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1. UTILITY PLANT

101. Utility Plant in Service.

A. This account shall include the original cost of utility plant, included in the plant accounts prescribed herein and in similar accounts for other utility departments, including common utility plant, owned and used by the utility in its utility operations, and having an expectation of life in service of more than one year from 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 recorded in subdivisions separate and distinct from those relating to owned property. (See utility plant instruction 6.)

102. Utility Plant Purchased or Sold.

A. This account shall be charged with the cost of utility plant acquired as an operating unit or system by purchase, merger, consolidation, liquidation, or otherwise, and shall be credited with the selling price of like property transferred to others pending the distribution to appropriate accounts in accordance with utility plant instruction 5.

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

103. Utility Plant in Process of Reclassification.

A. This account shall include temporarily the balance of utility plant as of the effective date of the prior system of accounts, which has not yet been reclassified as of the effective date of this system of accounts. The detailed or primary accounts in support of this account employed prior to such date shall be continued pending reclassification into the utility plant accounts herein prescribed (301-399), but shall not be used for additions, betterments, or new construction.

B. No charges other than as provided in paragraph A above, shall be made to this account, but retirements of such unclassified utility plant shall be credited hereto and to the supporting (old) fixed capital accounts until the reclassification shall have been accomplished.

104. Utility Plant Leased to Others.

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

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

105. Property Held for Future Use.

A. This account shall include the original cost of property owned and held for future use in utility service under a definite plan for such use. There shall be included herein property acquired but never used by the utility in utility service, but held for such service in the future under a definite plan, and property previously used by the utility in utility service, but retired from such service and held pending its reuse in the future, under a definite plan, in utility service. This includes land and land rights held to insure a future supply of natural gas. (See utility plant instruction 7-G.)

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

NOTE A.—Materials and supplies, meters and house regulators held in reserve, and normal spare capacity of plant in service shall not be included in this account.

NOTE B.—Include in this account natural gas wells shut in after construction which have not been connected with the line; also, natural gas wells which have been connected with the line but which are shut in for any reason excepting seasonal excess capacity or governmental proration requirements or for repairs.

106. Completed Construction Not Classified.

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

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107. Construction Work in Progress.

A. This account shall include the total of the balances of work orders for utility plant in process of construction.

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

108. Accumulated Provision for Depreciation of Utility Plant in Service.

A. This account shall be credited with the following:

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

(2) Amounts of depreciation applicable to utility properties acquired as operating units or systems. (See utility plant instruction 5.)

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

(4) Amounts of depreciation applicable to utility plant donated to the utility.

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

C. For general ledger and balance sheet purposes, this account shall be regarded and treated as a single composite provision for depreciation. For purposes of analysis, however, each utility shall maintain subsidiary records in which this account is segregated according to the following functional classification for gas plant: (1) Production—manufactured gas, (2) Production and gathering—natural gas, (3) Products extraction—natural gas, (4) Underground gas storage, (5) Other storage, (6) Transmission, (7) Distribution, and (8) General. These subsidiary records shall reflect the current credits and debits to this account in sufficient detail to show separately for each such functional classification (a) the amount of provision for depreciation, (b) the book cost of property retired, (c) cost of removal, (d) salvage, and (e) other items, including recoveries from insurance.

D. When transfers of plant are made from one utility plant account to another, or from or to nonutility property, the accounting shall be as provided in utility plant instruction 12.

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

109. Accumulated Provision for Depreciation of Utility Plant Leased to Others.

A. This account shall be credited with amounts charged to account 413, Expenses of Utility Plant Leased to Others, for currently accruing depreciation of property included in account 104, Utility Plant Leased to Others. Include, also, credits for depreciation applicable to plant acquired as operating units or systems, to plant donated to the utility or for losses transferred to account 182, Extraordinary Property Losses.

B. The requirements of account 108, Accumulated Provision for Depreciation of Utility Plant in Service, regarding retirements chargeable thereto and of subsidiary data to be maintained shall be applicable likewise to this account.

