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TITLE 17 PUBLIC UTILITIES AND UTILITY SERVICES
CHAPTER 12 WATER SERVICES
PART 720 UNIFORM SYSTEMS OF ACCOUNTS AND ANNUAL REPORT FORMS FOR WATER UTILITIES

17.12.720.1 ISSUING AGENCY: New Mexico Public Service Commission [New Mexico Public Regulation Commission].
[Recompiled 12/30/01]

17.12.720.2 SCOPE:
[Recompiled 12/30/01]

17.12.720.3 STATUTORY AUTHORITY:
[Recompiled 12/30/01]

17.12.720.4 DURATION:
[Recompiled 12/30/01]

17.12.720.5 EFFECTIVE DATE:
[Recompiled 12/30/01]

17.12.720.6 OBJECTIVE:
[Recompiled 12/30/01]

17.12.720.7 DEFINITIONS: When used in this system of accounts unless otherwise specified the following definitions will apply.

- A. "Accounts" means the accounts prescribed in this system of accounts.
- B. "Amortization" means the gradual extinguishment of 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.
- C. "Associated Companies" means companies or persons that directly or indirectly through one (1) or more intermediaries control, are controlled by, or are under common control with the accounting company.
- D. "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.
- E. "Commission," unless otherwise indicated by the context, means the New Mexico Public Service Commission [New Mexico Public Regulation Commission].
- F. "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.
- G. "Cost of Removal" means the cost of demolishing, dismantling, tearing down, or otherwise removing utility plant, including the cost of transportation and handling incidental thereto.
- H. "Depreciation," as applied to depreciable utility plant, means the loss in service value not restored by current maintenance incurred in connection with the consumption or prospective retirement of utility plant in the course of service from causes which are known to be in current operation and against which the utility is not protected by insurance. Among the causes to be given consideration are wear and tear, decay, action of the elements, inadequacy, obsolescence, changes in the art, changes in demand, and requirements of public authorities. (See "Depreciation Accrual Rates.")
- I. "Minor Items of Property" means the associated parts or items of which retirement units are composed. (See "List of Retirement Units.")
- J. "Net Salvage Value" means the salvage value of property retired less the cost of removal.
- K. "Original Cost" as applied to utility plant means the cost of such property to the person first devoting it to public service.
- L. "Person" means an individual, a corporation, a partnership, an association, a joint stock company,

a business trust, or any organized group of persons whether incorporated or not, or any receiver or trustee.

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

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

O. "Retained Earnings" means the accumulated net income of the utility less distributions to stockholders or owners and other adjustments.

P. "Retirement Units" means those items of utility plant which, when retired with or without replacement, are accounted for by crediting the book cost thereof to the utility plant account in which included. (See "List of Retirement Units.")

Q. "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.

R. "Service Life" means the time between the date utility plant is includable in utility plant in service or utility plant leased to others and the date of its retirement.

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

[Recompiled 12/30/01]

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 - (1) Uniform System of Accounts for Class C and D Water Utilities
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[Recompiled 12/30/01]

17.12.720.9 UNIFORM SYSTEMS OF ACCOUNTS: Under NMPSC Rule 720 [17.12.720 NMAC] regulated water utilities are required to maintain financial accounts in either of two (2) formats. Class A and Class B water utilities as defined in NMPSC Rule 710 [17.12.1 NMAC] shall keep their financial records according to the NARUC Uniform System of Accounts for Class A and Class B Water Utilities. Class C and Class D water utilities as defined in NMPSC Rule 710 [17.12.1 NMAC] may keep their financial records either pursuant to the New Mexico Uniform System of Accounts for Class C and Class D Water Utilities, included in the Appendix to NMPSC Rule 720 [17.12.720 NMAC], or according to the NARUC Uniform System of Accounts for Class C and Class D Water Utilities.

[Recompiled 12/30/01]

17.12.720.10 ANNUAL REPORT FORMS: Water utilities are required to file Annual Reports for every calendar year by April 30 of the next year. NMPSC Rule 720 [17.12.720 NMAC] provides that water utilities shall file Annual Reports in either of two (2) formats. Class A and Class B water utilities as defined in NMPSC Rule 710 [17.12.1 NMAC] shall file Annual Reports in the form provided by the Commission for Class A and Class B Water Utilities and included in the Appendix to NMPSC Rule 720 [17.12.720 NMAC]. Class C and Class D water utilities as defined in NMPSC Rule 710 [17.12.1 NMAC] may file either an abbreviated Annual Report form provided by the Commission, included in the Appendix to NMPSC Rule 720 [17.12.720 NMAC], or the form provided for Class A and Class B Water Utilities.

[Recompiled 12/30/01]

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[Recompiled 12/30/01]

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[Recompiled 12/30/01]

17.12.720.13 GENERAL INSTRUCTIONS:

A. Records:

- (1) Each utility shall keep its books of account and all other books, records, and papers which support the entries in such books of account so as to be able to furnish readily full information as to any item included in any account. Each entry shall be supported by such detailed information as will permit a ready identification, analysis, and verification of all facts relevant thereto.
- (2) The books and records referred to herein include not only accounting records in a limited technical sense but all other records, such as minute books, stock books, reports, correspondence, memoranda, etc., which may be useful in developing the history of or facts regarding any transaction.
- (3) No utility shall destroy any such books or records unless the destruction thereof is permitted by rules and regulations of the Commission.
- (4) In addition to prescribed accounts, clearing accounts, temporary or experimental accounts, and subdivision of any account may be kept provided the integrity of the prescribed accounts is not impaired.
- (5) All amounts included in the accounts prescribed herein for utility plant and operating expenses shall be just and reasonable, and any payments or accruals by the utility in excess of just and reasonable charges shall be included in account 426, Miscellaneous Income Deductions.
- (6) The arrangement or sequence of the accounts prescribed herein shall not be controlling as to the arrangement or sequence in report forms which may be prescribed by the Commission.

B. Accounting Period: Each utility shall keep its books on a monthly basis so that for each accounting period all transactions applicable thereto, as nearly as may be ascertained, shall be entered in the books of the utility. Each utility shall close its books at the end of each calendar year unless otherwise authorized by the Commission.

C. Submittal of Questions: To maintain uniformity of accounting utilities shall submit questions of doubtful interpretation to the Commission for consideration and decision.

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

E. Accounting to be on Accrual Basis:

(1) The utility is required to keep its accounts on the accrual basis. This requires the inclusion in its accounts of all known transactions of appreciable amount which affect the accounts. If bills covering such transactions have not been received or rendered, the amounts shall be estimated and appropriate adjustments made when the bills are received.

(2) 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 166, Prepayments, and spread over the periods to which applicable by credits to account 166 and charged to the accounts appropriate for the expenditures.

F. Extraordinary Items: It is the intent that net income shall reflect all items of profit and loss during the period with the sole exception of prior period adjustments as described in General Instruction 7 [G]. Those items related to the effects of events and transactions which have occurred during the current period and which are not typical or customary business activities of the company shall be considered extraordinary items. Commission approval must be obtained to treat an item as extraordinary. Such request must be accompanied by complete detailed information. (See Accounts 433 and 434.)

G. Prior Period Items: Items relating to transactions which occurred prior to the current calendar year but were not recorded in the books of account shall be included in the same accounts in which they would have been recorded had the item been recorded in the proper period. Such items relate to events or transactions which occurred in a prior period or periods, the accounting effects of which could not be determined with reasonable assurance at the time usually because of major uncertainty then existing. When the amount of a prior period item is relatively so large its inclusion for a single month would distort the accounts for that month, the amount may be distributed in equal amounts to the accounts for the current and remaining months of the calendar year. However, if the amount of any prior period item is so large that the company believes its inclusion in the income statement would seriously distort the net income for the year, the company may request Commission approval to record the amount in account 439, Adjustments to Retained Earnings. Such a request must be accompanied by adequate justification.

H. Operating Reserves: Accretions to operating reserve accounts made by charges to operating expenses shall not exceed a reasonable provision for the expense. Material balances in such reserve accounts shall not be diverted from the purpose for which provided unless the permission of the Commission is first obtained.
[Recompiled 12/30/01]

17.12.720.14 UTILITY PLANT INSTRUCTIONS:

A. Utility Plant to be Recorded at Cost:

(1) 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, and 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.

(2) When the consideration given for property is other than cash, the value of such consideration shall be determined on a cash basis. In the entry recording such transaction the actual consideration shall be described with sufficient particularity to identify it. The utility shall be prepared to furnish the Commission the particulars of its determination of the cash value of the consideration if other than cash.

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

(4) Utility plant contributed to the utility or constructed by the utility from contributions of cash or its

equivalent shall be charged to the utility plant accounts at cost of construction, estimated if not known. There shall be credited to the accounts for accumulated depreciation and amortization the estimated amount of depreciation and amortization applicable to the property at the time of its contribution to the utility. The difference between the amounts included in the utility plant accounts and the accumulated depreciation and amortization shall be credited to account 271, Contribution in Aid of Construction.

B. Components of Construction Cost: The cost of construction of property chargeable to the utility plant accounts shall include, where applicable, the cost of labor, materials and supplies, transportation, work done by others for the utility, injuries and damages incurred in construction work, privileges and permits, special machine service, allowance for funds used during construction, and such portion of general engineering, administrative salaries and expenses, insurance, taxes, and other analogous items as may be properly includable in construction costs.

C. Overhead Construction Costs:

(1) All overhead construction costs, such as engineering, supervision, general office salaries and expenses, construction engineering and supervision by others than the accounting utility, legal expenses, insurance, injuries and damages, relief and pensions, taxes and allowance for funds used during construction shall be charged to particular jobs or units on the basis of the amounts of such overheads reasonably applicable thereto, to the end that each job or unit shall bear its equitable portion 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.

