1. UTILITY OPERATING INCOME

Operating Revenues (400)
Operating Expenses:
Operating Expense (401)
Maintenance Expense (402)
Depreciation Expense (403)
Amortization Expense (404-407)
Taxes Other Than Income Taxes (408)
Taxes Other Than Income Taxes, Utility Operating Income (408.1)
Income Taxes (409)
Income Taxes, Utility Operating Income (409.1)
Provision for Deferred Income Taxes (410)
Provision for Deferred Income Taxes, Utility Operating Income (410.1)
Income Taxes Deferred in Prior Years—Cr. (411)
Income Taxes Deferred in Prior Years—Cr., Utility Operating Income (411.1)
Gains from Disposition of Utility Plant (411.6)
Losses from Disposition of Utility Plant (411.7)
Total Utility Operating Expenses
Net Operating Revenues
Income from Utility Plant Leased to Others (412-413)
Total Utility Operating Income

2. OTHER INCOME AND DEDUCTIONS

A. OTHER INCOME

Income from Merchandising, Jobbing, and Contract Work (415-416)
Revenues from Nonutility Operations (417)
Expenses of Nonutility Operations (417.1)
Nonoperating Rental Income (418)
Equity in Earnings of Subsidiary Companies (418.1)
Interest and Dividend Income (419)
Interest Charged to Construction-Cr. (432)
Miscellaneous Nonoperating Income (421)
Gain on Disposition of Property (421.1)
Total Other Income

B. OTHER INCOME DEDUCTIONS

Loss on Disposition of Property (421.2)
Political, Promotional, Institutional and Rate Justification Advertising Expenses (424)

Political Advertising Expenses (424.1)
Promotional Advertising Expenses (424.2)
Institutional or Goodwill Advertising Expenses (424.3)
Rate Justification Advertising Expenses (424.4)
Miscellaneous Amortization (425)
Miscellaneous Income Deductions (426)
Total Other Income Deductions
Total Other Income and Deductions

C. TAXES APPLICABLE TO OTHER INCOME AND DEDUCTIONS

Taxes Other Than Income Taxes, Other Income and Deductions (408.2)
Income Taxes, Other Income and Deductions (409.2)
Provision for Deferred Income Taxes, Other Income and Deductions (410.2)
Income Taxes Deferred in Prior Years-Cr., Other Income and Deductions (411.2)
Total Taxes on Other Income and Deductions
Net Other Income and Deductions

3. INTEREST CHARGES

Interest on Long-Term Debt (427)
Amortization of Debt Discount and Expense (428)
Amortization of Premium on Debt-Cr. (429)
Interest on Debt to Associated Companies (430)
Other Interest Expense (431)
Total Interest Charges
Income Before Extraordinary Items

4. EXTRAORDINARY ITEMS

Extraordinary Income (434)
Extraordinary Deductions (435)
Income Taxes, Extraordinary Items (409.3)
Extraordinary Items after Taxes
Net Income

INCOME ACCOUNTS

1. UTILITY OPERATING INCOME

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 departments. Separate sub-accounts shall be maintained for each utility department.

401. Operation Expense.

There shall be shown under this caption the total amount included in the operation expense accounts provided herein and in similar accounts for other utility departments. Separate sub-accounts shall be maintained for each utility department. (See note to operating expense instruction 3.)

402. Maintenance Expense.

There shall be shown under this caption the total amount included in the maintenance expense accounts provided herein and in similar accounts for other utility departments. Separate sub-accounts shall be maintained for each utility department.

403. Depreciation Expense.

A. This account shall include the amount of depreciation expense for all classes of depreciable utility plant in service except such depreciation expense as is chargeable to clearing accounts or to account 416, Costs and Expenses of Merchandising, Jobbing and Contract Work.

B. The utility shall keep such records of property and property retirements as will reflect the service life of property which has been retired and aid in estimating probable service life by mortality, turnover, or other appropriate methods; and also such records as will reflect the percentage of salvage and cost of removal for property retired from each account, or subdivision thereof, for depreciable utility plant.

C. If the utility is engaged in more than one utility service, a separate account shall be kept hereunder for each utility service.

NOTE A.—Depreciation expense applicable to property included in account 104, Utility Plant Leased to Others, shall be charged to account 413, Expenses of Utility Plant Leased to Others.

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

404.1 Amortization and Depletion of Producing Natural Gas Land and Land Rights.

A. This account shall include charges for amortization and depletion of producing natural gas land and land rights. (See account 111.1, Accumulated Provision for Amortization and Depletion of Producing Gas Land and Land Rights.)

