvements, and of similar property leased from others. (*See Expenses Instruction 2.*)

652 Maintenance of Water Treatment Equipment

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of water treatment equipment, the book cost of which is included in Account 332, Water Treatment Equipment Sand or Other Media Filtration Equipment, Account 333, Membrane Filtration Equipment, and Account 334, Other Water Treatment Equipment, and of similar equipment leased from others. Include

also any general or other plant the maintenance of which is assignable to the water treatment function and is not provided for elsewhere. (See Expenses Instruction 2.)

4. Transmission and Distribution Expenses

660 Operation Supervision and Engineering

This account shall include the cost of labor and expenses incurred in the general supervision and direction of the operation of the transmission and distribution system. Direct supervision of specific activities shall be charged to the appropriate account. (See Expenses Instruction 1.)

661 Storage Facilities Expenses

This account shall include the cost of labor, materials used and expenses incurred in the operation of distribution reservoirs, tanks, and standpipes.

Items

Labor:

1. Adjusting rust proofing and signal equipment
2. Care of grounds around storage facilities
3. Cleaning and flushing of storage facilities
4. Keeping records and preparing reports
5. Operating and lubricating gates and valves
6. Routine inspection of storage facilities
7. Supervising operation of storage facilities

Materials and Expenses:

8. Operating supplies, such as lubricants, waste, meter and gauge charts, etc.
9. Records and report forms
10. Tool expenses
11. Transportation, meals and incidental expenses
12. Utility services

662 Transmission and Distribution Expenses

This account shall include the cost of labor, materials used and expenses incurred in the operation of transmission and distribution mains, services, and hydrants.

Items

Labor:

1. Electrolysis and soil corrosion investigations and tests
2. Flushing mains and hydrants
3. Operating and lubricating gates and valves
4. Observing and recording pressure
5. Reading and changing charts in master meters
6. Routine security
7. Supervising operation of mains, services and hydrants

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Materials and Expenses:

8. Operating materials, such as lubricants, waste, meter and gauge charts, etc.
9. Tool expenses
10. Transportation, meals and incidental expenses

663 Meter Expenses

This account shall include the cost of labor, materials used and expenses incurred in the operation of customer meters and associated equipment.

Items

Labor:

1. Clerical work on meter history records and reports including programming automated record keeping
2. Inspecting and adjusting meter testing equipment
3. Inspecting and testing meters on premises or in shops other than that incidental to maintenance
4. Removing and resetting, disconnecting and reconnecting, changing and relocating meters and associated equipment, except the cost of the first testing and setting of a meter which shall be charged to utility plant Account 346, Meters
5. Supervising meter operation including testing and debugging automated meter reading (AMR) systems
6. Turning on and shutting off service even though a meter is not installed or removed (other than shutting off for non-payment of bills)

Materials and Expenses:

7. Meter seals and miscellaneous meter supplies including replacing batteries
8. Record and report forms and office supplies for the meter department
9. Utility services for meter department
10. Tool expenses
11. Transportation, meals and incidental expenses

664 Customer Installations Expenses

This account shall include the cost of labor, materials used and expenses incurred in work on customer installations and in inspecting premises and in rendering services to customers of the nature of those indicated by the list of items.

Items

Labor:

1. Changing customers' house piping for the convenience of the utility
2. Investigating customers' service complaints
3. Supervising customer installations work
4. Testing and inspecting customers' plumbing and fixtures
5. Testing and inspecting services installed by the customer

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Materials and Expenses:

6. Materials used in servicing customers' plumbing and fixtures
7. Tool expenses
8. Transportation, meals and incidental expenses

NOTE A: Amounts billed customers for any work, the cost of which is charged to this account, shall be credited to this account. Any excess over costs shall be transferred to Account 474, Other Water Revenues.

NOTE B: Do not include in this account expenses incurred in connection with merchandising, jobbing and contract work.

665 Miscellaneous Expenses

This account shall include the cost of labor, materials used and expenses incurred in transmission and distribution system operation not provided for elsewhere.

Items

Labor:

1. Building service
2. General clerical work, except that chargeable to Account 663, Meter Expenses
3. Miscellaneous labor not provided for elsewhere
4. Operating records, but not plant accounting, covering mains, services, hydrants, valves, and other transmission and distribution facilities. Exclude meter records chargeable to Account 663, Meter Expenses
5. Preparing maps and prints
6. Service interruption and trouble records

Materials and Expenses:

7. Building service supplies
8. First-aid supplies
9. Map and record supplies
10. Printing, stationery, supplies and expenses, except that chargeable to Account 663, Meter Expenses
11. Transportation, meals and incidental expenses
12. Utility Services

666 Rents

This account shall include all rents of property of others used, occupied, or operated in connection with the transmission and distribution system. (*See Expenses Instruction 3.*)

670 Maintenance Supervision and Engineering

This account shall include the cost of labor and expenses incurred in the general supervision and direction of the maintenance of the transmission and distribution

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system. Direct supervision of specific jobs shall be charged to the appropriate maintenance account. (*See Expenses Instruction 1.*)

671 Maintenance of Structures and Improvements

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of structures and improvements, the book cost of which is included in Account 341, Structures and Improvements, and of similar property leased from others. (*See Expenses Instruction 2.*)

672 Maintenance of Distribution Reservoirs and Standpipes

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of distribution reservoirs, tanks, standpipes, and related facilities, the book cost of which is included in Account 342, Distribution Reservoirs and Standpipes, and of similar property leased from others. (*See Expenses Instruction 2.*)

673 Maintenance of Transmission and Distribution Mains

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of mains, the book cost of which is included in Account 343, Transmission and Distribution Mains, and of similar property leased from others. (*See Expenses Instruction 2.*)

NOTE: When a main is changed in grade or is relocated, the original installed cost of the main shall be credited to utility plant and charged to the accumulated provision for depreciation. The original material cost of the main shall then be credited to the accumulated provision for depreciation and charged to utility plant together with the current installation cost of placing the main at the new level or location. The excess of the actual removal and relocation costs of the job over the amount of installation costs included in utility plant as noted above shall be charged to accumulated provision for depreciation, and such charges shall be considered in determining the annual provision for depreciation.

675 Maintenance of Services

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of services, the book cost of which is included in Account 345, Services, and of similar property leased from others. (*See Expenses Instruction 2.*)

676 Maintenance of Meters

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of meters and meter testing equipment, the book cost of which is included in Account 346, Meters, Account 395, Laboratory Equipment, and of similar property leased from others. (*See Expenses Instruction 2.*)

677 Maintenance of Hydrants

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of fire hydrants and associated equipment, the book cost of which is included in Account 348, Hydrants, and of similar property leased from others. (*See Expenses Instruction 2.*)

678 Maintenance of Miscellaneous Plant

This account shall include the cost of labor, materials used and expenses incurred in maintenance of plant, the book cost of which is included in Account 349, Other Transmission and Distribution Plant, and any general or other plant the maintenance of which is assignable to the transmission and distribution function and is not provided for elsewhere. (*See Expenses Instruction 2.*)

5. Customer Accounts Expenses

901 Supervision

This account shall include the cost of labor and expenses incurred in the general direction and supervision of customer accounting and collecting activities. Direct supervision of a specific activity shall be charged to Account 902, Meter Reading Expenses, or Account 903, Customer Records and Collection Expenses, as appropriate. (*See Expenses Instruction 1.*)

902 Meter Reading Expenses

This account shall include the cost of labor, materials used and expenses incurred in reading customer meters remotely or on site, and determining consumption.

Items

Labor:

1. Addressing forms for obtaining meter readings by mail or electronically
2. Changing and collecting meter charts or computer programs used for billing purposes
3. Checking seals, etc., when performed by meter readers and the work represents a minor activity incidental to regular meter reading routine
4. Collecting from prepayment meters when incidental to meter reading
5. Computing consumption from meter reader's mailed in reports or electronic records
6. Computing estimated or average consumption
7. Obtaining a meter reading for billing purposes. Exclude and charge to Account 663, Meter Expenses, or to Account 903, Customer Records and Collection Expenses, as applicable, the cost of obtaining meter readings, first and final, if incidental to the operation of removing or resetting, sealing or locking, and disconnecting or reconnecting meters

Materials and Expenses:

8. Meter books, binders and forms as well as computer supplies for recording reading, but not the cost of preparation
9. Postage and supplies used in obtaining meter reading by mail
10. Transportation, meals and incidental expenses
11. Uniforms, identification and safety equipment

903 Customer Records and Collection Expenses

This account shall include the cost of labor, material used and expenses incurred in work on customer applications, contracts, orders, credit investigations, billing and accounting, collections and complaints.