(2) As far as practicable, the determination of payroll charges includable in construction overheads shall be based on time card distributions thereof. Where this procedure is impractical, reasonable estimates of amounts to cover assumed overhead costs are permitted.

D. Utility Plant Purchased or Sold: When utility plant constituting an operating unit or system is acquired by purchase, merger, consolidation, liquidation, or otherwise, the Commission shall be contacted for the proper accounting treatment of the transaction.

E. Expenditures on Leased Property:

(1) The cost of substantial initial improvements (including repairs, rearrangements, additions, and betterments) made in the course of preparing for utility service property leased for a period of more than one (1) year and the cost of subsequent substantial additions, replacements, or betterments to such property shall be charged to the utility plant account appropriate for the class of property leased. If the service life of the improvement 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 425, Miscellaneous Amortizations. However, if the service life is not terminated by action of the lease but by depreciation proper, then the cost of the improvements less net salvage shall be accounted for as depreciable plant.

(2) If improvements made to property leased for a period of more than one (1) year are of relatively minor cost, or if the lease is for a period of not more than one (1) year, the cost of the improvements shall be charged to the account in which the rent is included.

F. Land and Land Rights:

(1) 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.

(2) 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.

(3) 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.

- (4) The items of cost to be included in the accounts for land and land rights are as follows:
 - (a) cost, first, of acquisition including mortgages and other liens assumed (but not subsequent interest thereon);
 - (b) condemnation proceedings, including court and counsel costs;
 - (c) fees, commissions, and salaries to brokers, agents, and others in connection with the acquisition of the land or land rights;
 - (d) leases, cost of voiding upon purchase to secure possessions of land;
 - (e) 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;
 - (f) 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;
 - (g) 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;
 - (h) taxes assumed, accrued to date of transfer of title;
 - (i) title, examining, clearing, insuring, and registering in connection with the acquisition and defending against claims relating to the period prior to the acquisition;
 - (j) appraisals prior to closing title;
 - (k) filing satisfaction of mortgage;
 - (l) documentary stamps;
 - (m) photographs of property at acquisition;
 - (n) fees and expenses incurred in the acquisition of water rights and grants;
 - (o) sidewalks and curbs constructed by the utility on public property; and
 - (p) labor and expenses in connection with securing rights-of-way where performed by company employees and company agents.

G. Structures and Improvements:

- (1) The accounts for structures and improvements include the cost of all buildings and facilities to house, support, or safeguard property of persons, including all fixtures permanently attached to and made a part of buildings and which cannot be removed therefrom without cutting into the walls, ceilings, or floors, or without in some way impairing the buildings, and improvements of a permanent nature 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.
- (2) 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 any item of equipment shall be charged to the same account as the cost of the machinery, apparatus, or equipment.
- (3) The items of cost to be included in the accounts for structures and improvements are as follows:
 - (a) architects' plans and specifications including supervision;
 - (b) athletic field structures and improvements;
 - (c) 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.;
 - (d) commissions and fees to brokers, agents, architects, and others;
 - (e) conduit (not to be removed) with its contents;
 - (f) damages to abutting property during construction;
 - (g) drainage and sewerage systems;
 - (h) excavation, including shoring, bracing, bridging, refill, and disposal of excess excavated material, cofferdams around foundation, pumping water from cofferdam during construction, test borings;
 - (i) fences and fence curbs (not including protective fences isolating items of equipment which shall be charged to the appropriate equipment account).
 - (j) fire protection systems when forming a part of a structure;
 - (k) foundations and piers for machinery constructed as a permanent part of a building or other item listed herein;
 - (l) grading and clearing when directly occasioned by the building of a structure;

- (m) intrasite communication system, poles, pole fixtures, wires, and cables;
- (n) landscaping, lawns, shrubbery, etc.
- (o) leases, voiding upon purchase to secure possession of structures;
- (p) leased property, expenditures on;
- (q) lighting fixtures and outside lighting system;
- (r) painting, first cost;
- (s) permanent paving, concrete, brick, flagstone, asphalt, etc., within the property lines;
- (t) permits and privileges;
- (u) platforms, railings, and gratings when constructed as a part of a structure;
- (v) retaining walls except when identified with land;
- (w) sidewalks, culverts, curbs, and streets constructed by the utility on its property;
- (x) storage facilities constituting a part of a building;
- (y) vaults constructed as part of a building; and
- (z) water basins or reservoirs.

H. Equipment:

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

(2) Exclude from equipment accounts hand and other portable tools, which are likely to be lost or stolen or which have relatively small value (\$50.00 or less) or short life, unless the correctness of accounting therefor as utility plant is verified by current inventories. Special tools acquired and included in the purchase price of equipment shall be included in the appropriate plant account. Portable drills and similar tool equipment when used in connection with the operation and maintenance of a particular plant or department, such as pumping, transmission, and distribution, etc., or in "stores," shall be charged to the plant account appropriate for their use.

I. Additions and Retirements of Utility Plant:

(1) 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 the list of retirement units included herein.

(2) The addition and retirement of retirement units shall be accounted for as follows.

(a) When a retirement unit is added to utility plant, the cost shall be added to the appropriate utility plant account.

(b) 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. If the retirement unit is depreciable, 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.

(3) The addition and retirement of minor items of property shall be accounted for as follows.

(a) When a minor item of property which did not previously exist is added to plant, the cost charged shall be to expense.

(b) 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 depreciable plant, the account accumulated provision for depreciation shall be charged with the book cost and cost of removal and credited with the salvage.

(c) When a minor item of depreciable property is replaced, the cost of replacement shall be charged to expense.

(4) The book cost of utility plant retired shall be the amount at which such property is included in the utility plant accounts plus 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.

(5) The book cost of land retired shall be credited to the land account. If the land is sold, the difference between the book cost and the sale price of the land (less commissions and other expenses of making the sale) shall be included in account 422, Gains (Losses) From Disposition of Property, unless otherwise authorized or required by

the Commission. If the land is not used in utility service but is retained by the utility, the book cost shall be charged to account 105, Property Held for Future Use, or account 121, Nonutility Property, as appropriate.

(6) The book cost less net salvage of utility plant retired shall be charged in its entirety to account 110, Accumulated Provision for Depreciation and Amortization of Utility Plant. Any amounts which by approval or order of the Commission are charged to account 182, Extraordinary Property Losses, shall be credited to account 110, Accumulated Provision for Depreciation and Amortization of Utility Plant.

[Recompiled 12/30/01]

17.12.720.15 OPERATING EXPENSE INSTRUCTIONS:

A. Maintenance:

(1) The cost of maintenance includes contract material, contract labor, materials, overheads, and other expenses incurred in maintenance work. A list of work operations applicable generally to utility plant is included hereunder.

(2) Materials recovered in connection with the maintenance of property shall be credited to the maintenance account.

(3) If the book cost of any property is carried in account 106, Utility Plant Purchased or Sold, the cost of maintaining such property shall be charged to the account for maintenance, 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 2. Items:

- (a) Direct field supervision of maintenance.
- (b) 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.
- (c) Work performed specifically for the purpose of preventing failure, restoring serviceability, or maintaining life of plant.
- (d) Rearranging and changing the location of plant not retired.
- (e) Repairing for reuse materials recovered from plant.
- (f) Testing for, locating, and clearing trouble.
- (g) Net cost of installing, maintaining, and removing temporary facilities to prevent interruption in service.
- (h) Replacing or adding minor items of plant which do not constitute a retirement unit. (See Utility Plant Instruction 9.)

B. Rents:

(1) Expense shall include all rents, including taxes paid by the lessee on leased property, for property used in utility operations.

(2) 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.

(3) The cost, when incurred by the lessee, of operating and maintaining leased property shall be charged to expense as if the property were owned.

(4) 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.

[Recompiled 12/30/01]

17.12.720.16 BALANCE SHEET ACCOUNTS:

A. Utility Plant:

(1) 101 - Utility Plant in Service:

(a) This account shall include the original cost of utility plant, included in the plant accounts prescribed herein owned and used by the utility in its utility operations, and having an expectation of life in service of more than one (1) year from date of installation.

(b) The cost of additions to and betterments of property leased from others which are includable in this account shall be maintained in subdivisions separate and distinct from those relating to owned property. (See Utility Plant Instruction 5.)

- (2) 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 such detail as though the property were used by the owner in its utility operations.
- (3) 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 herein property acquired but never used by the utility in utility service but held for such service in the future under a definite plan, and property previously used by the utility in utility service but retired from such service and held pending its reuse in the future, under a definite plan, in utility service.
 - (b) In the event that property recorded in this account shall no longer be needed or appropriate for future utility operations, the company shall notify the Commission of such condition and request approval to remove such property from this account.
 - (c) Gains or losses from the sale of land and land rights or other disposition of such property previously recorded in this account and not placed in utility service shall, unless otherwise authorized or required by the Commission, be recorded directly in account 422, Gains (Losses) from Disposition of Property. However, when determined to be significant by the Commission the gain or loss shall be transferred to account 253, Other Deferred Credits, or account 183, Other Deferred Debits. Such deferred amounts shall then be amortized to account 422, Gains (Losses) from Disposition of Property, unless otherwise authorized or required by the Commission.
 - (d) The property included in this account shall be classified according to the detailed accounts prescribed for utility plant in service, and the account shall be maintained in such detail as though the property were in service. Note: Materials and supplies, meters held in reserve, or normal spare capacity of plant in service shall not be included in this account.
- (4) 106 - Utility Plant Purchased or Sold:
- (a) This account shall be charged with the cost of utility plant acquired as an operating unit or system by purchase, merger, consolidation, liquidation, or otherwise, and shall be credited with the selling price of like property transferred to others pending the distribution to appropriate accounts in accordance with Utility Plant Instruction 4.
 - (b) Within six (6) months from the date of acquisition or transfer of property recorded herein there shall be filed with the Commission the proposed journal entries to clear from this account the amounts recorded herein.
- (5) 107 - Construction Work in Progress: 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.
- (6) 110 - Accumulated Provision for Depreciation and Amortization of Utility Plant:
- (a) This account shall be credited with the following:
 - (i) amounts charged to account 403, Depreciation Expense, and any other appropriate amortizations affecting utility plant matters;
 - (ii) amounts of depreciation applicable to utility properties acquired as operating units or systems (see Utility Plant Instruction 4);
 - (iii) amounts chargeable to account 182, Extraordinary Property Losses, when authorized by the Commission; and
 - (iv) amounts of depreciation applicable to utility plant donated to the utility;
 - (b) At the time of retirement of utility plant, this account shall be charged with the book cost of the property retired and the cost of removal, and shall be credited with the salvage value and any other amounts recovered, such as insurance.
 - (c) The utility is restricted in its use of the provisions for depreciation to the purposes set forth above. It shall not divert any portion of this account to retained earnings or make any use thereof without authorization by the Commission.
- B. Other Property and Investments:
- (1) 121 - Nonutility Property:
- (a) This account shall include the book cost of land, structures, equipment, or other tangible or intangible property owned by the utility but not used in utility service and not property includable in account 105,

Property Held for Future Use.