C. The utility is restricted in its use of the accumulated provisions for depreciation 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 by the Commission.

110. Accumulated Provision for Depreciation of Property Held for Future Use.

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

NOTE.—Normally, this account will not be used for current depreciation provisions because, as provided herein, the service life during which depreciation is computed commences with the date property is includible in utility plant in service. However, if special circumstances indicate the propriety of current accruals for depreciation, such charges shall be made to account 421, Miscellaneous Nonoperating Income.

111.1 Accumulated Provision for Amortization and Depletion of Producing Natural Gas Land and Land Rights.

A. This account shall be credited with amounts charged to account 404.1, Amortization and Depletion of Producing Natural Gas Land and Land Rights, to provide for the current amortization and depletion of land and land rights from which natural gas is obtained. (See utility plant instruction 7-H.)

B. This account shall also be credited with such amounts as are necessary to reflect, as of the effective date of this system of accounts, the portion of the cost of land and land rights which have been exhausted through the extraction of natural gas.

C. When any property to which this account applies is sold, relinquished, or otherwise retired from service, this account shall be charged with the amount previously credited in respect to such property. The book cost of the property so retired less the amount chargeable to this account and less the net proceeds realized at retirement 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.

D. Records shall be maintained so as to show separately the balance applicable to each item of land and land rights which is being amortized

or depleted, except that natural gas land and land rights which comprise an interest in a production area may be grouped to form a unit for amortization and depletion and the accumulated provision applicable thereto need not be segregated to show the amount related to each gas right included therein.

E. 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.

111.2 Accumulated Provision for Amortization of Underground Storage Land and Land Rights.

A. This account shall be credited with amounts charged to account 404.2, Amortization of Underground Storage Land and Land Rights, to provide for current amortization of land and land rights utilized in connection with underground gas storage operations.

B. This account also shall include all amounts of accumulated past provisions for amortization and depletion of natural gas lands and land rights converted to underground gas storage purposes. These amounts shall be transferred to this account from other accounts in which included on conversion of such property to underground storage use.

C. When any property to which this account applies is sold, relinquished, or otherwise retired from service, this account shall be charged with the amount previously credited in respect to such property. The book cost of the property so retired less the amount chargeable to this account and less the net proceeds realized at retirement 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.

D. Records shall be maintained so as to show separately the balance applicable to each underground gas storage project.

E. The utility is restricted in its use of the provisions to the purposes set forth above. It shall not transfer any portion of the account to retained earnings or make any other use thereof without authorization by the Commission.

111.3 Accumulated Provision for Amortization of Other Utility Plant in Service.

A. This account shall be credited with amounts charged to account 404.3, Amortization of Other Limited-Term Utility Plant for the

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current amortization of limited-term utility investments. It shall be credited also with amounts which may be charged to account 405, Amortization of Other Utility Plant, or to account 425, Miscellaneous Amortization, to amortize intangible or other utility plant which is not subject to charges for depreciation expense and for which the accumulated amortization is not includible in either of the preceding accounts.

B. When any property to which this account applies is sold, relinquished or otherwise retired from service, this account shall be charged with the amount previously credited in respect to such property. The book cost of the property so retired less the amount chargeable to this account and less the net proceeds realized at retirement shall be included in account 411.6, Gains from Disposition of Utility Plant, or account

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

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

112. Accumulated Provision for Amortization and Depletion of Utility Plant Leased to Others.

A. This account shall be credited with amounts charged to account 413, Expenses of Utility Plant Leased to Others, for the current amortization and depletion of producing gas lands, limited-term, or other investments subject to amortization included in account 104, Utility Plant Leased to Others, including such amounts as may be applicable to underground gas storage property leased to others.