Items

Labor:

1. Balancing collections, preparing collections for deposit, and preparing cash reports
2. Balancing customer accounts and controls
3. Checking consumption shown by meter readers' reports or automated meter reading programs where incidental to preparation of billing data
4. Collecting revenues, including collection from prepayment meters unless incidental to meter reading operations
5. Determining consumption and computing estimated or average consumption when performed by employees other than those engaged in reading meters or operating automated meter reading systems
6. Disconnecting and reconnecting service because of nonpayment of bills
7. Final meter reading of delinquent accounts when done by collectors incidental to regular activities
8. Investigating customer credit and keeping of records pertaining to it, including records of uncollectible accounts written off
9. Operating billing and bookkeeping equipment and software
10. Posting collections and other credits or charges to customer accounts and extending unpaid balances
11. Preparing address plates and addressing bills and delinquent notices.
12. Preparing billing data, electronically or by hand
13. Preparing and delivering bills by mail or electronically
14. Preparing, mailing, or delivering delinquent notices and preparing reports of delinquent accounts
15. Preparing meter reading sheets or electronic programs/spreadsheets
16. Receiving, recording, and handling of inquiries, complaints, and requests for investigations from customers, including preparation of necessary orders, but excluding the cost of carrying out such orders, which is chargeable to the account appropriate for the work called for by such orders
17. Receiving, refunding or applying customer deposits and maintaining customer deposit, line extension, and other miscellaneous records

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18. Receiving, preparing, recording and handling routine orders for service, disconnections, transfers or meter tests initiated by the customer, excluding the cost of carrying out such orders, which is chargeable to the account appropriate for the work called for by such orders
19. Statistical and tabulating work on customer accounts and revenues, but not including special analyses for sales department, rate department, or other general purposes, unless incidental to regular customer accounting routines.
20. Verifying billing records with contracts or rate schedules

Materials and Expenses:

21. Mailing and printing supplies including automated meter reading supplies
22. Bank charges, exchange, and other fees for cashing and depositing customers' checks
23. Cash overages and shortages
24. Commissions or fees to others for collecting
25. Forms for recording orders for services, removals, etc.
26. Payments to credit organizations for investigations and reports
27. Postage
28. Rent of mechanical or electronic equipment
29. Transportation expenses, including transportation of customer bills and meter books under centralized billing procedure or sharing of electronic records
30. Transportation, meals, and incidental expenses

NOTE: The cost of work on meter history and meter location records is chargeable to Account 663, Meter Expenses.

904 Uncollectible Accounts

This account shall be charged with amounts sufficient to provide for losses from uncollectible utility revenues. Concurrent credits shall be made to Account 144, Accumulated Provision for Uncollectible Accounts-Credit. Losses from uncollectible accounts shall be charged to Account 144.

905 Miscellaneous Customer Accounts Expenses

This account shall include the cost of labor, materials used and expenses incurred not provided for in other accounts.

Items

Labor:

1. General clerical work
2. Miscellaneous labor

Materials and Expenses:

3. Communication service
4. Miscellaneous office supplies and expenses, stationery and printing, other than those specifically provided for in Accounts 902 and 903

906 Customer Service and Informational Expenses

This account shall include the cost of supervision, labor, and expenses incurred in customer services and informational activities, the purpose of which is to encourage safe and efficient use of the utility's service, to encourage conservation of the utility's service, and to assist present customers in answering specific inquiries as to the proper and economic use of the customer's equipment utilizing the service.

6. Sales Expenses

910 Sales Expenses

This account shall include the cost of supervising and directing the sales department, salaries and commissions for soliciting business, sales advertising expenses, and miscellaneous supplies and expenses incurred in sales activities.

NOTE: Where sales activities of the utility are minor and the expenses are not material, this account need not be maintained, in which case the expenses shall be charged to the administrative and general expense account appropriate for the nature of the expense.

7. Administrative and General Expenses

920 Administrative and General Salaries

- A. This account shall include the compensation (salaries, bonuses, and other consideration for services, but not including directors' fees) of officers, executives, and other employees of the utility properly chargeable to utility operations and not chargeable directly to a particular operating function.
- B. This account may be subdivided in accordance with a classification appropriate to the departmental or other functional organization of the utility.

921 Office Supplies and Expenses

- A. This account shall include office supplies and other expenses incurred in connection with the general administration of the utility's operations, which are assignable to specific administrative or general departments and are not specifically provided for in other accounts. This includes the expenses of the various administrative and general departments, the salaries and wages of which are included in Account 920, Administrative and General Salaries.
- B. This account may be subdivided in accordance with a classification appropriate to the departmental or other functional organization of the utility.

NOTE: Office expenses, which are clearly applicable to any group of operating expenses other than the administrative and general group, shall be included in the appropriate account in each functional group.

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Further, general expenses, which apply to the utility as a whole rather than to a particular administrative function, shall be included in Account 930, Miscellaneous General Expenses.

Items

1. Automobile service, including charges through clearing accounts
2. Bank service charges
3. Books, periodicals, bulletins and subscriptions to newspapers, newsletters, tax services, etc.
4. Building service expenses for customer accounts, sales and administrative and general purposes
5. Communication service: telephone, cell phone, two-way radio, internet, etc.
6. Cost of individual items of office equipment used by general departments, which are of small value or short life: printers, copiers, etc.
7. Meals, traveling and incidental expenses
8. Membership fees and dues in trade, technical, and professional associations paid by utility for employees (Utility memberships are included in Account 930.)
9. Office supplies and expenses
10. Payment of court costs, witness fees, and other expenses of legal department
11. Postage, printing and stationery

922 Administrative Expenses Transferred - Credit

This account shall be credited with administrative expenses recorded in Accounts 920 and 921, which are transferred to construction costs or to nonutility accounts.

923 Outside Services Employed

- A. This account shall include the fees and expenses of professional consultants and others for general services, which are not applicable to a particular operating function nor to other accounts. It shall include also the pay and expenses of persons engaged for a special or temporary administrative or general purpose in circumstances where the person so engaged is not considered as an employee of the utility.
- B. This account shall be maintained to permit ready summarization according to the nature of service and the person furnishing the same.

Items

1. Fees, pay and expenses of accountants and auditors, actuaries, appraisers, attorneys, engineering consultants, management consultants, negotiators, public relations counsel, tax consultants, etc.
2. Supervision fees and expenses paid under contracts for general management services

NOTE: Do not include inspection and brokerage fees and commissions chargeable to other accounts or fees and expenses in connection with security issues, which are included in the expenses of issuing securities.

924 Property Insurance

- A. This account shall include the cost of insurance or reserve accruals to protect the utility against losses and damages to owned or leased property used in its utility operations. It shall include also the cost of labor and related supplies and expenses incurred in property insurance activities.
- B. Recoveries from insurance companies or other for property damages shall be credited to the account charged with the cost of the damage. If the damaged property has been retired, the credit shall be to the appropriate account for accumulated provision for depreciation.
- C. Records shall be maintained to show the amount of coverage for each class of insurance carried, the property covered, and the applicable premiums. Any dividends distributed by mutual insurance companies shall be credited to the accounts to which the insurance premiums were charged.

Items

- 1. Amounts credited to Account 261, Property Insurance Reserve, for similar protection
- 2. Insurance inspection service
- 3. Insurance counsel, brokerage fees, and expenses
- 4. Premiums payable to insurance companies for fire, storm, burglary, explosion, lightning, fidelity, riot, and similar insurance
- 5. Special costs incurred in procuring insurance

NOTE A: The cost of insurance or reserve accruals capitalized shall be charged to construction either directly or by transfer to construction work orders from this account.

NOTE B: The cost of insurance or reserve accruals for the following classes of property shall be charged as indicated:

- (1) Materials and supplies and stores equipment, to Account 163, Stores Expense, or appropriate materials account
- (2) Merchandise and jobbing property, to Account 416, Costs and Expenses of Merchandising, Jobbing and Contract Work
- (3) Nonutility property to the appropriate nonutility income account
- (4) Transportation and other general equipment, to appropriate clearing accounts that may be maintained

(5) Utility plant leased to others, to Account 413, Expenses of Utility Plant Leased to Others

NOTE C: The cost of labor and related supplies and expenses of administrative and general employees who are only incidentally engaged in property insurance work may be included in Account 920 and Account 921, as appropriate.

925 Injuries and Damages

- A. This account shall include the cost of insurance or reserve accruals to protect the utility against injuries and damage claims of employees or others, losses of such character not covered by insurance, and expenses incurred in settlement of injuries and damages claims. It shall also include the cost of labor and related supplies and expenses incurred in injuries and damages activities.
- B. Reimbursements from insurance companies or others for expenses charged to this account and on account of injuries and damages and insurance dividends or refunds shall be credited to this account.

Items

1. Compensation paid while incapacitated as the result of occupational injuries. (See Note A.)
2. Compensation payments under workers compensation laws.
3. Cost of safety, accident prevention and similar educational activities.
4. Fees and expenses of claim investigators.
5. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.
6. Payment of awards to claimants for court costs and attorneys' services.
7. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.
8. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damage, casualty, employee liability, etc., and amounts credited to Account 262, Injuries and Damages Reserve, for similar protection.