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

(2) 124 - Other Investments:

(a) This account shall include the book cost of investments not accounted for elsewhere.

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

(3) 125 - Special Funds: This account shall include the amount of cash and book cost of investments which have been segregated in special funds for bond retirements, property additions and replacements, insurance, employees' pensions, savings, relief, hospital, and other purposes not provided for elsewhere. A separate account with appropriate title shall be kept for each fund.

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

(1) 131 - Cash and Working Funds: This account shall include the amount of cash on hand and in banks and cash advanced to officers, agents, employees, and others, as petty cash or working funds. Special cash deposits for payment of interest, dividends, or other special purposes shall be included in this account in separate subdivisions which shall specify the purpose for which each such special deposit is made. Note: Special Deposits for more than one (1) year which are not offset by current liabilities shall not be charged to this account but to account 125, Special Funds.

(2) 132 - Temporary Cash Investments:

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

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

(3) 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 associated companies.

(b) This account shall be maintained so as to show separately the amounts due from merchandising, jobbing, and contract work.

(4) 143 - Other Accounts Receivable:

(a) This account shall include amounts due the utility upon or from notes receivable, or other debt owed to the utility, and open accounts other than amounts due from associated companies and from customers for utility services and merchandising, jobbing, and contract work.

(b) This account shall be maintained so as to show separately amounts due on subscriptions to capital stock and from officers and employees, but the account shall not include amounts advanced to officers or others an working funds. (See account 131, Cash and Working Funds.)

(5) 144 - Accumulated Provision for Uncollectible Accounts:

(a) This account shall be credited with amounts provided for losses on accounts receivable which may become uncollectible and also with collections on accounts previously charged hereto.

(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.

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

(ii) Note B: If provisions for uncollectible notes receivable or for uncollectible receivables

from associated companies are necessary, separate subaccounts therefor shall be established under the account in which the receivable is carried.

(6) 146 - Accounts Receivable from Associated Companies: These accounts shall include notes and drafts upon which associated companies are liable and which mature and are expected to be paid in full not later than one (1) year from date of issue, together with any interest thereon and debit balances subject to current settlement in open accounts with associated companies. Items which do not bear a specific due date but which have been carried for more than twelve (12) months and items which are not paid within twelve (12) months from due date shall be transferred to account 124, Other Investments. Note: On the balance sheet accounts receivable from an associated company may be set off against accounts payable to the same company.

(7) 150 - Materials and Supplies:

(a) This account shall include the cost of fuel on hand and unapplied materials (except meters). 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 herein as follows.

(i) 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.

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

(iii) Scrap and nonusable materials included in this account shall be carried at the estimated net amount realized therefrom. The difference between the amounts realized for scrap and nonusable materials sold and the net amount at which the materials were carried in this account as far as practicable shall be adjusted to the accounts credited when the materials were charged to this account.

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

(c) Inventories of materials, supplies, fuel, etc., shall be taken at least annually and the necessary adjustments shall be made to bring this account into agreement with the actual inventories. In effecting the adjustments, large differences which can be assigned to important classes of materials shall be equitably adjusted among the accounts to which such classes of materials have been charged since the previous inventory. Other differences shall be equitably apportioned among the accounts to which materials have been charged.

(d) Items

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

(ii) Transportation charges when practicable to include as part of the cost of particular materials to which they relate.

(iii) Custom duties and excise taxes.

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

(v) Insurance and other directly assignable charges.

(8) 166 - Prepayments:

(a) This account shall include the amount of rents, taxes, insurance, interest, and like disbursements made in advance of the period to which they apply. As the periods covered by such prepayments expire, credit this account and charge the proper operating expense or other account with the amount applicable to the period.

(b) This account shall be kept or supported in such manner as to disclose the amount of each class of prepayments.

(9) 170 - Other Current and Accrued Assets: This account shall include the book cost of all other current and accrued assets, appropriately designated and supported so as to show the nature of each asset included herein.

D. Equity Capital:

(1) 201 Common Stock:

(2) 215 - Accumulated Retained Earnings (or Losses): This account shall include the amount of all

retained earnings, including those 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.

(3) 218 - Noncorporate Proprietorship: This account shall include the investment in an unincorporated utility by the proprietor thereof, and shall be charged with all withdrawals from the business by its proprietor. At the end of each calendar year, the net income for the year, as developed in the income account, shall be transferred to this account. (See optional accounting procedure provided in Note C, hereunder.)

(a) Note A: Amounts payable to the proprietor as just and reasonable compensation for services performed shall not be charged to this account but to appropriate operating expense or other accounts.

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

(c) Note C: This account may be restricted to the amount considered by the proprietor to be the permanent investment in the business, subject to change only by additional investment by the proprietor or the withdrawal of portions thereof not representing net income. When this option is taken, the retained earnings accounts shall be maintained and entries thereto shall be made in accordance with the texts thereof.

E. Long Term Debt:

(1) 223 - Advances from Associated Companies:

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

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

(2) 224 - Other Long Term Debt:

(a) This account shall include, until maturity, all long term debt. This covers such items as notes, loans, receivers certificates, real estate mortgages executed or assumed, assessments for public improvements, notes and unsecured certificates of indebtedness now owned by associated companies, receipts outstanding for long term debt, and other obligations maturing more than eighteen (18) months from date of issue or assumption.

(b) Records shall be maintained to show separately for each item all details as to date of obligation, date of maturity, interest dates and rates, security for the obligation, etc.

F. Current and Accrued Liabilities: Current and accrued liabilities are those obligations which have either matured or which become due within one (1) year from the date thereof; except, however, bonds, receivers' certificates, and similar obligations which shall be classified as long term debt until date of maturity; accrued taxes, such as income taxes, which shall be classified as accrued liabilities even though payable more than one (1) 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 (1) year from date of issuance or assumption by the utility, and it shall be credited to a long term debt 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.

(1) 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 (1) year from date of issue, to other than associated companies.

(2) 232 - Accounts Payable: This account shall include all amounts payable by the utility within one (1) year which are not provided for in other accounts.

(3) 233 - Notes Payable to Associated Companies:

(4) 234 - Accounts Payable to Associated Companies: These accounts shall include amounts owed to associated companies on notes, drafts, acceptances, or other similar evidences of indebtedness, and open accounts payable on demand for not more than one (1) year from date of issuance or creation. Note: Exclude from these accounts notes and accounts which are includable in account 223, Advances from Associated Companies.

(5) 235 - Customer Deposits: This account shall include all amounts deposited with the utility by customers as security for the payment of bills.

(6) 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 so as to include as nearly as can be determined in each year the taxes applicable thereto. Any amount representing a prepayment of taxes applicable to the period subsequent to the date of the balance sheet shall be shown under account 166, Prepayments.

(b) If accruals for taxes are found to be insufficient or excessive, correction therefor shall be made through current tax accruals. However, if such corrections are so large as to seriously distort current expenses, see General Instruction 9.

(c) Accruals for taxes shall be based upon the net amount payable after credit for any discounts and shall not include any amounts for interest on tax deficiencies or refunds. Interest received on refunds shall be credited to account 419. Interest and Dividend Income and interest paid on deficiencies shall be charged to account 431, Other Interest Expense.

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

(7) 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 so as to show the amount of interest accrued on each obligation.

(8) 238 - Other Current and Accrued Liabilities: This account shall include the amount of all other current and accrued liabilities not provided for elsewhere appropriately designated and supported so as to show the nature of each liability: Items:

(a) Dividends declared but not paid.

(b) Matured long term debt.

(c) Matured interest.

(d) Taxes collected through payroll deductions or otherwise, including sewage charges collected by the utility, pending transmittal to the proper taxing authority.

G. Deferred Credits:

(1) 252 - Advances for Construction: This account shall include advances by, or on behalf of, customers for construction which are to be refunded either wholly or in part. When a person is refunded the entire amount to which he is entitled according to the agreement or rule under which the advance was made, the balance, if any, remaining in this account shall be credited to 271, Contributions in Aid of Construction.

(2) 253 - Other Deferred Credits: This account shall include gains on disposition of property, net of income taxes deferred by authorization of the Commission, advance billings and receipts, and other deferred credit items not provided for elsewhere, including amounts which cannot be entirely cleared or disposed of until additional information has been received.