B. The charges to this account shall be made in such manner as to distribute the cost of producing natural gas land and land rights over the period of their benefit to the utility, based upon the exhaustion of the natural gas deposits recoverable from such land and land rights.

404.2 Amortization of Underground Storage Land and Land Rights.

A. This account shall include charges for amortization of land and land rights of underground storage projects for natural gas. (See account 111.2, Accumulated Provision for Amortization of Underground Storage Land and Land Rights.)

B. The charges to this account shall be made in such manner as to distribute the cost of amortizable land and land rights over the period of their benefit to the utility, and with respect to any land or land rights which include native gas in the storage reservoir, such amounts shall be amortized or depleted on the basis of production of such native gas after the volume of stored gas has been withdrawn from the reservoir.

404.3 Amortization of Other Limited-Term Utility Plant.

This account shall include amortization charges applicable to amounts included in the utility plant accounts for limited-term franchises, licenses, patent rights, limited-term interests in land, and expenditures on leased property where the service life of the improvements is terminable by action of the lease. The charges to this account shall be such as to distribute the book cost of each investment as evenly as may be over the period of its benefit to the utility. (See account 111.3, Accumulated Provision for Amortization of Other Utility Plant in Service.)

405. Amortization of Other Utility Plant.

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

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

406. Amortization of Utility Plant Acquisition Adjustments.

This account shall be debited or credited, as the case may be, with amounts includible in operating expenses, pursuant to approval or order of the Comission, for the purpose of providing for the extinguishment of the amount in account 114, Utility Plant Acquisition Adjustments.

407.1 Amortization of Property Losses.

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

407.2 Amortization of Conversion Expenses.

This account shall be charged with amortization of amounts authorized by the Commission to be included in Account 186, Miscellaneous Deferred Debits, for expenses incurred in the conversion of distribution plant from manufactured gas service to natural gas service.

408. Taxes Other Than Income Taxes.

A. This account shall include the amount of ad valorem, gross revenue or gross receipts taxes, state unemployment insurance, franchise taxes, federal excise taxes, social security taxes, and all other taxes assessed by federal, state, county, municipal, or other local governmental authorities, except income taxes.

B. This account shall be charged in each accounting period with the amount of taxes which is applicable thereto, with concurrent credits to account 236, Taxes Accrued, or account 165, 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 includible 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.

D. This account shall be maintained according to the subaccounts 408.1 and 408.2 inclusive as shown below.

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

NOTE B.—Taxes specifically applicable to construction shall be included in the cost of construction.

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

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

NOTE E.—Interest on tax refunds or deficiencies shall not be included in this account but in account 419, Interest and Dividend Income or 431, Other Interest Expense, as appropriate.

408.1. Taxes Other Than Income Taxes, Utility Operating Income.

This account shall include those taxes recorded in account 408, Taxes Other Than Income Taxes which relate to utility operating income. This account shall be maintained so as to allow ready identification of taxes relating to Utility Operating Income (by department), Utility Plant Leased to Others and Other Utility Operating Income.

408.2 Taxes Other Than Income Taxes, Other Income and Deductions.

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

409. Income Taxes.

A. This account shall include the amount of state and federal income taxes on income properly accruable during the period covered by the income statement to meet the actual liability for such taxes. Concurrent credits for the tax accruals shall be made to account 236, 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 includible 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 instructions 7.1 for prior period adjustments.)

B. The accruals for income taxes shall be apportioned among utility departments and to Other Income and Deductions so that, as nearly as practicable, each tax shall be included in the expenses of the utility department or Other Income and Deductions, 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.

C. This account shall be maintained according to the subaccounts 409.1, 409.2 and 409.3 inclusive as shown below.

NOTE A.—Taxes assumed by the utility on interest shall be charged to account 431, Other Interest Expense.

NOTE B.—Interest on tax refunds or deficiencies shall not be included in this account but in account 419, Interest and Dividend Income, or account 431, Other Interest Expense, as appropriate.

409.1. Income Taxes, Utility Operating Income.

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

409.2. Income Taxes, Other Income and Deductions.

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

409.3. Income Taxes, Extraordinary Items.

This account shall include the reflected amount of those state and federal income taxes in account 409, Income Taxes, (both positive and negative) which relate to Extraordinary Items.

410. Provision for Deferred Income Taxes.

A. 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 accounts 281, 282 and 283. There shall not be netted against entries required to be made to this account any credit amounts appropriately includible in account 411, Income Taxes Deferred In Prior Years-Credit.