NOTE A: Payments to or on behalf of employees for accident or death benefits, hospital expenses, medical supplies, or salaries while incapacitated for service or on leave of absence beyond periods normally allowed, when not the result of occupational injuries, shall be charged to Account 926, Employee Pensions and Benefits. (See also Note B of Account 926.)

NOTE B: The cost of injuries and damages or reserve accruals capitalized shall be charged to construction directly or by transfer to construction work orders from this account.

NOTE C: Exclude the time and expenses of employees (except those engaged in injuries and damages activities) spent in attendance at safety and accident prevention educational meetings, if occurring during the regular work period.

NOTE D: The cost of labor and related supplies and expenses of administrative and general employees who are only incidentally engaged in injuries and damages activities may be included in Account 920 and Account 921, as appropriate.

926 Employee Pensions and Benefits

- A. This account shall include (1) pensions paid to or on behalf of retired employees, (2) accruals to provide for pensions, (3) payments for the purchase of annuities for the purpose, when the utility has definitely, by contract, committed itself to a pension plan under which the pension funds are irrevocably devoted to pension purposes, and (4) payments for employee accident, sickness, hospital, and death benefits, or related insurance. Include, also, expenses incurred in medical, educational or recreational activities for the benefit of employees and administrative expenses in connection with employee pensions and benefits.
- B. The utility shall maintain a complete record of accruals or payments for pensions and be prepared to furnish full information to the Commission of the plan under which it has created or proposes to create a pension fund and a copy of the declaration of trust or resolution under which the pension plan is established.
- C. There shall be credited to this account the portion of pensions and benefits expenses which is applicable to nonutility operations or which is charged to construction, unless such amounts are distributed directly to the accounts involved and are not included in the first instance.
- D. Records in support of this account shall be maintained so that the total pensions expense, the total benefits expense, the administrative expenses included in this account, and the amounts of pensions and benefits expenses transferred to construction or other accounts will be readily available.

Items

- 1. Accruals for and payments for accident, sickness, hospital, and death benefits or insurance
- 2. Accruals for or payments to pension funds or to insurance companies for pension purposes
- 3. Expenses in connection with educational and recreational activities for the benefit of employees
- 4. Group and life insurance premiums (credit dividends received)
- 5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed, when not the result of occupational injuries, or in excess of statutory awards

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6. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries
7. Payment of pensions under nonaccrual or nonfunded basis

NOTE A: The cost of labor and related supplies and expenses of administrative and general employees who are only incidentally engaged in employee pension and benefit activities may be included in Account 920 and Account 921, as appropriate.

NOTE B: Salaries paid to employees during periods of nonoccupational sickness may be charged to the appropriate labor account rather than to employee benefits.

928 Regulatory Commission Expenses

- A. This account shall include all expenses (except pay of regular employees only incidentally engaged in such work) properly included in utility operating expenses, incurred by the utility in connection with formal cases before regulatory commissions, or other regulatory bodies, or cases in which such a body is a party, including payments made to a regulatory commission for fees assessed against the utility for pay and expenses of such commission, its officers, agents, and employees.
- B. Amounts of regulatory commission expenses which by approval or direction of the Commission are to be spread over future periods, shall be charged to Account 186, Miscellaneous Deferred Debits, and amortized by charges to this account.

Items

1. Salaries, fees, retainers, and expenses of counsel, solicitors, attorneys, accountant, engineers, clerks, attendants, witnesses, and others engaged in the prosecution of, or defense against petitions or complaints presented to regulatory bodies, or in the valuation of property owned or used by the utility in connection with such cases
2. Office supplies and expenses, payments to public service or other regulatory commissions, stationery and printing, traveling expenses, and other expenses incurred directly in connection with formal cases before regulatory commissions

NOTE: Exclude from this account and include in other appropriate operating expense accounts expenses incurred in the improvement of service, additional inspection, or rendering reports, which are made necessary by the rules and regulations, or orders, of regulatory bodies.

929 Duplicate Charges - Credit

This account shall include concurrent credits for charges which may be made to operating expenses or to other accounts of the utility for the use of utility service from

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its own supply. Include, also, offsetting credits for any other charges made to operating expenses for which there is no direct money outlay.

930 Miscellaneous General Expenses

This account shall include the cost of labor and expenses incurred in connection with the general management of the utility not provided for elsewhere.

Items

Labor:

1. Communication service not chargeable to other accounts
2. Contributions for conventions and meetings of the industry
3. Experimental and general research work for the industry
4. Industry association dues for company memberships
5. Institutional or goodwill advertising
6. Miscellaneous labor not elsewhere provided for
7. Public notice of financial, operating, and other data required by regulatory statutes
8. Publishing and distributing annual reports
9. Trustee and registrar fees and expenses

931 Rents

This account shall include rents properly included in utility operating expenses for the property of others used, occupied, or operated in connection with the customer accounts, sales and general and administrative functions of the utility. (*See Expenses Instruction 3.*)

932 Maintenance of General Plant

This account shall include the cost assignable to customer accounts, sales and administrative and general functions of labor, materials used and expenses incurred in the maintenance of property, the book cost of which is included in Account 390, Structures and Improvements, Account 391, Office Furniture and Equipment, Account 398, Miscellaneous Equipment, and of similar property leased from others. Include, also the cost of repairing for reuse materials, which previously were included in those accounts. (*See Expenses Instruction 2.*)

Maintenance expenses on office furniture and equipment used elsewhere than in general, commercial and sales offices shall be charged to the following accounts:

Source of Supply	Account 617
Pumping	Account 633
Water Treatment	Account 652
Transmission and Distribution	Account 678
Merchandise and Jobbing	Account 416
Garages, shops, etc.	Appropriate clearing account, if used

Operation and Maintenance Expenses – Class AB –Account Descriptions

NOTE: Maintenance of plant included in other general equipment accounts shall be included in this account unless charged to clearing accounts or to the particular functional maintenance expense account indicated by use of the equipment.

Operation and Maintenance Expenses – Class C

Introduction

Structure of the Expense Accounts

The expense section of this system of accounts shall be comprised of seven major expense groups: (1) Source of Supply Expenses; (2) Pumping Expenses; (3) Water Treatment Expenses; (4) Transmission and Distribution Expenses; (5) Customer Accounts Expenses; (6) Sales Expenses; and (7) Administrative Expenses.

Reimbursements

Reimbursements of actual costs incurred in connection with joint operations or projects, repairing plant due to damage by others, and obligations to make changes in utility plant (such as highway relocations), shall be credited to the accounts originally charged.

Instructions

1. Supervision and Engineering

The supervision and engineering included in the operating expense accounts shall consist of the pay and expenses of superintendents, engineers, clerks, other employees and consultants engaged in supervising and directing the operations and maintenance of each utility function. Wherever allocations are necessary in order to arrive at the amount to be included in any account, underlying records shall reflect the method and basis of allocation.

Items

Labor:

1. Establishing organizational setup of departments and executing changes
2. Formulating and reviewing routines of departments and executing changes
3. General training and instruction of employees by supervisors whose pay is chargeable to this account. Specific instruction and training in a particular type of work is chargeable to the appropriate functional account
4. Preparing instructions for operations and maintenance activities
5. Preparing or reviewing budgets, estimates, and drawings relating to operation or maintenance for department approval
6. Reviewing and analyzing operating results
7. Secretarial work for supervisory personnel, but not general clerical work chargeable to other accounts
8. Special tests to determine efficiency of equipment operation

Expenses:

9. Consulting fees and expenses
10. Meals, traveling and incidental expenses

2. Maintenance

- A. The cost of maintenance chargeable to the various operating expense and clearing accounts includes labor, materials, overheads and other expenses incurred in maintenance work. A list of work operations applicable generally to utility plant is included.
- B. Materials recovered in connection with the maintenance of property shall be credited to the same account to which the maintenance cost was charged.
- C. If the book cost of any property is carried in Account 102, Utility Plant Purchases or Sold, the cost of maintaining such property shall be charged to the accounts for maintenance of property of the same class and use, the book cost of which is carried in other utility plant in service accounts. Maintenance of property leased from others shall be treated as provided in Operating Expense Instruction 3.