(3) 255 - Accumulated Deferred investment Tax Credits:

(a) Prior to any use of this account the utility must file with the Commission, for the purpose of obtaining authorization, a copy of its proposed plan of accounting for deferred investment tax credits. The utility shall not use these accounts unless such use has been authorized by the Commission. This account shall be credited and account 412, Investment Tax Credits, debited with all investment tax credits deferred by companies authorized to use deferral accounting rather than recognizing in the income statement the total benefits of the investment tax credit as realized. There can be neither changes in accounting method for utility operations nor transfers from this account, except as authorized herein or as may otherwise be authorized by the Commission. (See account 412.)

(b) This account shall be debited and account 412 credited with a proportionate amount determined in relation to the average useful life of utility property to which the tax credits relate or such lesser period of time as may be adopted and consistently followed by the company.

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

(d) Separate records for each utility and nonutility operation shall be maintained identifying the properties giving rise to the investment tax credits for each year with the weighted average service life of such properties and any unused balances of such credits. Such records are not necessary unless the tax credits are deferred.

H. Operating Reserves: 265 - Miscellaneous Operating Reserves:

(1) This account shall include all operating reserves maintained by the utility.

(2) This account shall be maintained in such manner as to show the amount of each separate reserve

and the nature and amounts of the debits and credits thereto.

(3) Note: This account includes only such reserves as may be created for operating purposes and does not include any reservations of income, the credits for which should be carried in account 215, Appropriated Retained Earnings.

I. 271 - Contributions in Aid of Construction:

(1) This account shall include donations or contributions in cash, services, or property from states, municipalities, or other governmental agencies, individuals, and others for construction purposes.

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

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

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

J. 283 - Accumulated Deferred Income Taxes:

(1) This account shall be credited and account 410, Provision for Deferred Income Taxes, shall be debited with an amount equal to that by which taxes on income payable for the year are lower because of the current use of deductions, including accelerated amortization or liberalized depreciation in the computation of income taxes, which deductions for general accounting purposes will not be fully reflected in the utility's determination of annual net income until subsequent years.

(2) Records with respect to entries to this account, as described above, and the account balance shall be so maintained as to show the factors of calculation with respect to each annual amount of the item or class of items other than accelerated amortization or liberalized depreciation, for which tax deferral accounting by the utility is authorized by the Commission.

[Recompiled 12/30/01]

17.12.720.17 UTILITY PLANT ACCOUNTS:

A. Intangible Plant:

(1) 301 - Organization: This account shall include all fees paid to federal or state governments for the privilege of incorporation and expenditures incident to organizing the corporation, partnership, or other enterprise and putting it into readiness to do business.

(a) Items:

(i) Cost of obtaining certificates authorizing an enterprise to engage in the public utility business.

(ii) Fees and expenses for incorporation.

(iii) Fees and expenses for mergers or consolidations.

(iv) Office expenses incident to organizing the utility.

(v) Stock and minute books and corporate seal.

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

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

(2) 302 - Franchises and Consents:

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

(b) If a franchise, consent, or certificate is acquired by assignment, the charge to this account in

respect there of shall not exceed the amount paid therefor by the utility to the assignor, nor shall it exceed the amount paid by the original grantee, plus the expense of acquisition to such grantee. Any excess of the amount actually paid by the utility over the amount above specified shall be charged to account 426, Miscellaneous Income Deductions.

(c) When any franchise has expired, the book cost thereof shall be credited hereto and charged to account 426, Miscellaneous Income Deductions, or to account 110, Accumulated Provision for Depreciation and Amortization of Utility Plant, as appropriate.

(d) Records supporting this account shall be kept so as to show separately the book cost of each franchise or consent.

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

(3) 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 thereof shall be credited hereto and charged to account 426, Miscellaneous Income Deductions, or to account 110, Accumulated Provision for Depreciation and Amortization of Utility Plant, as appropriate.

(c) This account shall be maintained in such a manner that the utility can furnish full information with respect to the amounts included herein.

B. Utility Land and Structures:

(1) 310 - Utility Land and Rights-of-Way: This account shall include the cost of all utility land, land rights, and rights-of-way. (See Utility Plant Instruction 6 [F].)

(2) 311 - Utility Structures and Improvements: This account shall include the cost in place of structures and improvements used and useful in connection with utility operations. (See Utility Plant Instruction 7 [G].)

C. Source of Supply Plant:

(1) 312 - Collecting and Impounding Reservoirs: This account shall include the cost in place of structures and improvements used for impounding, collecting, and then storing water in the source of supply system.

(a) Items:

- (i) Aerators (when installed as an integral part of collecting and impounding reservoirs).
- (ii) Bridges and culverts.
- (iii) Clearing land.
- (iv) Dams.
- (v) Drainage conduits.
- (vi) Embankments.
- (vii) Fish ladders and elevators.
- (viii) Fences.
- (ix) Gate houses and equipment.
- (x) Landscaping.
- (xi) Lighting systems.
- (xii) Retaining walls.
- (xiii) Roads and paths.
- (xiv) Sewers.
- (xv) Spillways and channels.
- (xvi) Any other permanent improvement to collecting and impounding reservoirs.

(b) [RESERVED]

(2) 314 - Wells and Springs: This account shall include the cost installed of wells and springs used as a source of water supply.

(a) Items:

- (i) Clearing land.
- (ii) Collecting basins.
- (iii) Collecting pipes.
- (iv) Fences.
- (v) Landscaping.
- (vi) Lighting systems.

- (vii) Overflow spillways and channels.
- (viii) Sewers.
- (ix) Springs and appurtenances.
- (x) Wells, casings, and appurtenances, including cost of test wells and nonproductive wells drilled as part of a project resulting in a source of water within the same supply area.

(3) 317 - Other Water Source Plant: This account shall include the cost installed of other water source plant which is not properly includable in other source of supply plant accounts.

D. Pumping Plant:

(1) 325 - Electric Pumping Equipment: This account shall include the cost installed of pumping equipment driven by electric power.

(a) Items:

- (i) Motors for driving pumps.
- (ii) Pumps, including setting, gearing, shafting, and belting.
- (iii) Water piping within station, including valves.
- (iv) Auxiliary equipment for motors and pumps such as oiling systems, cooling systems, condensers, etc.

- (v) Electric power lines and switching.
- (vi) Regulating recording, and measuring devices.
- (vii) Foundations, frames, and bed plates.
- (viii) Ladders, stairs, and platforms if a part of pumping unit.

(2) 328 - Other Pumping Equipment: This account shall include cost of equipment used in pumping operations not properly includable in account 325 such as gas engine and gasoline engine pumping equipment.

E. Water Treatment Plant: 332 - Water Treatment Equipment: This account shall include the cost installed of apparatus equipment and other facilities used for the treatment of water.

F. Transmission and Distribution Plant:

(1) 342 - Distribution Reservoirs and Tanks: This account shall include the cost in place of reservoirs, tanks, standpipes, and appurtenances used in storing water for distribution. (See Utility Plant Instruction 7.)

(a) Items:

- (i) Aerators (when installed as an integral part of distribution reservoirs).
- (ii) Bridges and culverts.
- (iii) Clearing land.
- (iv) Dams.
- (v) Embankments.
- (vi) Fences.
- (vii) Foundations.
- (viii) Gates and gate houses.
- (ix) Landscaping.
- (x) Lighting systems.
- (xi) Piping system within reservoirs.
- (xii) Retaining walls.
- (xiii) Roads and paths.
- (xiv) Rust-proofing apparatus.
- (xv) Sewers.
- (xvi) Spillways and channels.
- (xvii) Standpipes.
- (xviii) Superstructures.
- (xix) Tanks.
- (xx) Towers.
- (xxi) Valves and appurtenances.
- (xxii) Valve vaults and houses.
- (xxiii) Water level control apparatus.

(b) [RESERVED]

(2) 343 - Mains:

(a) This account shall include the cost installed of mains and appurtenances.

(b) Records supporting this account shall be so kept as to show separately the cost of mains for different sizes and types.

(c) Items:

- (i) Air chambers.
- (ii) Blow-offs and overflows.
- (iii) Bridges and culverts.
- (iv) Electrolysis control equipment.
- (v) Gauges and recorders.
- (vi) Jointing and jointing materials.
- (vii) Manholes.
- (viii) Meters and appurtenances.
- (ix) Municipal inspection or permits.
- (x) Pavement disturbed, including cutting and replacing pavement, pavement base, and

sidewalks.

- (xi) Pipes.
- (xii) Placing mains and accessories.
- (xiii) Pressure regulators.
- (xiv) Protection of street openings.
- (xv) Shut-offs.
- (xvi) Special castings.
- (xvii) Sterilizing new mains.
- (xviii) Surge tanks.
- (xix) Trenching, including shoring, bracing, bridging, pumping, backfill, and disposal of excess excavated material.

- (xx) Tunnels.
- (xxi) Valves and appurtenances.
- (xxii) Valve vaults.

(3) 345 - Services:

(a) This account shall include the cost installed of service pipes and accessories leading to the customer's meter.

(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.

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

(d) Items:

- (i) Corporation stops or toes.
- (ii) Gate valves and boxes.
- (iii) Goose necks.
- (iv) Jointing and jointing material.
- (v) Municipal inspection or permits.
- (vi) Pavement disturbed, including cutting replacing pavement, pavement base, sidewalks.
- (vii) Pipes.
- (viii) Placing pipes and accessories.
- (ix) Protection of street openings.
- (x) Service or curb boxes.
- (xi) Service or curb stops.
- (xii) Tapping main.

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

(4) 346 - Meters:

- (a) This account shall include the cost of meters, devices, and appurtenances attached thereto

used for measuring the quantity of water delivered to users whether actually in service or held in reserve.

(b) When a meter is permanently retired from service, the amount at which it is included herein shall be credited to this account.

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

(d) Items:

(i) Meters, including badging and initial testing.