B. This account shall be maintained according to the subaccounts 410.1 and 410.2 inclusive, as shown below.

410.1. Provisions for Deferred Income Taxes, Utility Operating Income.

This account shall include the amount of those deferred income taxes reflected in account 410, Provision for Deferred Income Taxes, which relate to Utility Operating Income (by department).

410.2. Provisions for Deferred Income Taxes, Other Income and Deductions

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

411. Income Taxes Deferred in Prior Years-Credit.

A. This account shall be credited and Accumulated Deferred Income Taxes debited with an amount equal to the portion of taxes on income payable for the year that is attributable to a deferral of taxes on income in a prior year, in accordance with the plan of deferred tax accounting provided by the texts of accounts 281, 282, and 283. There shall not be netted against entries required to be made to this account any debit amounts appropriately includible in account 410, Provision for Deferred Income Taxes.

B. This account shall be maintained according to the subaccounts 411.1 and 411.2 inclusive, as shown below.

411.1. Income Taxes Deferred in Prior Years-Credit, Utility Operating Income.

This account shall include the amount of those taxes deferred in prior years—credit, reflected in account 411, Income Taxes Deferred in Prior Years—Credit, which relate to Utility Operating Income (by department).

411.2. Income Taxes Deferred in Prior Years—Credit, Other Income and Deductions.

This account shall include the amount of those taxes deferred in prior years—credit, reflected in account 411, Income Taxes Deferred in Prior Years—Credit, which relate to Other Income and Deductions.

411.6. Gains from Disposition of Utility Plant.

This account shall include amounts relating to gains from the sale or other disposition of utility plant recorded in accounts 101-104; or property recorded in account 105, Property Held for Future Use or account 121, Nonutility Property, which had previously been classified in the aforementioned utility plant accounts. Record income taxes on gains recorded in this account in account 409, Income Taxes.

411.7. Losses from Disposition of Utility Plant.

This account shall include amounts relating to losses from the sale or other disposition of utility plant recorded in accounts 101-104; or property recorded in account 105, Property Held for Future Use or account 121, Nonutility Property, which had previously been classified in the aforementioned utility plant accounts. Record the reductions in income taxes attributable to losses recorded in this account in account 409, Income Taxes.

412. Revenues from Utility Plant Leased to Others.

413. Expenses of Utility Plant Leased to Others.

A. These accounts shall include respectively, revenues from utility property constituting a distinct operating unit or system leased by the utility to others, and which property is properly includible in account 104, Utility Plant Leased to Others, and the expenses attributable to such property.

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

Operation
Maintenance
Depreciation
Amortization

NOTE.—Related operating taxes shall be recorded in account 408, Taxes Other than Income Taxes and income taxes shall be recorded in account 409, Income Taxes, identified separately.

2. OTHER INCOME AND DEDUCTIONS

A. Other Income

415. Revenues from Merchandising, Jobbing, and Contract Work.

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

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

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

NOTE A.—Revenues and expenses of merchandising, jobbing, and contract work shall be reported in these accounts, if a state regulatory body having jurisdiction over the utility requires the net income therefrom to be reported as other income; but the revenues and expenses shall be reported in account 914, Revenues from Merchandising, Jobbing, and Contract Work, and account 915, Costs and Expenses of Merchandising, Jobbing, and Contract Work, if such regulatory body requires the net income to be reported as an operating income or expense item. In the absence of a requirement by a state regulatory body, the utility may use these accounts or accounts 914 and 915 at its option, in which case the practice of the utility must be consistent.

NOTE B.—Related operating taxes shall be recorded in account 408, Taxes Other Than Income Taxes, and income taxes shall be recorded in account 409, Income Taxes.

ITEMS

Account 415:

1. Revenues from sale of merchandise and from jobbing and contract work.
2. Discounts and allowances made in settlement of bills for merchandise and jobbing work.

Account 416:

Labor:

1. Canvassing and demonstrating appliances in homes and other places for the purpose of selling appliances.
2. Demonstrating and selling activities in sales rooms.
3. Installing appliances on customer premises where such work is done only for purchasers of appliances from the utility.
4. Installing piping or other property work, on a jobbing or contract basis.
5. Preparing advertising materials for replacement appliance sales purposes.
6. Receiving and handling customer orders for merchandise or for jobbing services.
7. Cleaning and tidying sales rooms.
8. Maintaining display counters and other equipment used in merchandising.
9. Arranging merchandise in sales rooms and decorating display windows.
10. Reconditioning repossessed appliances.
11. Bookkeeping and other clerical work in connection with merchandise and jobbing activities.
12. Supervising merchandise and jobbing operations.