Items

- 1. Direct field supervision of maintenance
- 2. Inspecting, testing, and reporting on condition of plant specifically to determine the need for repairs, replacements, rearrangements and changes and inspecting and testing the adequacy of repairs which have been made
- 3. Net cost of installing, maintaining, and removing temporary facilities to prevent interruptions in service
- 4. Rearranging and changing the location of plant not retired
- 5. Repairing for reuse materials recovered from plant
- 6. Replacing or adding minor items of plant which do not constitute a retirement unit (*See Utility Plant Instruction 9.*)
- 7. Testing for, locating and resolving problems
- 8. Work performed specifically for the purpose of preventing failure, restoring serviceability or maintaining life of plant

3. Rents

- A. The rent expense accounts provided under the several functional groups of expense accounts shall include all rents, including taxes paid by the lessee on leased property, for property used in utility operations, except (1) minor amounts paid for occasional or infrequent use of any property or equipment and all amounts paid for use of equipment that, if owned, would be included in plant Accounts 391 to 398, inclusive, which shall be treated as an expense item and included in the appropriate functional account and (2) rents which are chargeable to clearing accounts, and distributed to the appropriate account. If rents cover property used for more than one function, such as pumping and distributing, or by more than one department, the rents shall be apportioned to the appropriate rent expense or clearing accounts of each department on an actual, or, if necessary, an estimated basis.
- B. When a portion of property or equipment rented from others for use in connection with utility operations is subleased, the revenue derived from such subleasing shall be

credited to the rent revenue account in operating revenues; provided, however, that in case the rent was charged to a clearing account, amounts received from subleasing the property shall be credited to such clearing account.

- C. The cost, when incurred by the lessee, of operating and maintaining leased property, shall be charged to the accounts appropriate for the expense if the property were owned.
- D. The cost incurred by the lessee of additions and replacements to utility plant leased from others shall be accounted for as provided in Utility Plant Instruction 5.

NOTE: The aggregate of the rents included in the functional operating expense accounts shall be included in the income statement in Account 401, Operation Expense. However, where the rents are significant the aggregate amount shall be shown separately in the income statement.

Listing of Accounts

1. Source of Supply Expenses

Operation

- 600 Operation Labor
- 601 Purchased Water
- 602 Operation Supplies and Expenses

Maintenance

- 605 Maintenance of Water Source Plant

2. Pumping Expenses

Operation

- 620 Operation Labor
- 621 Fuel for Power Production
- 622 Fuel or Power Purchased for Pumping
- 623 Operation Supplies and Expenses

Maintenance

- 625 Maintenance of Pumping Plant

3. Water Treatment Expenses

Operation

- 630 Operation Labor
- 631 Chemicals
- 632 Operation Supplies and Expenses

Maintenance

- 635 Maintenance of Water Treatment Plant

4. Transmission and Distribution Expenses

Operation

- 640 Operation Labor
- 641 Operation Supplies and Expenses

Maintenance

- 650 Maintenance of Distribution Reservoirs and Standpipes
- 651 Maintenance of Mains
- 652 Maintenance of Services
- 653 Maintenance of Meters
- 654 Maintenance of Hydrants
- 655 Maintenance of Other Plant

Operation and Maintenance Expenses – Class C – Account Listing

5. Customer Accounts Expenses

Operation

- 901 Meter Reading Labor
- 902 Accounting and Collecting Labor
- 903 Supplies and Expenses
- 904 Uncollectible Accounts
- 906 Customer Service and Informational Expenses

6. Sales Expenses

Operation

- 910 Sales Expenses

7. Administrative and General Expenses

Operation

- 920 Administrative and General Salaries
- 921 Office Supplies and Expenses
- 922 Administrative Expenses Transferred – Credit
- 923 Outside Services Employed
- 924 Property Insurance
- 925 Injuries and Damages
- 926 Employee Pensions and Benefits
- 928 Regulatory Commission Expenses
- 930 Miscellaneous General Expenses
- 933 Transportation Expenses

Maintenance

- 935 Maintenance of General Plant

Account Descriptions

1. Source of Supply Expenses

Operation

600 Operation Supervision and Engineering

This account shall include the cost of labor and expenses incurred in the general supervision and direction of the operation of water source of supply facilities. Direct supervision of specific activities shall be charged to the appropriate account. (*See Expenses Instruction 1.*)

Items

1. Care of grounds including snow removal, cutting grass, etc.
2. Cutting brush and weeds
3. Direct supervision of water source operations
4. Electrolysis and soil corrosion investigations
5. Keeping plant log and records and preparing reports of operation
6. Operating and lubricating gates and valves
7. Patrolling and inspecting
8. Removing organic growth
9. Removing sediment

601 Purchased Water

- A. This account shall include the cost at the point of delivery of water purchased for resale. This includes charges for readiness to serve and the portion applicable to each accounting period of annual or more frequent payments for the right to divert water at the source of supply.
- B. The records supporting this account shall be maintained to show for each supplier from which water is purchased, point of delivery, quantity purchased, basis of charges, and the cost of water purchased. (*See Note to Account 466, Sales for Resale.*)

602 Operation Supplies and Expenses

This account shall include the cost of materials used and expenses incurred in the operation of source of supply plant.

Items

1. Attendant's supplies
2. Building service supplies
3. Charts and gauge supplies

Operation and Maintenance Expenses – Class C – Account Descriptions

4. Cost of nonproductive wells (or amortization) drilled as part of a project which did not result in a source of water within the same supply area (*See* Account 186, Miscellaneous Deferred Debits.)
5. First-aid supplies and safety equipment
6. Lubricants and waste
7. Rent of source of supply plant
8. Tools
9. Transportation, meals and incidental expenses
10. Utility service

Maintenance

605 Maintenance of Water Source Plant

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of water source plant, the book cost of which is included in Accounts 310-317, inclusive, and of similar property leased from others. (*See* Expenses Instruction 1.)

2. Pumping Expenses

Operation

620 Operation Labor

This account shall include the cost of supervision and labor incurred in the operation of power and pumping facilities.

Items

1. Building service
2. Care of grounds including snow removal, cutting grass, etc.
3. Cleaning pumping equipment when not incidental to maintenance work
4. Direct supervision of power and pumping operations
5. Guarding and patrolling plant and yard
6. Keeping power production log and records and preparing reports of operation
7. Miscellaneous labor
8. Operating condensers, circulating water systems and other auxiliary apparatus
9. Operating control and protective equipment
10. Operating lubrication and oil control systems, including oil purification
11. Operating power production facilities and related apparatus
12. Operating pumps, turbines, and engines
13. Operating valves to point where water enters the water treatment or transmission and distribution system
14. Testing, checking, and adjusting meters, gauges and other instruments, controls, etc., in the pumping plant

Operation and Maintenance Expenses – Class C – Account Descriptions

621 Fuel for Power Production

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

622 Fuel or Power Purchased for Pumping

This account shall include the cost of fuel or power purchased used directly in operation of pumps.

This account shall also include the cost of power transferred to water pumping operations from other departments under joint facility arrangements.

Items

1. Diesel fuel
2. Electric power
3. Gasoline
4. Gas
5. Other fuel or power

623 Operation Supplies and Expenses

This account shall include the cost of materials used and expenses incurred in the operation of power and pumping facilities which are not provided for in other accounts.

Items

1. Building service supplies
2. Boiler compounds, chemicals and inspection fees
3. Boiler feed water
4. First-aid supplies and safety equipment
5. General operating supplies, such as tools, gaskets, packing waste, gauge glasses, hose, indicating lamps, record and report forms, etc.
6. Lubricants
7. Rent of pumping plant
8. Utility service

Maintenance

625 Maintenance of Pumping Plant

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of power production and pumping plant, the book cost of which is included in Accounts 320 to 328, inclusive, and similar equipment leased from others.

3. Water Treatment Expenses

Operation

630 Operation labor

This account shall include the cost of supervision and labor and expenses incurred in the operation of water treatment plant.

Items

1. Applying chemicals
2. Building service
3. Care of grounds including snow removal, cutting grass, etc.
4. Cleaning basins
5. Guarding and patrolling
6. Miscellaneous labor
7. Operating filters
8. Operating fluoridation plant
9. Operating water softening plant
10. Removing ice
11. Removing sediment
12. Testing and analyzing
13. Washing filters

631 Chemicals

This account shall include the cost of all chemicals used in the treatment of water.

632 Operation Supplies and Expenses

This account shall include the cost of labor, materials used and expenses incurred which are not specifically provided for or are not readily assignable to other water treatment operation expense accounts.

Items

1. Building service supplies
2. First aid supplies and safety equipment
3. General operating supplies
4. Rent of water treatment facilities
5. Utility service

Maintenance

635 Maintenance of Water Treatment Plant

This account shall include the cost of labor, materials used and expenses incurred which in the maintenance of water treatment plant, the book cost of which is included in Accounts 330 to 332, inclusive, and of similar property leased from others.

4. Transmission and Distribution Expenses

Operation

640 Operation Labor

This account shall include the cost of supervision and labor incurred in the operation of transmission and distribution facilities.