(ii) Remote meter registers.

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

(f) Note B: The utility shall maintain meter records in a form and manner to readily allow all meters to be classified as to type and size. Such records shall also indicate for utility owned meters whether the meter is in service or is held in reserve and the number of meters in service owned by customers.

(5) 347 - Meter Installations:

(a) This account shall include the cost of labor employed, materials used, and expenses incurred in connection with the original installation of customers' meters and devices and appurtenances attached thereto.

(b) When a meter installation is permanently retired from service, the cost thereof shall be credited to this account.

(c) Items:

(i) Installation labor (first installations only).

(ii) Meter coupling.

(iii) Meter bars.

(iv) Meter yokes.

(v) Meter fittings, connections, and shelves.

(vi) Meter vaults or boxes.

(vii) Stops.

(d) Note A: The cost of labor in removing and resetting meters shall be charged to account 920.2 or 922.

(e) Note B: The utility may include the cost of meter installations in account 346, Meters.

(6) 348 - Hydrants:

(a) This account shall include the cost installed of hydrants in service owned by the utility.

(b) Records shall be kept so as to show number, size (nominal diameter or 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.

(c) Items:

(i) Connections to main.

(ii) Excavation, backfill, and disposal of excess excavated material.

(iii) Hydrants and fittings, including barrel and shoe.

(iv) Manholes.

(v) Pavement disturbed, including cutting and replacing pavement, pavement base, and sidewalks.

(vi) Pipe, including leads and drains.

(vii) Tee at main.

(viii) Valves and valve boxes.

G. General Plant:

(1) 391 - Office Furniture and Equipment:

(a) This account shall include the cost of office furniture and equipment owned by the utility 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 includable in this account at more than one location, separate records shall be maintained for each location.

(c) Items:

- (i) Book cases and shelves.
 - (ii) Desks, chairs, and desk equipment.
 - (iii) Drafting room equipment.
 - (iv) Filing, storage, and other cabinets.
 - (v) Floor covering.
 - (vi) Library and library equipment.
 - (vii) Mechanical office equipment such as accounting machines, typewriters, computers, etc.
 - (viii) Safes.
 - (ix) Tables.
- (2) 392 - Transportation Equipment: This account shall include the cost of transportation vehicles used for utility purposes.
- (a) Items:
 - (i) Airplanes.
 - (ii) Automobiles.
 - (iii) Bicycles.
 - (iv) Electrical vehicles.
 - (v) Motor trucks.
 - (vi) Motorcycles.
 - (vii) Repair cars or trucks.
 - (viii) Tractors and trailers.
 - (ix) Other transportation vehicles.
 - (b) [RESERVED]
- (3) 393 - Stores Equipment:
- (a) This account shall include the cost of equipment used for the receiving, shipping, handling, and storage of materials and supplies.
 - (b) If the utility has equipment includable in this account at more than one location, separate records shall be maintained for each location.
 - (c) Items:
 - (i) Chain falls.
 - (ii) Counters.
 - (iii) Cranes (portable).
 - (iv) Elevating and stacking equipment (portable).
 - (v) Hoists.
 - (vi) Lockers.
 - (vii) Scales.
 - (viii) Shelving.
 - (ix) Storage bins.
 - (x) Trucks, hand and power driven.
 - (xi) Wheelbarrows.
- (4) 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 includable in other accounts.
- (a) Items:
 - (i) Air compressors.
 - (ii) Anvils.
 - (iii) Automobile repair shop equipment.
 - (iv) Battery charging equipment.
 - (v) Belts, shafts, and countershafts.
 - (vi) Boilers.
 - (vii) Cable pulling equipment.
 - (viii) Concrete mixers.
 - (ix) Drill presses.
 - (x) Derricks.
 - (xi) Electric equipment.

(xii) Engines.
(xiii) Forges.
(xiv) Furnaces.
(xv) Foundations and settings specially constructed for and not expected to outlast the equipment for which provided.

- (xvi) Gas producers.
- (xvii) Gasoline pumps, oil pumps, and storage tanks.
- (xviii) Greasing tools and equipment.
- (xix) Hoists.
- (xx) Ladders.
- (xxi) Latches.
- (xxii) Machine tools.
- (xxiii) Motor-driven tools.
- (xxiv) Motors.
- (xxv) Pipe threading and cutting tools.
- (xxvi) Pneumatic tools.
- (xxvii) Pumps.
- (xxviii) Riveters.
- (xxix) Smithing equipment.
- (xxx) Tool racks.
- (xxxi) Vises.
- (xxxii) Welding apparatus.
- (xxxiii) Work benches.

(b) [RESERVED]

(5) 395 - Laboratory Equipment:

(a) This account shall include the cost installed of laboratory equipment used for general laboratory purposes and not specifically provided for or includable in other departmental or functional plant accounts.

(b) If the utility has equipment includable in this account at more than one location, separate records shall be maintained for each location.

(c) Items:

- (i) Autoclaves.
- (ii) Barometers.
- (iii) Cameras.
- (iv) Centrifuge.
- (v) Distilling apparatus.
- (vi) Furnaces.
- (vii) Microscopes.
- (viii) Ovens.
- (ix) Pitometers.
- (x) Rain gauges.
- (xi) Refrigerators.
- (xii) Scales.
- (xiii) Sterilizers.
- (xiv) Stop watches.
- (xv) Testing machines.
- (xvi) Thermometers.
- (xvii) Voltmeters.
- (xviii) Other bacteriological, electric, chemical, hydraulic, or research equipment.

(6) 396 - Power Operated Equipment:

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

(b) Items:

- (i) Air compressors, including driving unit vehicle.
- (ii) Backfilling machines.
- (iii) Boring machines.
- (iv) Bulldozers.
- (v) Cranes and hoists.
- (vi) Diggers.
- (vii) Engines.
- (viii) Pile drivers.
- (ix) Pipe cleaning machines.
- (x) Pipe coating or wrapping machines.
- (xi) Tractors - crawler type.
- (xii) Trenches.
- (xiii) Other power operated equipment.

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

(7) 397 - Communication Equipment:

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

(b) Items:

- (i) Antennae.
- (ii) Booths.
- (iii) Cables.
- (iv) Distribution boards.
- (v) Extension cords.
- (vi) Gongs.
- (vii) Handsets, manual and dial.
- (viii) Insulators.
- (ix) Intercommunicating sets.
- (x) Loading coils.
- (xi) Operators' desks.
- (xii) Poles and fixtures used wholly for telephone and telegraph wires.
- (xiii) Radio transmitting and receiving sets.
- (xiv) Remote control equipment and lines.
- (xv) Sending keys.
- (xvi) Storage batteries.
- (xvii) Switchboards.
- (xviii) Telautograph circuit connections.
- (xix) Telegraph receiving sets.
- (xx) Telephone and telegraph circuits.
- (xxi) Testing instruments.
- (xxii) Towers.
- (xxiii) Underground conduit used wholly for telephone and telegraph wires and cable wires.

(8) 398 - Miscellaneous Equipment:

(a) This account shall include the cost of equipment apparatus, etc., used in utility operations which is not includable in any other account.

(b) Items:

- (i) Hospital and infirmary equipment.
- (ii) Kitchen equipment.
- (iii) Recreation equipment.
- (iv) Radios.
- (v) Restaurant equipment.
- (vi) Soda fountains.
- (vii) Operator's cottage furnishings.
- (viii) Electric signs advertising the corporate name or symbol, plant or facility name, or

otherwise serving only the general purpose of acquainting the public with the facilities and services of the utility. (The cost of operating such signs shall be charged to account 930, Customer Information and Sales Expenses.)

(ix) Other miscellaneous equipment.

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

(9) 399 - Other Tangible Property: This account shall include the cost of tangible utility plant not provided for elsewhere.

[Recompiled 12/30/01]

17.12.720.18 INCOME ACCOUNTS:

A. Utility Operating Income:

(1) 400 - Operating Revenues: There shall be shown under this caption the total amount included in the operating revenue accounts provided herein and in similar accounts for other utility department. Separate subaccounts shall be maintained for each utility department.

(2) 401 - Operation and Maintenance Expense: There shall be shown under this caption the total amount included in the expense accounts provided herein.

(3) 403 - Depreciation Expense:

(a) This account shall include the amount of depreciation expense for all classes of depreciable utility plant in service.

(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 also such records as will reflect the percentage of salvage and cost of removal for property retired.

(c) Note A: Depreciation expense applicable to property included in account 104, Utility Plant Leased to Others, shall be charged to account 413, Income from Utility Plant Leased to Others.

(4) 408 - Taxes Other Than Income Taxes:

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

(b) This account shall be charged in each accounting period with the amount of taxes applicable thereto, with concurrent credits to account 236, Taxes Accrued, or account 166, Prepayments, as appropriate. When it is not possible to determine the exact amount of taxes, the amount shall be estimated and adjustments made in current accruals as the actual tax levies become known.

(c) The charges to this account shall be made or supported so as to show the amount of each tax and the basis upon which each charge is made. In the case of a utility rendering a number of utility services, taxes includable in this account shall be assigned directly to the utility department the operation of which gave rise to the tax in so far as practicable. Where the tax is not attributable to a specific utility department, it shall be distributed among the utility departments or nonutility operations on an equitable basis.

(5) 409 - Income Taxes:

(a) This account shall include the amount of state and federal income taxes properly accruable during the period covered by the income statement to meet the actual liability for such taxes. Concurrent credits for the tax accruals shall be made to account 236, Taxes Accrued, and as the exact amount of taxes becomes known, the current tax accruals shall be adjusted by a charge or credit to this account, unless such adjustment is properly includable in account 439, Adjustments to Retained Earnings, so that this account as nearly as can be ascertained shall include the actual taxes payable by the utility. (See General Instruction 9 for prior period adjustment.)