Materials and Expenses:

13. Advertising in newspapers, periodicals, radio, television, etc. directed at the replacement appliance market.
14. Cost of merchandise sold and of materials used in jobbing work.
15. Stores expenses on merchandise and jobbing stocks.
16. Fees and expenses of advertising and commercial artists' agencies.
17. Printing booklets, dodgers, and other advertising data.
18. Premiums given as inducement to buy appliances.
19. Light, heat, and power.
20. Depreciation on equipment used primarily for merchandise and jobbing operations.
21. Rent of sales rooms or of equipment.
22. Transportation expense in delivery and pick-up of appliances by utility's facilities or by others.
23. Stationery and office supplies and expenses.
24. Losses from uncollectible merchandise and jobbing accounts.

417. Revenues from Nonutility Operations.

417.1. Expenses of Nonutility Operations.

A. These accounts shall include revenues and expenses applicable to operation which are nonutility in character but nevertheless constitute a distinct operating activity of the enterprise as a whole, such as providing sewage disposal service where applicable statutes do not define such operation as utility, or the operation of a servicing organization for furnishing supervision, management, engineering, and similar services to others.

NOTE.—Related operating taxes shall be recorded in account 408, Taxes Other Than Income Taxes and income taxes shall be recorded in account 409, Income Taxes.

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

Operation
Maintenance
Rents
Depreciation
Amortization

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 accounts 417 or 417.1.

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

Operation
Maintenance
Rents
Depreciation
Amortization

NOTE.—Related operating taxes shall be recorded in account 408, Taxes Other Than Income Taxes and income taxes shall be recorded in account 409, Income Taxes.

418.1 Equity in Earnings of Subsidiary Companies.

This account shall include the utility's equity in the earnings or losses of subsidiary companies for the year.

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

C. Where significant in amount, expenses excluding operating taxes and income taxes, applicable to security investments and to interest and dividend revenues thereon shall be charged hereto.

NOTE A.—Related operating taxes shall be recorded in account 408, Taxes Other Than Income Taxes and income taxes shall be recorded in account 409, Income Taxes.

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 credited to the account.

421. Miscellaneous Nonoperating Income.

This account shall include all revenue and expense items, except taxes, properly includible in the income account and not provided for elsewhere. Related operating taxes shall be recorded in account 408, Taxes Other Than Income Taxes and income taxes shall be recorded in account 409, Income Taxes.

ITEMS

1. Profit on sale of timber. (See utility plant instruction 7-C.)
2. Profits from operations of others realized by the utility under contracts.
3. Gain on disposition of investments and reacquisition and resale or retirement of utility's debt securities and investments.

421.1. Gain on Disposition of Property.

This account shall be credited with the gain on the sale, conveyance, exchange or transfer of property other than that property recorded in, or previously recorded in, accounts 101-104. (See utility plant instructions 5F, 7E and 10E.) Income Taxes on Gains recorded in this account shall be recorded in account 409, Income Taxes. (See account 411.6, Gains from Disposition of Utility Plant.)

B. Other Income Deductions

421.2. Loss on Disposition of Property.

This account shall be charged with the loss on the sale, conveyance, exchange or transfer of property other than that property recorded in, or previously recorded in, accounts 101-104. (See utility plant instructions 5F, 7E and 10E.) The reduction in income taxes attributable to losses recorded in this account shall be recorded in account 409, Income Taxes. (See account 411.7, Losses from Disposition of Utility Plant.)

424. Political, Promotional, Institutional and Rate Justification Advertising Expenses.

A. This account shall include the cost of labor, materials used and expenses incurred in the advertising designed to: (i) influence public opinion, (ii) create, enhance or sustain a utility's image or goodwill with regard to the public or its customers, (iii) promote or retain the use of utility service or to select or install any merchandise designed to use such utility service, provided such advertising shall not include advertising directed at the replacement appliance market, and to (iv) promote public acceptance of utility rate increases or the utility's filed rates; all as more fully described in the following subaccounts.

B. This account shall be maintained according to the subaccounts shown below:

424.1 Political Advertising Expenses.

A. This account shall include the cost of labor, materials used, and expenses incurred in advertising whether on a national, regional, or local basis, which are designed to influence public opinion with respect to the election or appointment of public officials or the adoption, repeal, revocation, or modification or referenda, legislation, or ordinances. The account shall also include expenditures for influencing the decisions of public officials, but does not include such expenditures which are directly related to appearances before regulatory or other governmental bodies in connection with utility's existing or proposed operations.

B. Entries relating to political advertising included in this account shall contain or refer to supporting documents which identify the specific advertising message. If references are used, copies or scripts of the advertising message shall be readily available for review.