Items

1. Customer installation work, such as:
 - a. Changing customers' house piping for the convenience of the utility
 - b. Investigating customers' service complaints
 - c. Testing and inspecting services installed by the customers
 - d. Testing, inspecting, adjusting and repairing customers' plumbing fixtures
2. Direct supervision of transmission and distribution operations
3. Line operations covering work such as:
 - a. Electrolysis and soil corrosion investigation and tests
 - b. Flushing mains and hydrants
 - c. Operating and lubricating gates and valves
 - d. Observing and recording pressure
 - e. Reading and changing charts in master meters
 - f. Routine patrolling
4. Meter operations covering such work as:
 - a. Inspecting and adjusting meter testing equipment
 - b. Inspecting and testing meters on premises or in shops other than that incidental to maintenance
 - c. Removing and resetting, disconnecting and reconnecting, changing and relocating meters and associated equipment, except the cost of the first testing and setting of a meter which shall be charged to utility plant Account 346, Meters
 - d. Turning on and shutting off service even though a meter is not installed or removed
5. Storage operations covering such work as:
 - a. Adjusting rust-proofing and signal equipment
 - b. Care of grounds around storage facilities
 - c. Cleaning and flushing of storage facilities
 - d. Keeping records and preparing reports
 - e. Operating and lubricating gates and valves
 - f. Routine inspection of storage facilities

NOTE: Amounts billed customers for any work, the cost of which is charged to this account, shall be credited to this account or to Account 641, Operation Supplies and Expenses, as appropriate. Any excess over costs shall be transferred to Account 474, Other Water Revenues.

Operation and Maintenance Expenses – Class C – Account Descriptions

641 Operation Supplies and Expenses

This account shall include the cost of materials used and expenses incurred in the operation of transmission and distribution plant.

Items

1. Meter seals and miscellaneous meter supplies including replacing batteries
2. Operating materials, such as lubricants, waste, meter and gauge charts
3. Rents
4. Shop and laboratory expenses
5. Tool expense
6. Transportation, meals and incidental expenses
7. Utility service

Maintenance

650 Maintenance of Distribution Reservoirs and Standpipes

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of distribution reservoirs, tanks, standpipes, and related facilities, the book cost of which is included in Account 342, Distribution Reservoirs and Standpipes, and of similar property leased from others. (*See Expenses Instruction 2.*)

651 Maintenance of Mains

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of mains, the book cost of which is included in Account 343, Transmission and Distribution Mains, and of similar property leased from others. (*See Expenses Instruction 2.*)

NOTE: When a main is changed in grade or is relocated, the original installed cost of the main shall be credited to utility plant and charged to the accumulated provision for depreciation. The original material cost of the main shall then be credited to the accumulated provision for depreciation and charged to utility plant together with the current installation cost of placing the main at the new level or location. The excess of the actual removal and relocation costs of the job over the amount of installation costs included in utility plant as noted above shall be charged to accumulated provision for depreciation, and such charges shall be considered in determining the annual provision for depreciation.

652 Maintenance of Services

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of services, the book cost of which is included in Account 345, Services, and of similar property leased from others. (*See Expenses Instruction 2.*)

Operation and Maintenance Expenses – Class C – Account Descriptions

653 Maintenance of Meters

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of meters and meter testing equipment, the book cost of which is included in Account 346, Meters, Account 395, Laboratory Equipment, and of similar property leased from others. (*See Expenses Instruction 2.*)

654 Maintenance of Hydrants

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of fire hydrants and associated equipment, the book cost of which is included in Account 348, Hydrants, and of similar property leased from others. (*See Expenses Instruction 2.*)

655 Maintenance of Other Plant

This account shall include the cost of labor, materials used and expenses incurred in maintenance of plant, the book cost of which is included in Account 341, Structures and Improvements, and in Account 349, Other Transmission and Distribution Plant, and any general or other plant the maintenance of which is assignable to the transmission and distribution function and is not provided for elsewhere. (*See Expenses Instruction 2.*)

5. Customer Accounts Expenses

Operation

901 Meter Reading Labor

This account shall include the cost of labor incurred in reading customer meters remotely or on site, and determining consumption.

Items

1. Addressing forms for obtaining meter readings by mail or electronically
2. Changing and collecting meter charts or computer programs used for billing purposes
3. Checking seals, etc., when performed by meter readers and the work represents a minor activity incidental to regular meter reading routine
4. Collecting from prepayment meters when incidental to meter reading
5. Computing consumption from meter reader's book, mailed in reports or electronic records
6. Computing estimated or average consumption when performed by employees engaged in reading meters
7. Obtaining a meter reading for billing purposes.

902 Accounting and Collecting Labor

This account shall include the cost of labor incurred in work on customer applications, contracts, orders, credit investigations, billing and accounting, collections and complaints.

Items

1. Balancing collections, preparing collections for deposit, and preparing cash reports
2. Balancing customer accounts and controls
3. Checking consumption shown by meter readers' reports or automatic meter reading programs where incidental to preparation of billing data
4. Collecting revenues, including collection from prepayment meters unless incidental to meter reading operations
5. Determining consumption and computing estimated or average consumption when performed by employees other than those engaged in reading meters or operating automatic meter reading systems
6. Disconnecting and reconnecting service because of nonpayment of bills
7. Final meter reading of delinquent accounts when done by collectors incidental to regular activities
8. Investigating customer credit and keeping of records pertaining to it, including records of uncollectible accounts written off
9. Operating billing and bookkeeping equipment and software
10. Posting collections and other credits or charges to customer accounts and extending unpaid balances
11. Preparing address plates and addressing bills and delinquent notices.
12. Preparing billing data, electronically or by hand
13. Preparing and delivering bills by mail or electronically
14. Preparing, mailing or delivering delinquent notices and preparing reports of delinquent accounts
15. Preparing meter reading sheets or electronic programs/spreadsheets
16. Receiving, recording, and handling of inquiries, complaints, and requests for investigations from customers, including preparation of necessary orders, but excluding the cost of carrying out such orders, which is chargeable to the account appropriate for the work called for by such orders
17. Receiving, refunding or applying customer deposits and maintaining customer deposit, line extension, and other miscellaneous records
18. Receiving, preparing, recording and handling routine orders for service, disconnections, transfers or meter tests initiated by the customer, excluding the cost of carrying out such orders, which is chargeable to the account appropriate for the work called for by such orders
19. Statistical and tabulating work on customer accounts and revenues, but not including special analysis for sales department, rate department, or other general purposes, unless incidental to regular customer accounting routines
20. Verifying billing records with contracts or rate schedules

Operation and Maintenance Expenses – Class C – Account Descriptions

903 Supplies and Expenses

This account shall include the cost of materials used and expenses incurred in meter reading, billing and collecting, and related customer accounts activities.

Items

1. Mailing and printing supplies including automatic meter reading supplies
2. Badges, lamps, and uniforms
3. Bank charges, exchange, and other fees for cashing and depositing customers' checks
4. Cash overages and shortages
5. Commissions or fees to others for collecting
6. Forms for recording orders for services, removals, etc.
7. Meals and incidental expenses
8. Meter books and binders and electronic forms for recording readings, but not the cost of preparation
9. Payments to credit organizations for investigations and reports
10. Postage and supplies used in obtaining meter readings by mail and in mailing bills
11. Rent of mechanical or electronic equipment
12. Transportation expenses, including transportation of customer bills and meter books under centralized billing procedure or sharing of electronic records
13. Uniforms, identification and safety equipment

904 Uncollectible Accounts

This account shall be charged with amounts sufficient to provide for losses from uncollectible utility revenues. Concurrent credits shall be made to Account 144, Accumulated Provision for Uncollectible Accounts-Credit. Losses from uncollectible accounts shall be charged to Account 144.

906 Customer service and informational expenses

This account shall include the cost of supervision, labor, and expenses incurred in customer service and informational activities, the purpose of which is to encourage safe and efficient use of the utility's service, to encourage conservation of the utility's service, and to assist present customers in answering specific inquiries as to the proper and economic use of the utility's service and the customer's equipment utilizing the service.

6. Sales Expenses

Operation

910 Sales Expenses

This account shall include the cost of salaries and commissions for soliciting business, demonstration and advertising expenses, and miscellaneous supplies and expenses incurred in sales activities.

NOTE: Where expenses of sales activities are not minor and not material, this account need not be maintained, in which case the expenses shall be charged to the administrative and general expense account appropriate for the nature of the expense.

7. Administrative and General Expenses

Operation

920 Administrative and General Salaries

This account shall include the compensation (salaries, bonuses, and other consideration for services, but not including directors' fees) of officers, executives, and other employees of the utility properly chargeable to utility operations and not chargeable directly to a particular operating function.

921 Office Supplies and Expenses

This account shall include office supplies and other expenses incurred in connection with the general administration of the utility's operations, which are assignable to specific administrative or general departments and are not specifically provided for in other accounts.