(b) The accruals for state and federal income taxes shall be apportioned to Utility Operating Income (by department), Other Income and Deductions, and Extraordinary Items so that, as nearly as practicable, each tax shall be included in the expenses of the utility department, Other Income and Deductions, or Extraordinary Items, the income from which gave rise to the tax. The income tax effect of amounts recorded in account 439, Adjustments to Retained Earnings, shall be recorded in that account. The tax effects relating to interest charges, other than interest specifically applicable to indebtedness on property in accounts 121 and 124, shall be included in account 409, Income Taxes, Utility Operating Income.

(c) Note A: Taxes assumed by the utility on interest shall be charged to account 431, Other Interest Expense.

(d) Note B: Interest on tax refunds or deficiencies shall not be included in this account but in account 419, Interest and Dividend Income, or account 431, Other Interest Expense, as appropriate.

(6) 410 - Provision for Deferred Income Taxes: This account shall be debited, and Accumulated Deferred Income Taxes shall be credited with an amount equal to any deferral of taxes on income as provided by the texts of account 283.

(7) 412 - Investment Tax Credits:

(a) This account shall be debited with the total amount of investment tax credits used in calculating the reported current year's income taxes, except to the extent that such investment tax credits are to be passed on to customers currently, as approved or directed by the Commission.

(i) Where the investment tax credits are passed on to customers currently, they are to be treated solely as a reduction in income taxes for the year and no entries would be necessary.

(ii) When a company is using deferral accounting for the investment tax credits allowed for the current year, account 255, Accumulated Deferred Investment Tax Credits, shall be credited with an equal amount of the investment tax credits debited to this account.

(b) A company which has deferred its investment tax credits will amortize these deferred tax amounts by crediting this account and debiting account 255. Such annual amortization shall be allocated proportionately over the average useful life of the property to which the tax credits relate or such lesser period as may be adopted and consistently used by the company.

(c) This account shall be kept so that the debits and credits relating to the utility and to each nonutility operation may be readily identified.

(8) 413 - Income from Utility Plant Leased to Others:

(a) This account shall include revenues from utility property leased by the utility to others, and which property is properly includable in account 104, Utility Plant Leased to Others, and the expenses attributable to such property. Records shall show separately revenues and expenses.

(b) Note: Related operating taxes shall be recorded in account 408, Taxes Other than Income Taxes, Utility Operating Income, and income taxes shall be recorded in account 409, Income Taxes, Utility Operating Income, identified separately.

(9) 414 - Gains (Losses) from Disposition of Utility Property:

(a) This account shall include, when authorized or required by the Commission, gains and losses from the sale, conveyance, exchange, or transfer of utility property to another. (See Utility Plant Instructions 4, 6, and 9 and account 422, Gains (Losses) from Disposition of Property.) The income tax effect attributable to gains and losses recorded in this account shall be recorded in account 409, Income Taxes, Utility Operating Income.

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

B. Other Income and Deductions: Other Income:

(1) 415 - Revenues from Merchandising, Jobbing, and Contract Work:

(2) 416 - Costs and Expenses of Merchandising, Jobbing, and Contract Work:

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

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

(3) 417 - Income from Nonutility Operations:

(a) This account shall include revenues and expenses applicable to operations which are nonutility in character but nevertheless constitute activity of the enterprise as a whole, such as performing work for and customer's facilities, providing sewage disposal service where applicable statutes do not define such operation as a utility, or the operation of any organization for furnishing services to others.

(b) Items: Revenues:

(i) Charges for installing meters owned by customers.

(ii) Charges for tapping mains and installing services when not includable in account 345, Services.

(iii) Revenues from sales of meters to customers or others for installation on customers' premises.

- (iv) Revenues from sale of water appliances and from piping and other jobbing or contract work.
- (v) Discounts and allowances made in settlement of bills for merchandise and jobbing work.
- (c) Expenses:
 - (i) Cost of merchandise sold and materials used for jobbing work, including transportation, storage, and handling.
 - (ii) Payroll and related labor costs and expenses of employees engaged in selling, delivery, and installation of appliances or of jobbing or contract work.
 - (iii) Clerical labor and expenses in merchandise and jobbing activities.
 - (iv) Inventory adjustments applicable to merchandise and jobbing stock.
 - (v) Light, heat, and power.
 - (vi) Losses from uncollectible accounts.
 - (vii) Shop expense.
 - (viii) Tool expenses.
 - (ix) Supervision of merchandise and jobbing activities.
- (4) 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.
 - (b) The expenses shall include all elements of costs incurred in the ownership and rental of the property and the accounts shall be maintained so as to permit ready summarization as follows: Operation, Maintenance, Rents, Depreciation, Amortization.
 - (c) Note: Related operating taxes shall be recorded in account 408.2, Taxes Other Than Income Taxes, Other Income and Deductions, and income taxes shall be recorded in account 409.2, Income Taxes, Other Income and Deductions.
- (5) 419 - Interest and Dividend Income:
 - (a) This account shall include interest revenues on securities, loans, notes, advances, special deposits, tax refunds, and all other interest-bearing assets and dividends on stocks of other companies whether the securities on which the interest and dividends are received are carried as investments or included in sinking or other special fund accounts.
 - (b) All expenses, excluding operating taxes and income taxes, applicable to security investments and to interest and dividend revenues thereon, shall be charged hereto.
 - (c) Note A: Related operating taxes shall be recorded in account 408, Taxes Other Than Income Taxes, Other Income and Deductions, and income taxes shall be recorded in account 409, Income Taxes, Other Income and Deductions.
 - (d) Note B: Interest accrued, the payment of which is not reasonably assured, dividends receivable which have not been declared or guaranteed, and interest or dividends upon reacquired securities issued or assumed by the utility shall not be recorded.
- (6) 421 - Miscellaneous Nonoperating Income:
 - (a) This account shall include all revenue and expense items, except taxes, properly includable in the income account and not provided elsewhere. Related operating taxes shall be recorded in account 408, Taxes Other Than Income Taxes, Other Income and Deductions, and income taxes shall be recorded in account 409, Income Taxes, Other Income and Deductions.
 - (b) Items:
 - (i) Profit on sale of timer. (See Utility Plant Instruction 6.)
 - (ii) Profits from operations of others realized by the utility under contracts.
 - (iii) Gain on disposition of investments and reacquisition and resale or retirement of utility's debt securities and investment.
- (7) 422 - Gains (Losses) from Disposition of Property:
 - (a) This account shall include gains and losses on the sale, conveyance, exchange, or transfer of utility or other property to another unless otherwise authorized or required by the Commission. (See Utility Plant Instructions 4, 6 and 9, and account 414, Gains (Losses) from Disposition of Utility Property.) The income tax effect attributable to gains and losses shall be recorded in account 409, Income Taxes, Other Income and Deductions.
 - (b) This account shall be maintained so that the transactions and details underlying each gain or loss will be readily identifiable.

- (8) Other Income Deductions: 425 - Miscellaneous Amortizations:
- (a) This account shall include amortization charges not includable in other accounts which are properly deductible in determining the income of the utility before interest charges.
 - (b) Items:
 - (i) 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.
 - (ii) Amortization of amounts in account 182, Extraordinary Property Losses, when not authorized to be included in utility operating expenses by the Commission.
- (9) 426 - Miscellaneous Income Deductions:
- (a) This account shall include miscellaneous expense items which are nonoperating in nature but which are properly deductible before determining total income before interest charges. Separate subaccounts shall be maintained for each category of expense as indicated by the following item list.
 - (b) Items:
 - (i) Donations for charitable, social, or community welfare purposes.
 - (ii) Life insurance of officers and employees where utility is beneficiary (net premiums less increase in such surrender value of policies).
 - (iii) Penalties or fines for violation of statutes pertaining to regulation.
 - (iv) Expenditures for the purpose of: a) Influencing public opinion with respect to the election or appointment of public officials, or the adoption, repeal, revocation, or modification of referenda, legislation, or ordinances. b) Influencing public opinion with respect to obtaining approval, modification, or revocation of franchises. c) Influencing the decisions of public officials not including such expenditures which are directly related to appearances before regulatory or other governmental bodies in connection with the utility's existing or proposed operations.
 - (v) Loss relating to investments in securities written off or written down.
 - (vi) Loss on sale of investments.
 - (vii) Loss on reacquisition, resale, or retirement of utility's debt securities.
 - (viii) Preliminary survey and investigation expenses related to abandoned projects when not written off to the appropriate operating expense account.
 - (ix) Golf club dues, social club dues, and service club dues (Kiwanis, Rotary, etc.), house charges, and items of a similar nature whether such expenditures are made directly by the utility or indirectly by payment or reimbursement to associated companies, officers, or other employees, or by any other employees, or by any other direct or indirect means.
- C. Interest Charges:
- (1) 427 - Interest on Long Term Debt:
 - (a) This account shall include in each accounting period the amount of interest applicable thereto on outstanding long term debt issued or assumed by the utility, the liability for which is included in account 224, Long Term Debt.
 - (b) This account shall be so kept or supported as to show the interest accruals on each item of long term debt.
 - (2) 431 - Other Interest Expense:
 - (a) This account shall include in each accounting period all interest charges not provided for elsewhere.
 - (b) Items:
 - (i) Interest on notes payable on demand or maturing one (1) year or less from date and on open accounts, except notes and accounts with associated companies.
 - (ii) Interest on customers' deposits.
 - (iii) Interest on claims and judgments, tax assessments, and assessments for public improvements past due.
 - (iv) Income and other taxes levied upon bondholders of utility and assumed by it.
 - (v) Interest on debt to associated companies.
- D. Extraordinary Items:
- (1) 433 - Extraordinary Income: Upon approval of the Commission, this account shall be credited with nontypical, noncustomary, infrequently recurring gains which would significantly distort the current year's income computed before extraordinary items, if reported other than as extraordinary items. The applicable income tax effects

of this account shall be recorded in account 409, Income Taxes, identified separately.