B. When any property to which this account applies is sold, relinquished or otherwise retired from service, this account shall be charged with the amount previously credited in respect to such property. The book cost of the property so retired less the amount chargeable to this account and less the net proceeds realized at retirement shall be included in account 411.6, Gains from Disposition of Utility Plant, or account 411.7, Losses from Disposition of Utility Plant, as appropriate.

C. Records shall be maintained so as to show separately the balance

applicable to each class of property which is being amortized. Amounts applicable to producing natural gas lands shall be shown in a separate account.

113.1 Accumulated Provision for Abandonment of Leases.

A. This account shall be credited with amounts concurrently charged to account 797, Abandoned Leases, for the purpose of providing for the costs of natural gas leases which may be abandoned and which have never been productive.

B. When such natural gas leases are abandoned, the cost thereof, including expenses incidental to abandonment, shall be charged to this account; provided, however, that any deficiency in this account at the time of abandonment of the lease shall be charged to account 797, Abandoned Leases.

C. Records supporting this account shall be so kept as to show for each abandoned lease the date and period thereof, location, date abandoned, and the nature and amounts of the cost.

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

NOTE.—No provision shall be made in this account for the abandonment of producing natural gas leases, and the provisions of utility plant instruction 12, Transfers of Property, shall not apply to amounts included herein. (See account 111.1, Accumulated Provision for Amortization and Depletion of Producing Natural Gas Land and Land Rights.)

113.2 Accumulated Provision for Amortization of Other Property Held for Future Use.

This account shall be credited with amounts charged to account 421, Miscellaneous Nonoperating Income, for amortization expense on property included in account 105, Property Held for Future Use, not including, however, provisions for abandoned natural gas leases. Include, also, the balance of accumulated provision for amortization on property which may be transferred to account 105, Property Held for Future Use, from other property accounts.

NOTE.—Normally, this account will not be used for current amortization provisions because, as provided herein, the service life during which amortization is computed commences with the date property is includible in utility plant in service. However, if special circumstances indicate the propriety of current accruals for depreciation or amortization, such charges shall be made to account 421, Miscellaneous Nonoperating Income.

114. Utility Plant Acquisition Adjustments.

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

B. With respect to acquisitions after the effective date of this system of accounts, this account shall be subdivided so as to show the amounts included herein for each property acquisition and the amounts applicable to each utility department and to utility plant in service, property held for future use, and utility plant leased to others. (See utility plant instruction 5.)

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

115. Accumulated Provision for Amortization of Utility Plant Acquisition Adjustments.

This account shall be credited or debited with amounts which are includible in account 406, Amortization of Utility Plant Acquisition Adjustments, or account 425, Miscellaneous Amortization, for the purpose of providing for the extinguishing of amounts in account 114, Utility Plant Acquisition Adjustments, in instances where the amortization of account 114 is not being made by direct write-off of the account.

116. Other Utility Plant Adjustments.

A. This account shall include the difference between the original cost, estimated if not known, and the book cost of utility plant to the extent that such difference is not properly includible in account 114, Utility Plant Acquisition Adjustments. (See utility plant instruction 1C).

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

NOTE.—The provisions of this account shall not be construed as approving or authorizing the recording of appreciation of utility plant.

117. Gas Stored Underground—Noncurrent.

A. This account shall include the cost of recoverable gas purchased or produced by the utility which is stored in depleted or partially depleted gas or oil fields, or other underground reservoirs, and held for use in meeting service requirements of the utility's customers.

B. Gas stored during the year shall be priced at cost according to generally accepted methods of cost determination consistently applied from year to year. Transmission expenses for facilities of the utility used in moving the gas to the storage area and expenses of storage facilities shall not be included in the inventory of gas except as may be authorized or directed by the Commission.

NOTE B-1.—In general, gas stored from the supply in an integrated system shall be priced at the average cost of the gas constituting the common supply of the system, although this general rule may be departed from where conditions of system operation of gas supply and utilization permit a valid presumption that the gas stored may be considered to be from specified sources, as indicated below.