Items

1. Automobile service, including charges through clearing accounts
2. Bank service charges
3. Books, periodicals, bulletins and subscriptions to newspapers, newsletters, tax services, etc.
4. Building service expenses for customer accounts, sales and administrative and general purposes
5. Communication service: telephone, cell phone, two-way radio, internet, etc.
6. Cost of individual items of office equipment used by general departments, which are of small value or short life: printers, copiers, etc.
7. Meals, traveling and incidental expenses
8. Membership fees and dues in trade, technical, and professional associations paid by utility for employees (Utility memberships are included in Account 930.)

Operation and Maintenance Expenses – Class C – Account Descriptions

9. Office supplies and expenses
10. Payment of court costs, witness fees, and other expenses of legal department
11. Postage, printing and stationery

922 Administrative Expenses Transferred - Credit

This account shall be credited with administrative expenses recorded in Accounts 920 and 921, which are transferred to construction costs or to nonutility accounts.

923 Outside Services Employed

- A. This account shall include the fees and expenses of professional consultants and others for general services, which are not applicable to a particular operating function nor to other accounts. It shall include also the pay and expenses of persons engaged for a special or temporary administrative or general purpose in circumstances where the person so engaged is not considered as an employee of the utility.
- B. This account shall be maintained to permit ready summarization according to the nature of service and the person furnishing the same.

Items

1. Fees, pay and expenses of accountants and auditors, actuaries, appraisers, attorneys, engineering consultants, management consultants, negotiators, public relations counsel, tax consultants, etc.
2. Supervision fees and expenses paid under contracts for general management services

NOTE: Do not include inspection and brokerage fees and commissions chargeable to other accounts or fees and expenses in connection with security issues, which are included in the expenses of issuing securities.

924 Property Insurance

- A. This account shall include the cost of insurance or reserve accruals to protect the utility against losses and damages to owned or leased property used in its utility operations. It shall include also the cost of labor and related supplies and expenses incurred in property insurance activities.
- B. Recoveries from insurance companies or other for property damages shall be credited to the account charged with the cost of the damage. If the damaged property has been retired, the credit shall be to the appropriate account for accumulated provision for depreciation.
- C. Records shall be maintained to show the amount of coverage for each class of insurance carried, the property covered, and the applicable premiums. Any

Operation and Maintenance Expenses – Class C – Account Descriptions

dividends distributed by mutual insurance companies shall be credited to the accounts to which the insurance premiums were charged.

Items

1. Amounts credited to Account 261, Property Insurance Reserve for similar protection
2. Insurance inspection service
3. Insurance counsel, brokerage fees, and expenses
4. Premiums payable to insurance companies for fire, storm, burglary, explosion, lightning, fidelity, riot, and similar insurance
5. Special costs incurred in procuring insurance

NOTE A: The cost of insurance or reserve accruals capitalized shall be charged to construction either directly or by transfer to construction work orders from this account.

NOTE B: The cost of insurance or reserve accruals for the following classes of property shall be charged as indicated:

1. Materials and supplies and stores equipment, to Account 163, Stores Expense, or appropriate materials account
2. Merchandise and jobbing property, to Account 416, Costs and Expenses of Merchandising, Jobbing and Contract Work
3. Nonutility property to the appropriate nonutility income account
4. Transportation and garage equipment, to Account 933, Transportation Expenses
5. Utility plant leased to others, to Account 413, Expenses of Utility Plant Leased to Others

NOTE C: The cost of labor and related supplies and expenses of administrative and general employees who are only incidentally engaged in property insurance work may be included in Account 920 and Account 921, as appropriate.

925 Injuries and Damages

- A. This account shall include the cost of insurance or reserve accruals to protect the utility against injuries and damage claims of employees or others, losses of such character not covered by insurance, and expenses incurred in settlement of injuries and damages claims. It shall also include the cost of labor and related supplies and expenses incurred in injuries and damages activities.
- B. Reimbursements from insurance companies or others for expenses charged to this account and on account of injuries and damages and insurance dividends or refunds shall be credited to this account.

Operation and Maintenance Expenses – Class C – Account Descriptions

Items

1. Compensation paid while incapacitated as the result of occupational injuries. (*See Note A.*)
2. Compensation payments under workers compensation laws.
3. Cost of safety, accident prevention and similar educational activities.
4. Fees and expenses of claim investigators.
5. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.
6. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.
7. Payment of awards to claimants for court costs and attorneys' services.
8. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damage, casualty, employee liability, etc., and amounts credited to Account 262, Injuries and Damages Reserve, for similar protection.

Note A: Payments to or on behalf of employees for accident or death benefits, hospital expenses, medical supplies, or salaries while incapacitated for service or on leave of absence beyond periods normally allowed, when not the result of occupational injuries, shall be charged to Account 926, Employee Pensions and Benefits. (*See also Note B of Account 926.*)

NOTE B: The cost of injuries and damages or reserve accruals capitalized shall be charged to construction directly or by transfer to construction work orders from this account.

NOTE C: Exclude the time and expenses of employees (except those engaged in injuries and damages activities) spent in attendance at safety and accident prevention educational meetings, if occurring during the regular work period.

NOTE D: The cost of labor and related supplies and expenses of administrative and general employees who are only incidentally engaged in injuries and damages activities may be included in Account 920 and Account 921, as appropriate.

926 Employee Pensions and Benefits

- A. This account shall include (1) pensions paid to or on behalf of retired employees, (2) accruals to provide for pensions, (3) payments for the purchase of annuities for the purpose, when the utility has definitely, by contract, committed itself to a pension plan under which the pension funds are irrevocably devoted to pension purposes, and (4) payments for employee accident, sickness, hospital, and death benefits, or related insurance. Include, also, expenses incurred in medical, educational or recreational activities for the benefit of employees and administrative expenses in connection with employee pensions and benefits.

Operation and Maintenance Expenses – Class C – Account Descriptions

- B. The utility shall maintain a complete record of accruals or payments for pensions and be prepared to furnish full information to the Commission of the plan under which it has created or proposes to create a pension fund and a copy of the declaration of trust or resolution under which the pension plan is established.
- C. There shall be credited to this account the portion of pensions and benefits expenses which is applicable to nonutility operations or which is charged to construction, unless such amounts are distributed directly to the accounts involved and are not included in the first instance.
- D. Records in support of this account shall be maintained so that the total pensions expense, the total benefits expense, the administrative expenses included in this account, and the amounts of pensions and benefits expenses transferred to construction or other accounts will be readily available.

Items

- 1. Accruals for and payments for accident, sickness, hospital, and death benefits or insurance
- 2. Accruals for or payments to pension funds or to insurance companies for pension purposes
- 3. Expenses in connection with educational and recreational activities for the benefit of employees
- 4. Group and life insurance premiums (credit dividends received)
- 5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed, when not the result of occupational injuries, or in excess of statutory awards
- 6. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries
- 7. Payment of pensions under nonaccrual or nonfunded basis

NOTE A: This cost of labor and related supplies and expenses of administrative and general employees who are only incidentally engaged in employee pension and benefit activities may be included in Account 920 and Account 921, as appropriate.

NOTE B: Salaries paid to employees during periods of nonoccupational sickness may be charged to the appropriate labor account rather than to employee benefits.

928 Regulatory Commission Expenses

- A. This account shall include all expenses (except pay of regular employees only incidentally engaged in such work) properly included in utility operating expenses, incurred by the utility in connection with formal cases before regulatory commissions, or other regulatory bodies, or cases in which such a body is a party, including payments made to a regulatory commission for fees assessed against the

Operation and Maintenance Expenses – Class C – Account Descriptions

utility for pay and expenses of such commission, its officers, agents, and employees.

- B. Amounts of regulatory commission expenses which by approval or direction of the Commission are to be spread over future periods, shall be charged to Account 186, Miscellaneous Deferred Debits, and amortized by charges to this account.

Items

1. Salaries, fees, retainers, and expenses of counsel, solicitors, attorneys, accountants, engineers, clerks, attendants, witnesses, and others engaged in the prosecution of, or defense against petitions or complaints presented to regulatory bodies, or in the valuation of property owned or used by the utility in connection with such cases
2. Office supplies and expenses, payments to public service or other regulatory commissions, stationery and printing, traveling expenses, and other expenses incurred directly in connection with formal cases before regulatory commissions

NOTE: Exclude from this account and include in other appropriate operating expense accounts expenses incurred in the improvement of service, additional inspection, or rendering reports, which are made necessary by the rules and regulations, or orders, of regulatory bodies.

930 Miscellaneous General Expenses

This account shall include the cost of labor and expenses incurred in connection with the general management of the utility not provided for elsewhere.