(2) 434 - Extraordinary Deductions: Upon approval of the Commission, this account shall be debited with nontypical, noncustomary, infrequently recurring losses which would significantly distort the current year's income computed before extraordinary items. The applicable income tax effects of this account shall be recorded in account 409, Income Taxes, identified separately.

[Recompiled 12/30/01]

17.12.720.19 RETAINED EARNINGS ACCOUNTS:

A. 435 - Balance Transferred from Income: This account shall include the net credit or debit transferred from income for the year.

B. 436 - Appropriations of Retained Earnings:

(1) This account shall include appropriations of retained earnings.

(2) Item:

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

(b) Appropriations required by action of regulatory authorities.

(c) Other appropriations made at option of utility for specific purposes.

C. 438 - Dividends Declared:

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

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

D. 439 - Adjustments to Retained Earnings:

(1) This account shall include significant nonrecurring transactions relating to prior periods. Other than transactions of stock as specified in paragraph B [(2)] below, all entries to this account must receive prior Commission approval. These transactions are limited to those adjustments which (a) can be specifically identified with and related to the business activities of particular prior periods, (b) are not attributable to economic events occurring subsequent to the date of the financial statements for the prior period, (c) depend primarily on determinations by persons other than the management, and (d) were not susceptible to reasonable estimation prior to such determination. This account shall also include the related income tax effects (State and Federal) on items included herein. All items included in this account shall be sufficiently described in the entries relating thereto as to permit ready analysis.

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

(3) Item:

(a) Significant nonrecurring adjustments or settlement of income taxes.

(b) Significant amounts resulting from litigation or similar claims.

(c) Significant amounts relating to adjustments or settlements of utility revenue under rate processes.

(d) Significant adjustments to plant in service depreciation and amortization as a result of Commission direction.

(e) Write-off of unamortized capital stock expenses.

[Recompiled 12/30/01]

17.12.720.20 OPERATING REVENUE ACCOUNTS:

A. Sales of Water:

(1) 460 - Unmetered Sales to General Customers:

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

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

(c) This account shall be subdivided at least as follows whenever possible: 460.1 Metered Sales to Residential Customers; 461.2 Metered Sales to Commercial Customers; 461.3 Metered Sales to Public Authorities;

461.4 Metered Sales to Public Authorities

(2) 464 - Other Sales of Water to Customers: This account shall include all revenue for water sold to customers not properly includable in either accounts 460 or 461.

B. Other Operating Revenues:

(1) 471 - Miscellaneous Service Revenues:

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

(b) Items:

(i) Fees for changing or reconnecting service.

(ii) Profit on maintenance of appliances, piping, or other installations on customers' premises.

(iii) 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 (1) year.

(iv) Recovery of expenses in connection with unauthorized taking of water (billing for the water used shall be included in the appropriate water revenue account).

(2) 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.

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

(3) 474 - Other Water Revenues:

(a) This account shall include revenues derived from water operations not includable in any of the foregoing accounts.

(b) Items:

(i) Commissions on sales or distribution of water of others when sold under rates filed by such others.

(ii) Compensation for minor or incidental services provided for others, such as customers billing, engineering, etc.

(iii) Profit or loss on sale of material and supplies not ordinarily purchased for resale.

[Recompiled 12/30/01]

17.12.720.21 OPERATIONS AND MAINTENANCE EXPENSE ACCOUNTS:

A. Source of Supply Expenses:

(1) 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 so kept as to show for each supplier from which water is purchased, point of delivery, quantity purchased, basis of charges, and the cost of water purchased.

(2) [RESERVED]

B. Pumping Expenses:

(1) 622 - 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) Item:

(i) Diesel fuel.

(ii) Electric power.

(iii) Gasoline.

- (iv) Gas.
- (v) Other fuel or power.
- (vi) Steam.
- (2) [RESERVED]
- C. Water Treatment:
 - (1) 631 - Chemicals:
 - (a) This account shall include the cost of all chemicals used in the treatment of water. Include also the entire cost of any chemicals manufactured by the utility.
 - (b) Items:
 - (i) Activated carbon.
 - (ii) Ammonia.
 - (iii) Caustic soda.
 - (iv) Chlorine.
 - (v) Copper sulphate.
 - (vi) Fluorine compound.
 - (vii) High test hypochlorite.
 - (viii) Iron sulphate.
 - (ix) Lime.
 - (x) Soda ash.
 - (xi) Sodium chlorite.
 - (xii) Sulphate of alumina.
 - (xiii) Sulphuric acid.
 - (xiv) Other chemicals.
 - (2) [RESERVED]
 - D. General Expenses: Salaries:
 - (1) 920.1 - Salaries Paid to Owner(s): This account shall include the compensation (salaries, bonuses, and other consideration for services) of owners of the utility properly chargeable to utility operations.
 - (2) 920.2 - Salaries Paid to Other Employees: This account shall include the compensation (salaries, wages, bonuses, and other consideration for services) of employees of the utility, permanent or temporary and other than the owner(s), properly chargeable to utility operations.
 - (3) 921 - Administrative and Office 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.
 - (b) Items:
 - (i) Bank messenger and service charges.
 - (ii) Books, periodicals, bulletins, and subscriptions to newspapers, newsletters, tax services, etc.
 - (iii) Building service expenses for customer accounts, sales, and administrative and general purposes.
 - (iv) Communication service (telephone, etc.)
 - (v) Cost of individual items of office equipment used by general departments which are of small value or short life.
 - (vi) Membership fees and dues in trade, technical, and professional associations paid by utility for employees. (Company memberships are includable in account 930.)
 - (vii) Office supplies and expenses.
 - (viii) Payment of court costs, witness fees, and other expenses of legal department.
 - (ix) Postage, printing, and stationery.
 - (x) Meals, traveling, and incidental expenses.
 - (4) 922 - Maintenance, Repairs, and Supplies: This account shall include all Transmission and Distribution expenses, including supplies and expenses associated with the operation and maintenance of all utility plant, such as wells, reservoirs, tanks, mains, services, hydrants, meters, pumps, water treatment equipment, etc., and including contract labor and equipment costs.
 - (5) 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 also include 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 so maintained as to permit ready summarization according to the nature of service and the person furnishing the same.

(c) Items:

(i) Fees, pay, and expenses of accountants and auditors, actuaries, appraisers, attorneys, engineering consultants, management consultants, negotiators, public relations counsel, tax consultants, etc.

(ii) Supervision fees and expenses paid under contracts for general management services.

(6) 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 also include the cost of labor and related supplies and expenses incurred in property insurance activities.

(b) Recoveries from insurance companies or others for property damages shall be credited to that 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 kept so as to show the amount of coverage for each class of insurance carried, the property covered, and the applicable premiums. Any dividends distributed by mutual insurance companies shall be credited to the accounts to which the insurance premiums were charged.

(d) Items:

(i) Premiums payable to insurance companies for fire, storm, burglary, boiler explosion, lightning, fidelity, riot, and similar insurance.

(ii) Amounts credited to account 265, Operating Reserve, for similar protection.

(iii) Special costs incurred in procuring insurance.

(iv) Insurance inspection service.

(v) Insurance counsel brokerage fees and expenses.

(7) 926 - Employees Pensions and Benefits:

(a) This account shall include pensions paid to or on behalf of retired employees, or accruals to provide for pensions, or 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 payments for employee accident, sickness, hospital, and death benefits, or insurance therefor. 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 herein in the first instance.

(d) Records in support of this account shall be kept so that the total pensions expense, the total benefits expense, the administrative expenses included herein, and the amounts of pensions and benefits expenses transferred to construction or other accounts will be readily available.

(e) Items:

(i) Payment of pensions under a nonaccrual of nonfunded basis.

(ii) Accruals for or payments to pension funds or to insurance companies for pension purposes.

(iii) Group and life insurance premiums (credit dividends received).

(iv) Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.

(v) Payments for accident, sickness, hospital, and death benefits or insurance.

(vi) 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.

(vii) Expenses in connection with educational and recreational activities for the benefit of

employees.

(f) 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 921, as appropriate.

(g) Note B: Salaries paid to employees during periods of nonoccupational sickness may be charged to appropriate account 920.2 or 922.

(8) 928 - Regulatory Commission Expenses:

(a) This account shall include all expenses (except pay of regular employees only incidentally engaged in such work properly) includable in utility operating expenses, incurred by the utility in connection with formal cases before regulatory commission or other regulatory bodies, or cases in which such a body is a party.

(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 183, Other Deferred Debits, and amortized by charges to this account.

(c) The utility shall be prepared to report the cost of each formal case.

(i) 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.

(ii) 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.

(9) 930 - Miscellaneous General Expenses:

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

(b) Items: Expenses:

(i) Industry association dues for company memberships.

(ii) Contributions for conventions and meetings of the industry.

(iii) Institutional or goodwill advertising. (See note below.)

(iv) Public notices of financial, operating, and other data required by regulatory statutes, not including, however, notices required in connection with security issues or acquisitions of property.

(10) 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) Items:

(i) Insurance on transportation equipment.

(ii) License fees for vehicles and drivers.

(iii) Rents for equipment and garages.

(iv) Repairs of transportation equipment.

(v) Supplies such as gas, oil, tires, tubes, grease, etc.

(c) Note: Transportation expenses applicable to construction shall not be included in operating expenses.

[Recompiled 12/30/01]

17.12.720.22 APPENDIX: LIST OF RETIREMENT UNITS:

A. The retirement units listed herein are prescribed and are to be accounted for in accordance with Utility Plant Instruction 10, Additions and Retirements of Utility Plant, of the Uniform System of Accounts.