C. Where political advertising is undertaken by an association on behalf of its members or by a holding company on behalf of its subsidiaries, the amount of expense for such advertising charged to any member or subsidiary which is a Connecticut Gas Utility and included in this account, shall be determined in accordance with the text of this account as set forth herein.

D. If the advertisement contains material which is political in nature its cost shall be charged to this account.

ITEMS

Labor:

1. Direct supervision of advertising activities.
2. Preparing material for newspapers, periodicals, billboards, etc., and preparing and conducting promotional motion pictures, radio, and television programs.
3. Preparing booklets, bulletins, etc., used in direct-mail.
4. Preparing window and other displays.
5. Clerical and stenographic work.
6. Investigating advertising agencies and media and conducting negotiations in connection with the placement and subject matter of advertising.

Materials and Expenses:

7. Advertising in newspapers, periodicals, billboards, radio, etc.
8. Advertising matters such as posters, bulletins, booklets, and related items.
9. Fees and expenses of advertising agencies and commercial artists.
10. Novelties for general distribution.
11. Postage on direct-mail advertising.
12. Printing of booklets, dodgers, bulletins, etc.
13. Supplies and expenses in preparing advertising materials.
14. Office supplies and expenses.

424.2 Promotional Advertising Expenses.

A. This account shall include the cost of labor, materials used, and expenses incurred in advertising which purpose is to induce the public to select or use the service or additional service of a utility, or select or install any appliance or equipment designed to use such utility service, provided such advertising shall not include advertising directed at the replacement appliance market.

B. Entries relating to promotional advertising included in this account shall contain or refer to supporting documents which identify the specific advertising message. If references are used, copies or scripts of the advertising message shall be readily available for review.

C. Where promotional advertising is undertaken by an association on behalf of its members or by a holding company on behalf of its subsidiaries, the amount of expense for such advertising charged to any member or subsidiary which is a Connecticut Gas Utility and included in this account, shall be determined in accordance with the text of this account as set forth herein.

D. If the advertisement contains material which is promotional in nature its cost shall be charged to this account.

ITEMS

Labor:

1. Direct supervision of advertising activities.
2. Preparing material for newspapers, periodicals, billboards, etc., and preparing and conducting motion pictures, radio, and television programs.
3. Preparing booklets, bulletins, etc., used in direct-mail.
4. Preparing window and other displays.
5. Clerical and stenographic work.
6. Investigating advertising agencies and media and conducting negotiations in connection with the placement and subject matter of advertising.

Materials and Expenses:

7. Advertising in newspapers, periodicals, billboards, radio, etc.
8. Advertising matters such as posters, bulletins, booklets, and related items.
9. Fees and expenses of advertising agencies and commercial artists.
10. Novelties for general distribution.
11. Postage on direct-mail advertising.
12. Premiums distributed generally, such as recipe books, etc., when not offered as inducement to purchase appliances.
13. Printing of booklets, dodgers, bulletins, etc.
14. Supplies and expenses in preparing advertising materials.
15. Office supplies and expenses.

NOTE: The cost of advertisements, which sets forth the value or advantages of utility service shall be considered sales promotion advertising and charged to this account. However, advertisements which are directed to the replacement appliance market, without referring to the value or advantages of utility service, shall be considered as merchandise advertising, and the cost shall be charged to accounts 416 or 915, costs and expenses of merchandising, jobbing, and contract work.

424.3 Institutional or Goodwill Advertising Expenses.

A. This account shall include the cost of labor, materials used, and expenses incurred in advertising which is designed to create, enhance, or sustain the utility's image or goodwill to the general public or its customers.

B. Entries relating to institutional or goodwill advertising included in this account shall contain or refer to supporting documents which identify the specific advertising message. If references are used, copies or scripts of the advertising message shall be readily available for review.

C. Where institutional or goodwill advertising is undertaken by an association on behalf of its members or by a holding company on behalf of its subsidiaries, the amount of expense for such advertising charged to any member or subsidiary which is a Connecticut Gas Utility and included in this account, shall be determined in accordance with the text of this account as set forth herein.

D. If the advertisement contains material which is of an institutional or goodwill nature its cost shall be charged to this account.

ITEMS

Labor:

1. Direct supervision of advertising activities.
2. Preparing material for newspapers, periodicals, billboards, etc., and preparing and conducting motion pictures, radio, and television programs.
3. Preparing booklets, bulletins, etc., used in direct-mail.
4. Preparing window and other displays.
5. Clerical and stenographic work.
6. Investigating advertising agencies and media and conducting negotiations in connection with the placement and subject matter of advertising.

