

PUBLIC UTILITIES COMMISSION  
STATE OF CONNECTICUT



**Uniform System of Accounts**  
prescribed for  
**Water Utilities**  
**Class C**

EFFECTIVE JANUARY 1, 1968

**DOCKET NO. 10650**

UNIFORM SYSTEM OF ACCOUNTS

FOR

CLASS "C"

WATER UTILITIES

**ORDER**

It appearing, that by Commission Order dated January 26, 1968, in Docket No. 10650, a Uniform System of Accounts was prescribed for water companies having annual water revenues of less than \$5,000 and

It appearing further, that due notice was given of the proposal of the Commission to extend this system of accounts to water companies having annual water revenues of less than \$25,000 and that all interested parties were afforded opportunity to submit their comments.

Now, therefore, it is ordered, that on and after January 1, 1971, each water company and each municipally operated water system or department thereof, having gross annual revenues of less than \$25,000, subject to accounting regulation by the Commission shall keep its records and accounts in conformity with the uniform system of accounts herewith promulgated, and with the definitions and instructions contained in said system of accounts.

Dated at Hartford, Connecticut, this 15th day of December, 1970.

EUGENE S. LOUGHLIN }  
RAYMOND S. THATCHER } PUBLIC UTILITIES COMMISSION  
HAROLD F. KEITH }

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## DEFINITIONS

When used in this system of accounts :

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

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

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

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

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

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

7. "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.

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

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

## DEFINITIONS

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

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

12. "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.

13. "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.

14. "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.

15. "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.

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

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

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

## GENERAL INSTRUCTIONS

### 1. Applicability of Uniform System of Accounts.

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

*Class A-1 - Over \$10,000,000*

Class A. Utilities having annual water operating revenues of ~~\$100,000~~ *or more than \$500,000 but less than \$1,999,999.*

Class B. Utilities having annual water operating revenues ~~\$100,000~~ *of \$50,000* or more, but less than ~~\$100,000~~ *\$477,229*

Class C. Utilities having annual water operating revenues of less than ~~\$50,000~~ *\$100,000*

B. This system of accounts applies to Class C utilities.

C. The class to which any utility belongs shall originally be determined by the average of its annual water operating revenues for the last three consecutive years. Subsequent changes in classification shall be made when the annual water operating revenues for each of the three immediately preceding years shall exceed the upper limit, or be less than the lower limit, of the annual water operating revenues of the classification previously applicable to the utility.

D. Any utility may, at its option, adopt the system of accounts prescribed by the Commission for any larger class of utilities.

### 2. Records.

A. Each utility shall keep its books of account, and all other books, records, and memoranda which support the entries in such books of account so 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.

## GENERAL INSTRUCTIONS

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

C. Each utility shall keep its books on either a monthly or quarterly basis. Each utility shall close its books at the end of each calendar year.

**3. 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. In cases of doubtful interpretation, the matter shall be submitted to the Commission for decision.

**4. Distribution of Pay and Expenses of Employees.**

The charges to utility plant, operating expenses and other accounts for services and expenses of employees engaged in activities chargeable to various accounts, such as construction, maintenance, and operations, shall be based upon the actual time engaged in the respective classes of work, or in case that method is impracticable, upon the basis of a study of the time actually engaged during a representative period.

**5. Accounting to be on Accrual Basis.**

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.

**6. Accounting for Other Departments.**

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

**7. 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 paragraph 8 below. Those items related to the effects of events and transactions which have occurred during the current period and which are not typical or customary business activities of the company shall be considered extraordinary items. Accordingly, they will be events and transactions of significant effect which would not be expected to recur frequently and which would not be considered as recurring factors in any evaluation of the ordinary operating processes of business. (In determining significance, items of a similar nature should be considered in the aggregate. Dissimilar items should be considered individually; however, if they are few in number, they may be considered in aggregate.) To be considered as extraordinary under the above guidelines, an item should be more than approximately 5 percent of income, computed before extraordinary items. Commission approval must be obtained to treat an item of less than 5 percent, as extraordinary. (see accounts 434 and 435.)

**8. Prior Period Items.**

A. As a general rule, 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 shall request Commission approval to record the amount in account 439, Adjustments to Retained Earnings. Such a request must be accompanied by adequate justification.

B. Treatment as prior period adjustments should not be applied to the normal, recurring corrections and adjustments which are the natural result of the use of estimates inherent in the accounting process. For example, changes in the estimated remaining lives of fixed assets affect



the computed amounts of depreciation, but these changes should be considered prospective in nature and not prior period adjustments. Similarly, relatively insignificant adjustments of provisions for liabilities (including income taxes) made in prior periods should be considered recurring items to be reflected in operations of the current period. Some uncertainties, for example those relating to the realization of assets (collectibility of accounts receivable, ultimate recovery of deferred costs of realizability of inventories or other assets), would not qualify for prior period adjustment-treatment, since economic events subsequent to the date of the financial statements must of necessity enter into the elimination of any previously-existing uncertainty. Therefore, the effects of such matters are considered to be elements in the determination of net income for the period in which the uncertainty is eliminated. (See account 439.)