B. The retirement units listed are of maximum size.

C. The appearance of a retirement unit under an account warrants the inclusion of the unit in the account mentioned only when the text of the account also indicates the inclusion even though the same unit frequently appears under more than one account.

D. Any item of property which is not properly a "retirement unit" is a minor item of property.

E. Utility Land and Structures:

(1) 306 - Structures and Improvements:

(a) Air conditioning system, ventilating system, heating system, or any combination thereof.

- (b) Bulkhead, retaining wall, etc.
 - (c) Drainage and sewage systems.
 - (d) Equipment item, such as a generator, engine, turbine, compressor, or similar item of equipment includable in structures, with or without associated wiring, control equipment, etc.
 - (e) Fence, complete with gates.
 - (f) Fire escape system.
 - (g) Fire protection system.
 - (h) Floor.
 - (i) Foundation.
 - (j) Light and power system.
 - (k) Plumbing system.
 - (l) Refrigeration system.
 - (m) Roof, with or without supporting members. (A structure of irregular shape having more than one roof level may have several isolated roofs, each of which shall be considered an entire roof. In the case of structures to which lateral extensions been made, even though having but one level, that part of the roof covering an entire section built at one time shall be considered an entire roof.)
 - (n) Structure, complete.
 - (o) Water supply system, including well.
 - (p) Yard drainage system.
 - (q) Yard lighting system.
- (2) 312 - Collecting and Impounding Reservoirs:
- (a) Apron.
 - (b) Boom.
 - (c) Bridge or draw span.
 - (d) Bulkhead.
 - (e) Cribbing, system of, when not part of a dike, embankment, road, etc.
 - (f) Dam.
 - (g) Dike or embankment, with or without riprap or core wall.
 - (h) Fence, complete.
 - (i) Fish ladder, elevator or lock system.
 - (j) Forebay.
 - (k) Flume, tunnel, or canal.
 - (l) Gate.
 - (m) Gate hoist.
 - (n) Gate hoist track.
 - (o) Gate house and equipment.
 - (p) Gate section.
 - (q) Gravity section.
 - (r) Heating or thawing system.
 - (s) Intake house, when not a part of structure.
 - (t) Lighting system, including wire, supports, fixtures, etc.
 - (u) Lock, navigation.
 - (v) Penstock.
 - (w) Pier.
 - (x) Piling, system of, to protect any of the structures.
 - (y) Power and control system.
 - (z) Road, complete.
 - (aa) Sluice or wasteway.
 - (bb) Sewer, complete.
 - (cc) Stability testing equipment.
 - (dd) Substructure, power plant.
 - (ee) Tailrace.
 - (ff) Tank, surge (complete with surge pipe, visor, housing, heating system, etc.)
 - (gg) Trash rack.

- (hh) Trash rack with mechanism.
- (ii) Valve, power operated or other relatively costly valve.
- (jj) Walkway.
- (kk) Wall, wing, cut-off, baffle, retaining.
- (3) 314 - Wells and Springs:
 - (a) Casing, complete.
 - (b) Collecting basin.
 - (c) Collecting pipe.
 - (d) Fence.
 - (e) Lighting system.
 - (f) Overflow spillway and channel.
 - (g) Screen or strainer, complete.
 - (h) Sewer, complete.
 - (i) Well or spring structure.
- (4) 317 - Other Water Source Plant: Each principal item of water source plant included in the account.
- (5) 325 - Electric Pumping Equipment:
 - (a) Air lift compressor or pump.
 - (b) Automatic control apparatus.
 - (c) Crane or hoist.
 - (d) Driving unit for each pump.
 - (e) Electric power line and related equipment.
 - (f) Governor mechanism.
 - (g) Meter.
 - (h) Oiling system.
 - (i) Pump.
 - (j) Regulating or recording apparatus.
- F. Water Treatment Plant:
 - (1) 332 - Water Treatment Equipment:
 - (a) Aerators (except when located at reservoir):
 - (i) Air compressor.
 - (ii) Substructure.
 - (iii) Superstructure.
 - (iv) Coke or other filter medium, complete replacement.
 - (b) Chemical Treating Plant:
 - (i) Agitating equipment.
 - (ii) Ammonia machine.
 - (iii) Carbonating equipment.
 - (iv) Chemical manufacturing plant.
 - (v) Chlorine machine.
 - (vi) Coke, complete replacement.
 - (vii) Dry fine.
 - (viii) Dry storage bin.
 - (ix) Electrolytic cell.
 - (x) Elevator (when not part of structure).
 - (xi) Fluoridation equipment.
 - (xii) Gravity feed or pump feed apparatus.
 - (xiii) Rate controller.
 - (xiv) Solution feed equipment.
 - (xv) Switchboard.
 - (xvi) Weighing equipment.
 - (2) [RESERVED]
- G. Transmission and Distribution Plant:
 - (1) 342 - Distribution Reservoirs and Tanks:
 - (a) Aerator.

- (b) Bridge or culvert.
 - (c) Dam.
 - (d) Embankment.
 - (e) Fence.
 - (f) Gate.
 - (g) Gate house.
 - (h) Lighting system.
 - (i) Retaining wall.
 - (j) Road.
 - (k) Sewer, complete.
 - (l) Spillway or channel.
 - (m) Standpipe.
 - (n) Elevated tank.
 - (o) Water level control and recording apparatus.
- (2) 343 - Mains:
- (a) Bridge or culvert.
 - (b) Canal.
 - (c) Gate.
 - (d) Gatehouse.
 - (e) Gauge or recorder.
 - (f) Main, two or more standard lengths of, including fittings, or one continuous run of 24 feet or more.
 - (g) Manhole or vault.
 - (h) Meter.
 - (i) Meter house.
 - (j) Pressure regulator.
 - (k) Tunnel.
- (3) 345 - Services: Service, main to curb or property line or main to meter, if extension beyond curb or property line is owned by utility.
- (4) 346 - Meters: Meter.
- (5) 347 - Meter Installations: Meter installation.
- (6) 348 - Hydrants:
- (a) Hydrant lead.
 - (b) Hydrant.
 - (c) Note: The hydrant lead includes the fitting at the connection with the main, piping, excavation, backfill, pavement cut and replaced, and the hydrant cell. The hydrant includes the hydrant and fittings, excavation, backfill, etc.
- (7) 349 - Other Transmission and Distribution Plant:
- (a) Cistern or basin.
 - (b) Fountain.
 - (c) Water trough.
- (8) 391 - Office Furniture and Equipment: Each principal item of equipment, such as:
- (a) Office equipment--accounting machine, adding machine, calculating machine, coin counters, signature writer, typewriter.
 - (b) Office furniture--desk, cabinet, safe, file.
 - (c) Duplicating equipment--blueprint machine, photostatic machine, offset press, photocopy machine, transcopy machine.
 - (d) Mechanical processing equipment--key punch, sorters, tabulators, electronic calculators.
- (9) 392 - Transportation Equipment: Each principle item of equipment, such as:
- (a) Airplane.
 - (b) Automobile.
 - (c) Boat.
 - (d) Electrical vehicle.
 - (e) Motor truck.

- (f) Motorcycle.
- (g) Tractor.
- (h) Trailer, wagon, etc.
- (10) 393 - Stores Equipment: Each principal item of equipment, such as:
 - (a) Shop equipment and tools --drill press, welding machine, forge, furnace, lathe, planer, shaper.
 - (b) Garage and repair equipment--gasoline or oil pump, battery charging set, car lift, power-driven greasing machine.
 - (c) Tools and work equipment--pneumatic tool, welding set, power saw, transit, level, concrete mixer.
- (11) 395 - Laboratory Equipment: Each principal item of equipment, such as:
 - (a) Centrifuge.
 - (b) Dynamometer.
 - (c) Oscillograph.
 - (d) Meter testing equipment.
 - (e) Transformer, testing, and loading.
- (12) 396 - Power Operated Equipment: Each principal item of equipment, such as:
 - (a) Air compressor, including driving unit and vehicle.
 - (b) Backfilling machine.
 - (c) Boring machine.
 - (d) Brush grinder.
 - (e) Bulldozer.
 - (f) Crane or hoist.
 - (g) Digger.
 - (h) Pipe coating or wrapping machine.
 - (i) Pipe cleaning machine.
 - (j) Tractor.
 - (k) Trencher.
- (13) 397 - Communication Equipment: Each principal item or set of equipment, such as:
 - (a) Antenna and supporting structure.
 - (b) Carrier current coupling capacitor.
 - (c) Carrier current transmitting and receiving set.
 - (d) Intercommunicating telephone apparatus.
 - (e) Microwave apparatus.
 - (f) Receiver, stationary or mobile.
 - (g) Storage battery set or motor generator set.
 - (h) Teletype apparatus.
 - (i) Transmitter, stationary or mobile.
- (14) 398 - Miscellaneous Equipment: Each principal item of equipment includable in this account.
- (15) 399 - Other Tangible Property: Units to be assigned as items if property is included herein.

[Recompiled 12/30/01]

17.12.720.23 [HISTORY: NMPSC Case No. 2086, order dated June 30, 1988, unless otherwise noted. Formerly part of NMPSC General Order 42, superseded for purposes of rule reorganization and codification.]

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HISTORY OF 17.12.720 NMAC:

Pre-NMAC History: The material in this part was derived from that previously filed with the Commission of Public Records-State Records Center and Archives.

General Order No. 42, Regulations Governing Water Utilities, 5/2/84.

NMPSC Rule 720, Uniform Systems Of Accounts And Annual Report Forms For Water Utilities, 6/30/88.

History of Repealed Material: [RESERVED]