NOTE B-2.—When in harmony with the over-all system operation of gas supply and utilization, and the presumption is consistently observed from year to year, gas stored during the year may be presumed to be from total gas purchases, or from purchases from specified sources. When either of these presumptions is proper, the cost of gas stored shall be priced at the weighted average cost of all gas purchased, or at the weighted average cost of purchases from the specified sources, as appropriate. The weighted average cost may be the average for the preceding twelve months, except where a significant change occurs in the cost of gas, the full effect of such change shall be reflected for the period after the change is effective.

NOTE B-3.—When in harmony with the over-all system operation of gas supply and utilization, and the presumptions are consistently observed from year to year, gas stored during the year may be presumed to be from identified sources of the utility's own production. Such stored gas shall be priced at the weighted average cost of gas produced from the specified production areas.

Where this presumption is made, or where the stored gas is identified as a matter of fact under circumstances which do not permit a proper application of the theory of displacement, the utility shall maintain separate records of the cost of gas produced from such areas and the derivation of the cost used for stored gas from such sources.

NOTE B-4.—Where gas is purchased specifically for storage, or a price concession received because of the storing of purchased gas, such gas shall be priced at the net contract price of the gas so purchased and stored.

NOTE B-5.—The provisions of this instruction and the related footnotes shall not be construed as permitting or authorizing a restatement of the amounts at which stored gas inventories are stated on the utility's books at the effective date of this instruction, except as may be authorized by the Commission.

C. Withdrawals of gas may be priced according to the first-in first-out, last-in first-out, or weighted average cost method, in connection with which a "base stock" may be employed provided the method adopted by the utility is used consistently from year to year and the inventory records are maintained in accordance therewith. Approval of the Commission must be obtained for any other pricing method, or change in the pricing method adopted by the utility.

D. If the gas of any storage project is withdrawn below the amount established as "base stock" or encroaches upon native gas of a storage reservoir, and such gas is to be replaced within 12 months, it shall be permissible to price such gas at the estimated cost of replacement with purchased gas and to record a deferred credit therefor. For the purpose of this instruction, account 808, Gas Withdrawn from Storage—Debit, shall be charged with the estimated cost of such replacement gas and account 253, Other Deferred Credits, credited. When replacement of the gas is made the amount in account 253 shall be cleared and this account credited. This accounting will not affect normal accounting for inputs and withdrawals from storage.

E. Separate records shall be maintained for each storage project of the Mcf of gas delivered to storage, withdrawn from storage, and remaining in storage. The projects shall be grouped, however, for the purpose of maintaining inventory cost records of the cost of gas in storage. Exceptions to this general rule are permitted in any of the following circumstances:

- (a) projects at the supply end of long transmission lines,
- (b) projects located on separate non-interconnected pipe line system, and
- (c) projects which by contractual arrangements approved by the Commission are devoted exclusively to the service of specified customers, and no portion of the gas withdrawals from any such project becomes part of the common system gas supply by displacement or otherwise.

Where the utility establishes specified volumes of gas as "base stock," separate inventory cost records by projects shall be maintained therefor.

F. Amounts debited to this account for gas placed in storage shall be credited to account 809, Gas Delivered to Storage—Credit. Amounts credited to this account for gas withdrawn from storage shall be debited to account 808, Gas Withdrawn from Storage—Debit.

G. Adjustments for inventory losses due to cumulative inaccuracies of gas measurements, or from other causes, shall be charged to account 823, Gas Losses. In the operation of storage projects the utility shall maintain such procedures of verification as will disclose and result in prompt accounting recognition of significant losses.

This account shall be credited with an amount equal to that debited to account 164.1, Gas Stored Underground—Current, to classify for balance sheet purposes such portion of the total inventory of gas stored underground as constitutes a current asset according to conventional rules for classification of current assets. (See account 164.1.)

2. OTHER PROPERTY AND INVESTMENTS

121. Nonutility Property.

A. This account shall include the book cost of land, structures, equipment or other tangible or intangible property owned by the utility, but not used in utility service and not properly includible in account 105, Property Held for Future Use.