## UTILITY PLANT INSTRUCTIONS

### 1. Utility Plant to be Recorded at Cost.

A. All amounts included in the accounts for utility plant acquired as an operating unit or system, shall be stated at the cost incurred by the person who first devoted the property to utility service 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.

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

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

D. Utility plant contributed to the utility or constructed by it from contributions to it 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, Contributions in Aid of Construction.

### 2. 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, interest during construction and such portion of general engineering, administrative salaries and expenses, insurance, taxes and other analogous items as may be properly includible in construction costs.

### **3. Land and Land Rights.**

A. The accounts for land and land rights include the cost of land owned in fee by the utility and rights, interests, and privileges held by the utility in land owned by others, such as leaseholds, easements, water and water power rights, diversion rights, submersion rights, rights of way, and other like interest in land.

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

C. 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.

D. 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 394, Property Held for Future Use, or account 121, Nonutility Property, as appropriate.

### **4. Structures and Improvements.**

A. The accounts for structures and improvements include the cost of all buildings and facilities to house, support, or safeguard property of persons, including all fixtures permanently attached to and made a

part of buildings and which cannot be removed therefrom without cutting into the walls, ceilings, or floors, or without in some way impairing the buildings, and improvements of a permanent character on or to land.

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

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

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

#### **5. Equipment.**

A. The cost of equipment chargeable to the utility plant accounts, unless otherwise indicated in the text of an equipment account, includes the net purchase price thereof, sales taxes, investigation and inspection expenses necessary to such purchase, expenses of transportation when borne by the utility, labor employed, materials and supplies consumed, and expenses incurred by the utility in unloading and placing the equipment in readiness to operate.

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

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

**6. Utility Plant Retired.**

A. When depreciable utility plant is abandoned, destroyed, withdrawn or otherwise retired from service for any cause, the book cost of the plant shall be deducted from the utility plant accounts and charged to accumulated provision for depreciation. The cost of removing such plant (except customer meters) shall be charged to accumulated provision for depreciation and the amount received for any materials recovered and sold, or salvage value if returned to stores, shall be credited to the accumulated provision for depreciation. It is not intended that the above procedure shall be followed in the replacement of minor items of plant, the replacement of which is charged to operating expense accounts.

B. The book cost of land retired shall be credited to the appropriate land account. If the land is sold, the difference between the book cost, less any accumulated provision for amortization therefor which has been authorized and provided, and the sale price of the land, less commissions and other expenses of making the sale, shall be included in account 411.6, Gains from Disposition of Utility Plant or account 411.7, Losses from Disposition of Utility Plant, when such property is included in accounts 300-393. If at the time of sale such property is classified in account 394, Property Held for Future Use, or account 121, Nonutility Property; but had previously been classified in the aforementioned utility plant accounts, gains or losses on its sale shall be charged or credited to account 411.6 or 411.7, as appropriate, otherwise to account 421.1, Gain on Disposition of Property or account 421.2, Loss on Disposition of Property, unless otherwise authorized 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 394, Property Held for Future Use, or account 121, Nonutility Property, as appropriate.

NOTE.—Significant gains or losses on sale of property, as determined by the Commission, shall be transferred to account 256, Deferred Gains from Disposition of Property, or account 187, Deferred Losses from Disposition of Property; and amortized to accounts 411.6, Gains from Disposition of Utility Plant, 411.7, Losses from Disposition of Utility Plant, 421.1, Gain on Disposition of Property or 421.2, Loss on Disposition of Property, as appropriate.

C. The book cost of utility plant retired shall be the amount at which such property is included in the utility plant accounts, including all components of construction costs. The book cost shall be determined from the utility's records and, if this cannot be done, it shall be estimated. When it is impracticable to determine the book cost of each unit, due to the relatively large number or small cost thereof, an appropriate average book cost of the units, with due allowance for any differences in size and character, shall be used as the book cost of the units retired.