Items

Labor:

1. Miscellaneous labor not elsewhere provided for

Expenses:

2. Communication service not chargeable to other accounts
3. Contributions for conventions and meetings of the industry
4. Experimental and general research work for the industry
5. Industry association dues for company memberships
6. Institutional or goodwill advertising
7. Public notice of financial, operating, and other data required by regulatory statutes
8. Publishing and distributing annual reports
9. Trustee and registrar fees and expenses
10. Rents for plant used in customer accounts, sales, or administrative and general functions

Operation and Maintenance Expenses – Class C – Account Descriptions

933 Transportation Expenses

- A. This account shall include the cost of labor, materials used and expenses incurred in the operation and maintenance of general transportation equipment of the utility
- B. This account may be used as a clearing account in which event the charges shall be cleared by apportionment to the appropriate operating expense, utility plant, or other accounts on a basis which will distribute the expenses equitably. Credits to this account shall be made in such detail as to permit ready analysis.

Items

1. Depreciation on transportation equipment
2. Insurance on transportation equipment
3. License fees for vehicles and drivers
4. Rents for equipment and garages
5. Repairs of transportation equipment
6. Supplies, such as gas, oil, tires, tubes, grease, etc.

NOTE: Transportation expenses applicable to construction shall not be included in operating expenses.

935 Maintenance of General Plant

This account shall include the cost assignable to customer accounts, sales and administrative and general functions of labor, materials used and expenses incurred in the maintenance of property, the book cost of which is included in Account 390, Structures and Improvements, Account 391, Office Furniture and Equipment, Account 397, Communication Equipment, and Account 398, Miscellaneous Equipment, and of similar property leased from others. Include, also the cost of repairing for reuse materials, which previously were included in those accounts. (*See Expenses Instruction 2.*)

NOTE: Maintenance of plant included in other general equipment accounts shall be included in this account unless charged to clearing accounts or to the particular functional maintenance expense account indicated by the use of the equipment.

Operation and Maintenance Expenses – Class D

Introduction

Structure of the Expense Accounts

The expense section of this system of accounts shall be comprised of two major expense groups: (a) Plant Operation and Maintenance and (b) General Expenses.

Reimbursements

Reimbursements of actual costs incurred in connection with joint operations or projects, repairing plant due to damage by others, and obligations to make changes in utility plant (such as highway relocations), shall be credited to the accounts originally charged.

Instructions

1. Supervision and Engineering

The supervision and engineering included in the operating expense accounts shall consist of the pay and expenses of superintendents, engineers, clerks, other employees and consultants engaged in supervising and directing the operations and maintenance of each utility function. Wherever allocations are necessary in order to arrive at the amount to be included in any account, underlying records shall reflect the method and basis of allocation.

Items

Labor:

1. Establishing organizational setup of departments and executing changes
2. Formulating and reviewing routines of departments and executing changes
3. General training and instruction of employees by supervisors whose pay is chargeable to this account. Specific instruction and training in a particular type of work is chargeable to the appropriate functional account
4. Preparing instructions for operations and maintenance activities
5. Preparing or reviewing budgets, estimates, and drawings relating to operation or maintenance for department approval
6. Reviewing and analyzing operating results
7. Secretarial work for supervisory personnel, but not general clerical work chargeable to other accounts
8. Special tests to determine efficiency of equipment operation

Expenses:

9. Consulting fees and expenses
10. Meals, traveling and incidental expenses

2. Maintenance

- A. The cost of maintenance chargeable to the various operating expense and clearing accounts includes labor, materials, overheads and other expenses incurred in maintenance work. A list of work operations applicable generally to utility plant is included.
- B. Materials recovered in connection with the maintenance of property shall be credited to the same account to which the maintenance cost was charged.
- C. If the book cost of any property is carried in Account 102, Utility Plant Purchases or Sold, the cost of maintaining such property shall be charged to the accounts for maintenance of property of the same class and use, the book cost of which is carried in other utility plant in service accounts. Maintenance of property leased from others shall be treated as provided in Operating Expense Instruction 3.

Items

- 1. Direct field supervision of maintenance
- 2. Inspecting, testing, and reporting on condition of plant specifically to determine the need for repairs, replacements, rearrangements and changes and inspecting and testing the adequacy of repairs which have been made
- 3. Net cost of installing, maintaining, and removing temporary facilities to prevent interruptions in service
- 4. Rearranging and changing the location of plant not retired
- 5. Repairing for reuse materials recovered from plant
- 6. Replacing or adding minor items of plant which do not constitute a retirement unit (*See Utility Plant Instruction 9.*)
- 7. Testing for, locating and resolving problems
- 8. Work performed specifically for the purpose of preventing failure, restoring serviceability or maintaining life of plant

3. Rents

- A. The rent expense accounts provided under the several functional groups of expense accounts shall include all rents, including taxes paid by the lessee on leased property, for property used in utility operations, except (1) minor amounts paid for occasional or infrequent use of any property or equipment and all amounts paid for use of equipment that, if owned, would be included in plant Accounts 391 to 398, inclusive, which shall be treated as an expense item and included in the appropriate functional account and (2) rents which are chargeable to clearing accounts, and distributed to the appropriate account. If rents cover property used for more than one function, such as pumping and distributing, or by more than one department, the rents shall be apportioned to the appropriate rent expense or clearing accounts of each department on an actual, or, if necessary, an estimated basis.
- B. When a portion of property or equipment rented from others for use in connection with utility operations is subleased, the revenue derived from such subleasing shall be

credited to the rent revenue account in operating revenues; provided, however, that in case the rent was charged to a clearing account, amounts received from subleasing the property shall be credited to such clearing account.

- C. The cost, when incurred by the lessee, of operating and maintaining leased property, shall be charged to the accounts appropriate for the expense if the property were owned.
- D. The cost incurred by the lessee of additions and replacements to utility plant leased from others shall be accounted for as provided in Utility Plant Instruction 5.

NOTE: The aggregate of the rents included in the functional operating expense accounts shall be included in the income statement in Account 401, Operation Expense. However, where the rents are significant the aggregate amount shall be shown separately in the income statement.

Listing of Accounts

1. Plant Operation and Maintenance

Plant Operation and Maintenance

- 600 Salaries and Wages
- 610 Purchased Water
- 620 Fuel or Power Purchased for Pumping
- 630 Chemicals
- 640 Supplies and Expenses
- 650 Repairs of Water Plant
- 660 Transportation Expenses

2. General Expenses

General Expenses

- 680 Administrative and General Salaries
- 681 Office Supplies and Expenses
- 682 Outside Services Employed
- 684 Insurance Expense
- 686 Employee Pensions and Benefits
- 688 Regulatory Commission Expenses
- 689 Miscellaneous General Expenses
- 690 Uncollectible Accounts
- 691 Customer Service and Informational Expense

Account Descriptions

1. Plant Operation and Maintenance

600 Salaries and Wages

This account shall include the cost of labor in operating and maintaining all water utility plant including source of supply, water treatment, transmission and distribution facilities.

Items

1. Customer installation work, such as testing, inspecting, adjusting and repairing customers' installations, testing and inspecting services installed by customers, investigating and adjusting customers' service complaints, and changing customers' piping for the convenience of the utility
2. Electrolysis and soil corrosion investigations and tests
3. Flushing mains and hydrants
4. Inspecting and adjusting meter testing equipment
5. Inspecting and testing meters on premises or in the shop
6. Maintenance of water plant done by the utility's own force, but not including bills for contract work done by others (*See Account 650, Repairs of Water Plant.*)
7. Observing and recording pressure
8. Operating and lubricating gates and valves
9. Operating power production facilities
10. Operating pumping equipment
11. Operating source of supply facilities
12. Operating water treatment equipment and apparatus
13. Operation of mains, services and hydrants
14. Reading and changing charts in master meters
15. Removing and resetting, disconnecting and reconnecting changing and relocating meters and associated equipment
16. Routine patrolling
17. Turning on and shutting off service even though a meter is not installed or removed

610 Purchased Water

- A. This account shall include the cost at the point of delivery of water purchased for resale. This includes charges for readiness to serve and the portion applicable to each accounting period of annual or more frequent payments for the right to divert water at the source of supply.
- B. The records supporting this account shall be maintained to show for each supplier from which water is purchased, point of delivery, quantity purchased, basis of charges, and the cost of water purchased. (*See Note to Account 466, Sales for Resale.*)

Operation and Maintenance Expenses – Class D – Account Descriptions

620 Fuel or Power Purchased for Pumping

- A. This account shall include the cost of fuel or power purchased used directly in operation of pumps.
- B. This account shall also include the cost of power transferred to water pumping operations from other departments under joint facility arrangements.

Items

- 1. Diesel fuel
- 2. Electric power
- 3. Gasoline
- 4. Gas
- 5. Other fuel or power

630 Chemicals

This account shall include the cost of all chemicals used in the treatment of water.

640 Supplies and Expenses

This account shall include the cost of supplies used and expenses incurred in the operation of the water plant.