Materials and Expenses:

7. Advertising in newspapers, periodicals, billboards, radio, etc.
8. Advertising matters such as posters, bulletins, booklets, and related items.
9. Fees and expenses of advertising agencies and commercial artists.
10. Postage on direct-mail advertising.
11. Printing of booklets, dodgers, bulletins, etc.
12. Supplies and expenses in preparing advertising materials.
13. Office supplies and expenses.

Below are examples of the advertising to be included in this account:

(a) Pronouncements lauding the utility or the area or community it serves.
(b) Advertising activities to inform the rate payers of the social and economic advantages or status of the area or community it serves.
(c) Advertising activities to inform the public of the utility's participation in programs to improve the economic condition of the area or community it serves.
(d) Advertising activities to inform the public of the utility's role of good citizenship.
(e) Information and routine data supplied by the utility to local governments, planning agencies, civic groups, businesses, and the general public which is not includible in account 909.
(f) Advertising activities to inform the public of the utility's consciousness of, or involvement in, health, safety, conservation, or environmental programs, except as included in account 909.

424.4 Rate Justification Advertising Expenses.

A. This account shall include the cost of labor, materials used, and expenses incurred in advertising, whether on a regional or local basis which is designed to promote public acceptance of utility rate increases or the utility's filed rates. The account shall also include all costs incurred by the utility for advertising in opposition to the decision of the regulatory agency. However, the expenses associated with informing customers that new rates have been requested shall be recorded in account 928.

B. Entries relating to rate justification advertising included in this account shall contain or refer to supporting documents which identify the specific advertising message. If references are used, copies or scripts of the advertising message shall be readily available for review.

C. Where advertising is undertaken by an association on behalf of its members or by a holding company on behalf of its subsidiaries, the amount of expense for such advertising charged to any member or subsidiary which is a Connecticut Gas Utility and included in this account, shall be determined in accordance with the text of this account as set forth herein.

D. If the advertisement contains material which is designed to justify rates its cost shall be charged to this account.

ITEMS

Labor:

1. Direct supervision of advertising activities.
2. Preparing material for newspapers, periodicals, billboards, etc., and preparing and conducting motion pictures, radio, and television programs.
3. Preparing booklets, bulletins, etc., used in direct-mail.
4. Preparing window and other displays.
5. Clerical and stenographic work.
6. Investigating advertising agencies and media and conducting negotiations in connection with the placement and subject matter of advertising.

Materials and Expenses:

7. Advertising in newspapers, periodicals, billboards, radio, etc.
8. Advertising matters such as posters, bulletins, booklets, and related items.
9. Fees and expenses of advertising agencies and commercial artists.
10. Postage on direct-mail advertising.
11. Printing of booklets, dodgers, bulletins, etc.
12. Supplies and expenses in preparing advertising materials.
13. Office supplies and expenses.

425. Miscellaneous Amortization.

This account shall include amortization charges not includible in other accounts which are properly deductible in determining the income of the utility before interest charges. Charges includible herein, if significant in amount, must be in accordance with an orderly and systematic amortization program.

ITEMS

1. Amortization of utility plant acquisition adjustments, or of intangibles included in utility plant in service when not authorized to be included in utility operating expenses by the Commission.
2. Amortization of amounts in account 182, Extraordinary Property Losses, when not authorized to be included in utility operating expenses by the Commission.
3. Amortization of capital stock expenses when in accordance with a systematic amortization program.

426. Miscellaneous Income Deductions.

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

ITEMS

1. Donations for charitable, social or community welfare purposes.

2. Life insurance on officers and employees where utility is beneficiary (net premiums less increase in cash surrender value of policies.)
3. Penalties or fines for violations of statutes pertaining to regulation.

3. INTEREST CHARGES

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 221, Bonds, or account 224, Other Long-Term Debt.

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

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

428. Amortization of Debt Discount and Expense.

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

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

429. Amortization of Premium on Debt—Cr.

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

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

430. Interest on Debt to Associated Companies.

A. This account shall include in each accounting period interest accrued on amounts included in account 223, Advances from Associated Companies, and on all other obligations to associated companies.

B. The records supporting the entries to this account shall be so kept as to show to whom the interest is to be paid, the period covered by the accrual, the rate of interest and the principal amount of the advances or other obligations on which the interest is accrued.

431. Other Interest Expense.

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

ITEMS

1. Interest on notes payable on demand or maturing one year or less from date and on open accounts, except notes and accounts with associated companies.
2. Interest on customers' deposits.
3. Interest on claims and judgments, tax assessments, and assessments for public improvements past due.
4. Income and other taxes levied upon bondholders of utility and assumed by it.