D. When utility plant constituting an operating unit or system is sold, conveyed, or transferred to another by sale, merger, consolidation, or otherwise, the book cost of the property sold or transferred to another shall be credited to the appropriate utility plant accounts, including amounts carried in account 396, Utility Plant Acquisition Adjustments. The amounts (estimated if not known) carried with respect thereto in the accounts for accumulated provision for depreciation and amortization and in account 252, Customer Advances for Construction, and account 271, Contributions in Aid of Construction, shall be charged to such accounts and the contra entries made to account 391, Utility Plant Purchased or Sold. Unless otherwise ordered by the Commission, the difference, if any, between (a) the net amount of debits and credits and (b) the consideration received for the property, less commissions and other expenses of making the sale, shall be included in account 411.6, Gains from Disposition of Utility Plant or account 411.7, Losses from Disposition of Utility Plant, as appropriate. (See account 391, Utility Plant Purchased or Sold.)

NOTE A.—Significant gains or losses on sale of property, as determined by the Commission, shall be transferred to account 256, Deferred Gains from Disposition of Property or account 187, Deferred Losses from Disposition of Property and amortized to accounts 411.6, Gains from Disposition of Utility Plant, or 411.7, Losses from Disposition of Utility Plant, as appropriate.

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

## **BALANCE SHEET ACCOUNTS**

### **ASSETS AND OTHER DEBITS**

#### **1. Utility Plant**

- 100. Utility Plant
- 110. Accumulated Provision for Depreciation and Amortization of Utility Plant

#### **2. Other Property and Investments**

- 121. Nonutility Property
- 122. Accumulated Provision for Depreciation and Amortization of Nonutility Property
- 124. Other Investments
- 125. Special Funds

#### **3. Current and Accrued Assets**

- 131. Cash and Working Funds
- 132. Temporary Cash Investments
- 141. Notes Receivable
- 142. Customer Accounts Receivable
- 143. Other Accounts Receivable
- 144. Accumulated Provision for Uncollectible Accounts
- 150. Materials and Supplies
- 165. Prepayments
- 170. Other Current and Accrued Assets

#### **4. Deferred Debits**

- 181. Unamortized Debt Discount and Expense
- 182. Extraordinary Property Losses
- 183. Other Deferred Debits
- 187. Deferred Losses From Disposition of Property

### **LIABILITIES AND OTHER CREDITS**

#### **5. Proprietary Capital**

- 201. Common Capital Stock
- 204. Preferred Capital Stock
- 207. Other Paid-In Capital

- 212. Installments Received on Capital Stock
- 213. Discount on Capital Stock
- 214. Capital Stock Expense
- 215. Appropriated Earned Surplus
- 216. Unappropriated Earned Surplus
- 217. Reacquired Capital Stock
- 218. Non-Corporate Proprietorship

**6. Long-Term Debt**

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

**7. Current and Accrued Liabilities**

- 231. Notes Payable
- 232. Accounts Payable
- 235. Customer Deposits
- 236. Taxes Accrued
- 237. Interest Accrued
- 238. Other Current and Accrued Liabilities

**8. Deferred Credits**

- 251. Unamortized Premium on Debt
- 252. Customer Advances for Construction
- 253. Other Deferred Credits
- 255. Accumulated Deferred Investment Tax Credits
- 256. Deferred Gains From Disposition of Property

**9. Operating Reserves**

- 261. Property Insurance Reserve
- 265. Miscellaneous Operating Reserves

**10. Contributions in Aid of Construction**

- 271. Contributions in Aid of Construction

**11. Accumulated Deferred Income Taxes**

- 280. Accumulated Deferred Income Taxes



## BALANCE SHEET ACCOUNTS

## 1. UTILITY PLANT

**100. Utility Plant.**

A. This account shall include the book amount of utility plant, included in the plant accounts 301 to 397, inclusive, prescribed herein and in similar accounts for other utility departments, and having an expectation of life in service of more than one year from date of installation, including such property owned by the utility but held by nominees. Separate subaccounts shall be maintained hereunder for each utility department.

B. The cost of additions to and betterments of property leased from others, which are includible in this account, shall be maintained in subdivisions separate and distinct from those relating to owned property.

**110. Accumulated Provision for Depreciation and Amortization of Utility Plant.**

A. This account shall be credited with the following:

(1) Amounts charged to account 403, Depreciation Expense, to account 404, Amortization Expense, to account 413, Expenses of Utility Plant leased to Others, to account 416, Costs and Expenses of Merchandising, Jobbing and Contract Work, or to clearing accounts for currently accruing depreciation or amortization of plant.

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

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

(4) 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 credits and debits to this account shall be so kept as to show separately: (1) the amount of accrual for depreciation or amortization, (2) the book cost of property retired, (3) cost of removal, (4) salvage, and (5) other items, including recoveries from insurance.

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

## 2. OTHER PROPERTY AND INVESTMENTS

### 121. Nonutility Property.

This account shall include the book cost of land, structures, equipment or other tangible or intangible property owned by the utility, but not used in utility service and not properly includible in account 394, Property Held for Future Use.