Items

- 1. Building services expenses
- 2. Fees for water testing
- 3. First aid supplies and safety equipment
- 4. General operating supplies such as tools, gaskets, packing waste, gauge glasses, hose, and indicating lamps
- 5. Rents
- 6. Transportation, meals and incidental expenses
- 7. Utility service

650 Repairs of Water Plant

This account shall include the amount of bills from others for repairs made to water plant and the cost of repair parts. It does not include the cost of labor of the utility's own plant operating force.

NOTE: When a main is changed in grade or is relocated, the original installed cost of the main shall be credited to utility plant and charged to the accumulated provision for depreciation. The original material cost of the main shall then be credited to the accumulated provision for depreciation and charged to utility plant together with the current installation cost of placing the main at the new level or location. The excess of the actual removal and relocation costs of the job over the amount of installation costs includible in utility plant is aforesaid

Operation and Maintenance Expenses – Class D – Account Descriptions

shall be charged to accumulated provision for depreciation, and such costs shall be considered in determining the annual provisions for depreciation.

Items

1. Contract work in repairing plant and in rearranging or re-locating plant not retired
2. Repair parts and materials used in maintenance of water plant

660 Transportation Expenses

This account shall include the cost of labor, materials used and expenses incurred in the operation and maintenance of general transportation equipment of the utility.

This account may be used as a clearing account in which event the charges hereto shall be cleared by, apportionment to the appropriate operating expense, utility plant, or other accounts on a basis which will distribute the expenses equitably. Credits to this account shall be made in such detail as to permit ready analysis.

Items

1. Depreciation of transportation equipment
2. Insurance on transportation equipment
3. License fees for vehicles and drivers
4. Rents for equipment and garages
5. Repairs of transportation equipment
6. Supplies, such as, gas, oil, tires, tubes, grease, etc.

NOTE: Transportation expenses applicable to construction shall not be included in operating expenses.

2. General Expenses

680 Administrative and General Salaries

This account shall include the cost of supervision and labor incurred in administrative, customer accounts, and sales activities.

Items

1. Accounting and clerical work on customers' accounts and on general records
2. Meter readings, remote or on site
3. Supervision and administration

681 Office Supplies and Expenses

This account shall include office supplies and other expenses incurred in connection with customer accounts, sales and general administration of the utility's operations.

Operation and Maintenance Expenses – Class D – Account Descriptions

Items

1. Automobile service, including charges through clearing accounts.
2. Bank service charges
3. Books, periodicals, bulletins and subscriptions to newspapers, newsletters, tax services, etc.
4. Building service expenses for customer accounts, sales and administrative and general purposes
5. Commissions or fees to others for collecting revenues (automated billing services)
6. Communication service: telephone, cell phone, two-way radio, internet, etc.
7. Cost of individual items of office equipment used by general departments, which are of small value or short life: printer, copiers, etc.
8. Meals, traveling and incidental expenses
9. Membership fees and dues in trade, technical, and professional associations paid by utility for employees. (Utility memberships are included in Account 689.)
10. Meter books and binders, billing software and automated billing supplies
11. Office supplies and expenses
12. Payment of court costs, witness fees, and other expenses of legal department
13. Postage, printing and stationery
14. Repairs of office equipment

682 Outside Services Employed

- A. This account shall include the fees and expenses of professional consultants and others for general services, which are not applicable to a particular operating function nor to other accounts. It shall include also the pay and expenses of persons engaged for a special or temporary administrative or general purpose in circumstances where the person so engaged is not considered as an employee of the utility.
- B. This account shall be maintained to permit ready summarization according to the nature of service and the person furnishing the same.

Items

1. Fees, pay and expenses of accountants and auditors, actuaries, appraisers, attorneys, engineering consultants, management consultants, negotiators, public relations counsel, tax consultants, etc.
2. Supervision fees and expenses paid under contracts for general management services.

NOTE: Do not include inspection and brokerage fees and commissions chargeable to other accounts or fees and expenses in connection with security issues, which are included in the expenses of issuing securities.

Operation and Maintenance Expenses – Class D – Account Descriptions

684 Insurance Expense

- A. This account shall include the cost of insurance or reserve accruals (1) to protect the utility against losses and damages to owned or leased property used in its utility operations and (2) to protect the utility against injuries and damages claims of employees or others, losses of such character not covered by insurance, and other expenses incurred in settlement of injuries and damages claims.
- B. Recoveries from insurance companies or others for property damages shall be credited to the account charged with the cost of the damage. If the damaged property has been retired, the credit shall be to the appropriate account for accumulated provision for depreciation.
- C. Reimbursements from insurance companies or others for expenses charged on account of injuries and damages and insurance dividends or refunds shall be credited to this account.

686 Employee Pensions and Benefits

- A. This account shall include (1) pensions paid to or on behalf of retired employees, (2) accruals to provide for pensions, (3) payments for the purchase of annuities for the purpose, when the utility has definitely, by contract, committed itself to a pension plan under which the pension funds are irrevocably devoted to pension purposes, and (4) payments for employee accident, sickness, hospital, and death benefits, or related insurance. Include, also, expenses incurred in medical, educational or recreational activities for the benefit of employees and administrative expenses in connection with employee pensions and benefits.
- B. The utility shall maintain a complete record of accruals or payments for pensions and be prepared to furnish full information to the Commission of the plan under which it has created or proposes to create a pension fund and a copy of the declaration of trust or resolution under which the pension plan is established.
- C. There shall be credited to this account the portion of pensions and benefits expenses which is applicable to nonutility operations or which is charged to construction, unless such amounts are distributed directly to the accounts involved and are not included in the first instance.
- D. Records in support of this account shall be maintained so that the total pensions expense, the total benefits expense, the administrative expenses included in this account, and the amounts of pensions and benefits expenses transferred to construction or other accounts will be readily available.

Items

- 1. Accruals for and payments for accident, sickness, hospital, and death benefits or insurance
- 2. Accruals for or payments to pension funds or to insurance companies for pension purposes

Operation and Maintenance Expenses – Class D – Account Descriptions

3. Expenses in connection with educational and recreational activities for the benefit of employees
4. Group and life insurance premiums (credit dividends received)
5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed, when not the result of occupational injuries, or in excess of statutory awards
6. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries
7. Payment of pensions under nonaccrual or nonfunded basis

NOTE: Salaries paid to employees during periods of nonoccupational sickness may be charged to the appropriate labor account rather than to employee benefits.

688 Regulatory Commission Expenses

- A. This account shall include all expenses (except pay of regular employees only incidentally engaged in such work) properly included in utility operating expenses, incurred by the utility in connection with formal cases before regulatory commissions, or other regulatory bodies, or cases in which such a body is a party, including payments made to a regulatory commission for fees assessed against the utility for pay and expenses of such commission, its officers, agents, and employees.
- B. Amounts of regulatory commission expenses which by approval or direction of the Commission are to be spread over future periods, shall be charged to Account 186, Miscellaneous Deferred Debits, and amortized by charges to this account.

Items

1. Salaries, fees, retainers, and expenses of counsel, solicitors, attorneys, accountants, engineers, clerks, attendants, witnesses, and others engaged in the prosecution of, or defense against petitions or complaints presented to regulatory bodies, or in the valuation of property owned or used by the utility in connection with such cases
2. Office supplies and expenses, payments to public service or other regulatory commissions, stationery and printing, traveling expenses, and other expenses incurred directly in connection with formal cases before regulatory commissions

NOTE: Exclude from this account and include in other appropriate operating expense accounts expenses incurred in the improvement of service, additional inspection, or rendering reports, which are made necessary by the rules and regulations, or orders, of regulatory bodies.

Operation and Maintenance Expenses – Class D – Account Descriptions

689 Miscellaneous General Expenses

This account shall include the cost of expenses incurred in connection with the general management of the utility not provided for elsewhere.

Items

1. Communication service not chargeable to other accounts
2. Contributions for conventions and meetings of the industry
3. Experimental and general research work for the industry
4. Industry association dues for company memberships
5. Institutional or goodwill advertising
6. Miscellaneous labor not elsewhere provided for
7. Public notice of financial, operating, and other data required by regulatory statutes
8. Publishing and distributing annual reports
9. Trustee and registrar fees and expenses.

690 Uncollectible Accounts

This account shall be charged with losses from, uncollectible accounts or with accruals to provide for anticipated losses from uncollectible utility revenues. Such accruals shall be credited to Account 144, Accumulated Provision for Uncollectible Accounts. If the accrual method is used, losses from uncollectible accounts shall be charged to Account 144.

691 Customer Service and Informational Expenses

This account shall include the cost of supervision, labor, and expenses incurred in customer services and informational activities, the purpose of which is to encourage safe and efficient use of the utility's service, to encourage conservation of the utility's service, and to assist present customers in answering specific inquiries as to the proper and economic use of the customer's equipment utilizing the service.