432. Interest Charged to Construction—Cr.

This account shall include concurrent credits for interest charged to construction based upon the net cost for the period of construction of borrowed funds used for construction purposes and a reasonable rate upon other funds when so used. (See utility plant instruction 3 (17).)

4. EXTRAORDINARY ITEMS

434. Extraordinary Income.

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. (See general instruction 7.)

435. Extraordinary Deductions.

This account shall be debited with nontypical, noncustomary, infrequently recurring losses, 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. (See general instruction 7.)

RETAINED EARNINGS ACCOUNTS

Unappropriated Retained Earnings (at beginning of period) (216)
Balance Transferred from Income (433)
Appropriations of Retained Earnings (436)
Dividends Declared — Preferred Stock (437)
Dividends Declared — Common Stock (438)
Adjustments to Retained Earnings (439)
Unappropriated Retained Earnings (at end of period) (216)

433. Balance Transferred from Income.

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

436. Appropriations of Retained Earnings.

This account shall include appropriations of retained earnings.

ITEMS

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

437. Dividends Declared — Preferred Stock.

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

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

438. Dividends Declared — Common Stock.

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

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

439. Adjustments to Retained Earnings.

A. This account shall include significant nonrecurring transactions relating to prior periods. Other than transactions of capital stock as specified in paragraph B below, all entries to this account must receive prior Commission approval. These transactions are limited to those adjustments which (a) can be specifically identified with and related to the business activities of particular prior periods, and (b) are not attributable to economic events occurring subsequent to the date of the financial statements for the prior period, and (c) depend primarily on determinations by persons other than the management and (d) were not susceptible of 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.

B. 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. (See account 210, Gain on Resale or Cancellation of Reacquired Capital Stock, for the treatment of gains.)

ITEMS

1. Significant nonrecurring adjustments or settlements of income taxes.
2. Significant amounts resulting from litigation or similar claims.
3. Significant amounts relating to adjustments or settlement of utility revenue under rate processes.
4. Significant adjustments to plant in service depreciation and amortization as a result of Commission direction.
5. Write-off of unamortized capital stock expenses.

OPERATING REVENUE ACCOUNTS

1. SALES OF GAS

480. Residential Sales
481. Commercial and Industrial Sales
482. Other Sales to Public Authorities
483. Sales for Resale
484. Interdepartmental Sales

2. OTHER OPERATING REVENUES

487. Forfeited Discounts
488. Miscellaneous Service Revenues
489. Revenues from Transportation of Gas of Others
490. Sales of Products Extracted from Natural Gas
491. Revenues from Natural Gas Processed by Others
492. Incidental Gasoline and Oil Sales
493. Rent from Gas Property
494. Interdepartmental Rents
495. Other Gas Revenues

OPERATING REVENUE ACCOUNTS

1. SALES OF GAS

480. Residential Sales.

A. This account shall include the net billing for gas supplied for residential or domestic purposes.

B. Records shall be maintained so that the quantity of gas sold and the revenues received under each rate schedule shall be readily available.

NOTE.—When gas supplied through a single meter is used for both residential and commercial purposes, the total revenue shall be included in this account or account 481, Commercial and Industrial Sales, according to the rate schedule which is applied. If the same rate schedules are applicable to both residential and commercial service, classification shall be according to principal use.

481. Commercial and Industrial Sales.

A. This account shall include the net billing for gas supplied to commercial and industrial customers.

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

C. Records shall be maintained so as to show separately the revenues from commercial and industrial customers, as follows:

Large Commercial and Industrial Sales

(Wherein shall be included the revenues from customers which use large volumes of gas, generally in excess of 200,000 Mcf per year or approximately 800 Mcf per day of normal requirements. Reasonable deviations are permissible in order that transfers of customers between the large and small classifications may be minimized.)

Small Commercial and Industrial Sales

(Wherein shall be included the revenues from customers which use volumes of gas generally less than 200,000 Mcf per year or less than approximately 800 Mcf per day of normal requirements.)

NOTE.—When gas supplied through a single meter is used for both commercial and residential purposes, the total revenue shall be included in this account or in account 480, Residental Sales, according to the rate schedule which is applied. If the same rate schedules are applicable to both residential and commercial service, classification shall be according to principal use.