### 122. Accumulated Provision for Depreciation and Amortization of Nonutility Property.

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

### 124. Other Investments.

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

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

### 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.

NOTE.—Amounts deposited with a trustee under the terms of an irrevocable trust agreement for pensions or other employees' benefits shall not be included in this account.

**3. CURRENT AND ACCRUED ASSETS****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 year which are not offset by current liabilities, shall not be charged to this account but to account 125, Special Funds.

**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, and other similar investments, acquired for the purpose of temporarily investing cash.

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

**141. Notes Receivable.**

This account shall include the book cost, not includible elsewhere, of all collectible obligations in the form of notes receivable and similar evidences (except interest coupons) of money due on demand or within one year from the date of issue.

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

**142. Customer Accounts Receivable.**

A. This account shall include amounts due from customers for utility service, and for merchandising, jobbing and contract work.

B. This account shall be maintained so as to permit ready segregation of the amounts due for merchandising, jobbing and contract work.

**143. Other Accounts Receivable.**

A. This account shall include amounts due the utility upon open accounts, other than amounts due 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 as working funds.

**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. Concurrent charges shall be made to account 690, Uncollectible Accounts, for amounts applicable to utility operations, and to corresponding accounts for other operations. Records shall be maintained so as to show the write-offs of accounts receivable for each utility department.

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

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

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

NOTE B.—If provisions for uncollectible notes receivable are necessary, separate subaccounts therefor shall be established under account 141, Notes Receivable.

**150. Materials and Supplies.**

A. This account shall include the cost of fuel on hand and unapplied materials and supplies (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:

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

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

(3) Scrap and nonusable materials included in this account shall be carried at the estimated net amount 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.

#### ITEMS

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

NOTE A.—Where expenses applicable to materials purchased cannot be directly assigned to particular purchases, they may be charged to a stores expense clearing account and distributed therefrom to the appropriate account.

NOTE B.—When materials and supplies are purchased for immediate use, they need not be carried through this account but may be charged directly to the appropriate utility plant or expense account.

#### 165. 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.

#### 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.

#### 4. DEFERRED DEBITS

##### 181. Unamortized Debt Discount and Expense.

A. This account shall include the total of the unamortized balance of discount and expense for all classes of long-term debt.

B. The discount and expense shall be amortized over the life of the respective issues under a plan which will distribute the amounts equitably over the life of the securities. The amortization shall be charged to account 428, Amortization of Debt Discount and Expense. The utility may, however, accelerate the writing off of discount and expense where the amounts are insignificant.

##### 182. Extraordinary Property Losses.

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

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

C. Application to the Commission for permission to use the account shall be accompanied by a statement giving a complete explanation with respect to the items which it is proposed to include herein, the period over which, and the accounts to which it is proposed to write off the charges, and other pertinent information.

##### 183. Other Deferred Debits.

A. This account shall include the following classes of items:

(1) Expenditures for preliminary surveys, plans, investigations, etc., made for the purpose of determining the feasibility of projects under contemplation. If construction results, this account shall be credited with the amount applicable thereto and the appropriate plant accounts shall be charged with an amount which does not exceed the expenditures which may reasonably be determined to

contribute directly and immediately and without duplication to plant. If the work is abandoned, the charge shall be to account 426, Miscellaneous Income Deductions, or to the appropriate operating expense account.

(2) Undistributed balances in clearing accounts at the date of the balance sheet. Balances in clearing accounts shall be substantially cleared not later than the end of the calendar year unless items held therein relate to a future period.

(3) Balances representing expenditures for work in progress other than on utility plant. This includes jobbing and contract work in progress.

(4) Other debit balances, the proper final disposition of which is uncertain, and unusual or extraordinary expenses, not included in other accounts, which are in process of being written off.

B. The records supporting the entries to this account shall be so kept that the utility can furnish full information as to each deferred debit included herein.

#### **187. Deferred Losses from Disposition of Property.**

This account shall include losses from the sale or other disposition of property previously recorded in accounts, 300-393; in account 394, Property Held for Future Use or account 121, Nonutility Property, where such losses are significant and are to be amortized over a period of five years, unless otherwise authorized by the Commission. The amortization of the amounts in this account shall be made by debits to account 411.7, Losses from Disposition of Utility Plant or account 421.2, Loss on Disposition of Property, as appropriate. Amounts recorded in this account shall be net of related income taxes. (See Utility Plant Instructions 6B and 6D.)

### **5. PROPRIETARY CAPITAL**

#### **201. Common Capital Stock.**

#### **204. Preferred Capital Stock.**

A. These accounts shall include the par value or the stated value of stock without par value if such stock has a stated value, and, if not, the cash value of the consideration received for such nonpar stock, of each class of capital stock actually issued, including the par or stated value of such capital stock in account 217, Reacquired Capital Stock.