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

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

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

123. Investment in Associated Companies.

A. This account shall include the book cost of investments in securities issued or assumed by associated companies and investment advances to such companies, including interest accrued thereon when such interest is not subject to current settlement, provided that the investment does not relate to a subsidiary company. (If the investment relates to a subsidiary company it shall be included in account 123.1, Investment in Subsidiary Companies.) Include also the offsetting entry to the recording of amortization of discount or premium on interest bearing investments. (See account 419, Interest and Dividend Income.)

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

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

NOTE B.—Securities of associated companies held as temporary cash investments are includible in account 136, Temporary Cash Investments.

NOTE C.—Balances in open accounts with associated companies, which are subject to current settlement, are includible in account 146, Accounts Receivable from Associated Companies.

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

123.1 Investment in Subsidiary Companies.

A. This account shall include the cost of investments in securities issued or assumed by subsidiary companies and investment advances to such companies, including interest accrued thereon when such interest is not subject to current settlement plus the equity in undistributed earnings or losses of such subsidiary companies since acquisition. This account shall be credited with any dividends declared by such subsidiaries.

B. This account shall be maintained in such a manner as to show separately for each subsidiary: the cost of such investments in the securities of the subsidiary at the time of acquisition; the amount of equity in the subsidiary's undistributed net earnings or net losses since acquisition; advances or loans to such subsidiary; and full particulars regarding any such investments that are pledged.

124. Other Investments.

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

B. The cost of capital stock of the utility reacquired by it under a definite plan for resale pursuant to authorization by the Board of Directors may, if permitted by statutes, be included in a separate subdivision of this account. (See also account 217, Reacquired Capital Stock.)

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

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

NOTE B.—Securities held as temporary cash investments shall not be included in this account.

NOTE C.—See Note D of account 123.

125. Sinking Funds.

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

126. Depreciation Fund.

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

128. Other Special Funds.

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

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

3. CURRENT AND ACCRUED ASSETS

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

131. Cash.

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

132. Interest Special Deposits.

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

133. Dividend Special Deposits.

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

134. Other Special Deposits.

This account shall include deposits with fiscal agents or others for special purposes other than the payment of interest and dividends. Such special deposits may include cash deposited with federal, state, or municipal authorities as a guaranty for the fulfillment of obligations; cash deposited with trustees to be held until mortgaged property sold,

destroyed, or otherwise disposed of is replaced; cash realized from the sale of the accounting utility's securities and deposited with trustees to be held until invested in property of the utility, etc. Entries to this account shall specify the purpose for which the deposit is made.

NOTE.—Assets available for general corporate purposes shall not be included in this account. Further, deposits for more than one year, which are not offset by current liabilities, shall not be charged to this account but to account 128, Other Special Funds.

135. Working Funds.

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

136. Temporary Cash Investments.

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, except, however, notes receivable from associated companies. (See account 136, Temporary Cash Investments, and account 145, Notes Receivable from Associated Companies.)

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

142. Customer Accounts Receivable.

A. This account shall include amounts due from customers for utility service, and for merchandising, jobbing, and contract work. This account shall not include amounts due from associated companies.

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

43. Other Accounts Receivable.

A. This account shall include amounts due the utility upon open

accounts, other than amounts due from associated companies and from customers for utility services and merchandising, jobbing, and contract work.

B. This account shall be maintained so as to show separately amounts due on subscriptions to capital stock and from officers and employees, but the account shall not include amounts advanced to officers or others as working funds. (See account 135, Working Funds.)

144. Accumulated Provisions for Uncollectible Accounts—Cr.

A. This account shall be credited with amounts provided for losses on accounts receivable which may become uncollectible, and also with collections on accounts previously charged hereto. Concurrent charges shall be made to account 904, 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

Others

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

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

145. Notes Receivable from Associated Companies.

146. Accounts Receivable from Associated Companies.

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

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

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

151. Fuel, Stock.

This account shall include the book cost of fuel on hand.