482. Other Sales to Public Authorities.

A. This account shall include the net billing for gas supplied to municipalities or divisions or agencies of federal or state governments, under special contracts or agreements or service classifications, applicable only to public authorities, for general governmental and institutional purposes, except any revenues under rate schedules the revenues from which are includible in account 481 or 483, and except any revenues from gas used for purposes such as power plant fuel for publicly owned electric systems, manufacturing processes or arsenals, etc., and other major uses of gas which appropriately may be classified in account 481, Commercial and Industrial Sales.

B. Records shall be maintained so that the quantity of gas sold and the revenue received from each customer and from each major special contract shall be readily available.

483. Sales for Resale.

A. This account shall include the net billing for gas supplied to other gas utilities or to public authorities for resale purposes.

B. Records shall be maintained so that there shall be readily available the revenues for each customer under each revenue schedule and the billing determinants, as applicable, i.e., volume of gas (actual and billing), contract demand, maximum actual demand, billing demand, and Btu adjustment factor.

484. Interdepartmental Sales.

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

B. Records shall be maintained so that the quantity of gas supplied ıch other department and the charge made therefor shall be readily available.

2. OTHER OPERATING REVENUES

487. Forfeited Discounts.

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

488. Miscellaneous Service Revenues.

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

ITEMS

1. Fees for changing, connecting, or disconnecting service.
2. Profit on maintenance of appliances, piping, gas firing and other utilization facilities, or other installations on customers' premises.
3. Net credit or debit (cost less net salvage and less payment from customers) on closing work orders for plant installed for temporary service of less than one year. (See account 185, Temporary Facilities.)
4. Recovery of expenses in connection with gas diversion cases. (Billing for the gas consumed shall be included in the appropriate gas revenue account.)
5. Services performed for other gas companies for testing and adjusting meters, changing charts, etc.

489. Revenues from Transportation of Gas of Others.

This account shall include revenues from transporting gas for other companies through the production, transmission, and distribution lines, or compressor stations of the utility.

490. Sales of Products Extracted from Natural Gas.

A. This account shall include revenues from sales of gasoline, butane, propane, and other products extracted from natural gas, net of allowances, adjustments, and discounts, including sales of similar products purchased for resale.

B. Records shall be maintained so that the quantity, sales price, and revenues for each type of product sold to each purchaser shall be readily available.

491. Revenues from Natural Gas Processed by Others.

A. This account shall include revenues from royalties and permits, or other bases of settlement, for permission granted others to remove products from natural gas of the utility.

B. The records supporting this account shall be so maintained that full information concerning determination of the revenues will be readily available concerning each processor of gas of the utility, including as applicable (a) the Mcf of gas and approximate average Btu content thereof per cubic foot delivered to such other party for processing, (b) the Mcf of gas and approximate average Btu content thereof per cubic foot of gas received back from the processor, (c) the field, general production area, or other source of the gas processed, (d) Mcf of gas used for processing fuel, etc., which is chargeable to the utility, (e) total gallons of each product recovered by the processor and the utility's share thereof, (f) the revenues accruing to the utility, and (g) the basis of determination of the revenues accruing to the utility. Such records shall be maintained even though no revenues are derived from the processor.

492. Incidental Gasoline and Oil Sales.

This account shall include revenues from natural gas gasoline produced direct from gas wells or recovered from drips or obtained in connection with purification or dehydration processes, and revenues from oil obtained from wells which produce oil and gas, the investment in which is carried in accounts 330, Producing Gas Wells—Well Construction, and 331, Producing Gas Wells—Well Equipment.

493. Rent from Gas Property.

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

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

NOTE.—Do not include rent from property constituting an operating unit or system in this account. (See account 412, Revenues from Utility Plant Leased to Others.)

494. Interdepartmental Rents.

This account shall include credits for rental charges made against other departments of the utility. In the case of property operated under a definite arrangement to allocate actual costs among the departments using the property, any allowance to the gas department for interest or return and depreciation and taxes shall be credited to this account.

495. Other Gas Revenues.

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

ITEMS

1. Commission on sale or distribution of gas of others when sold under rates filed by such others.
2. Compensation for minor or incidental services provided for others such as customer billing, engineering, etc.
3. Profit or loss on sale of material and supplies not ordinarily purchased for resale and not handled through merchandising and jobbing accounts.
4. Sales of steam, water, or electricity, including sales or transfers to other departments of the utility.
5. Service charges for storing gas of others.
6. Miscellaneous royalties received.
7. Revenues from dehydration and other processing of gas of others, except products extraction where products are received as compensation and sales of such are includible in account 490, Sales of Products Extracted from Natural Gas, and except compression of gas of others, revenues from which are includible in account 489, Revenues from Transportation of Gas of Others.