ITEMS

1. Invoice price of fuel less any cash or other discounts.
2. Freight, switching, demurrage and other transportation charges, not including, however, any charges for unloading from the shipping medium.
3. Excise taxes, purchasing agents' commissions, insurance and other expenses directly assignable to cost of fuel.

152. Fuel Stock Expenses.

A. This account may include the cost of labor and of supplies used and expenses incurred in unloading fuel from the shipping medium and in the handling thereof prior to its use, if such expenses are sufficiently significant in amount to warrant being treated as a part of the cost of fuel inventory rather than being charged direct to expense as incurred.

B. Amounts included herein shall be charged to expense as the fuel is used to the end that the balance herein shall not exceed the expenses attributable to the inventory of fuel on hand.

ITEMS**Labor:**

1. Procuring and handling of fuel.
2. All routine fuel analyses.
3. Unloading from shipping facility and putting in storage.
4. Moving of fuel in storage and transferring from one station to another.
5. Handling from storage or shipping facility to first bunker, hopper, bucket, tank or holder of boiler house structure.
6. Operation of mechanical equipment, such as locomotives, trucks, cars, boats, barges, cranes, etc.

Supplies and Expenses:

7. Tools, lubricants and other supplies.
8. Operating supplies for mechanical equipment.
9. Transportation and other expenses in moving fuel.
10. Stores expenses applicable to fuel.

153. Residuals and Extracted Products.

This account shall include the book cost of residuals or extracted products produced in the manufacture of gas or in natural gas products extraction operations including like products purchased for resale.

154. Plant Materials and Operating Supplies.

A. This account shall include the cost of materials purchased primarily for use in the utility business for construction, operation and maintenance purposes. It shall include also the book cost of materials recovered in connection with construction, maintenance or the retirement of property, such 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 realizable therefrom. The difference between the amounts realized for scrap and nonusable materials sold and the net amount at which the materials were carried in this account, as far as practicable, shall be adjusted to the accounts credited when the materials were charged to this account.

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

ITEMS

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

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

155. Merchandise.

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

156. Other Materials and Supplies.

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

163. Stores Expense.

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

B. This account shall be cleared by adding to the cost of materials and supplies issued a suitable loading charge which will distribute the expense equitably over stores issues. The balance in the account at the close of the year shall not exceed the amount of stores expenses reasonably attributable to the inventory of materials and supplies exclusive of fuel, as any amount applicable to fuel costs should be included in account 152, Fuel Stock Expenses.

ITEMS**Labor:**

1. Inspecting and testing materials and supplies when not assignable to specific items.
2. Unloading from shipping facility and putting in storage.
3. Supervision of purchasing and stores department to extent assignable to materials handled through stores.
4. Getting materials from stock and in readiness to go out.
5. Inventorying stock received or stock on hand by stores employees but not including inventories by general department employees as part of internal or general audits.
6. Purchasing department activities in checking material needs, investigating sources of supply, analyzing prices, preparing and placing orders, and related activities to extent applicable to materials handled through stores. (Optional. Purchasing department expenses may be included in administrative and general expenses.)
7. Maintaining stores equipment.
8. Cleaning and tidying storerooms and stores offices.

9. Keeping stock records, including recording and posting of material receipts and issues and maintaining inventory record of stock.
 10. Collecting and handling scrap materials in stores.
- Supplies and Expenses:
11. Adjustments of inventories of materials and supplies but not including large differences which can readily be assigned to important classes of materials and equitably distributed among the accounts to which such classes of materials have been charged since the previous inventory.
 12. Cash and other discounts not practically assignable to specific materials.
 13. Freight, express, etc., when not assignable to specific items.
 14. Heat, light and power for storerooms and store offices.
 15. Brooms, brushes, sweeping compounds and other supplies used in cleaning and tidying storerooms and stores offices.
 16. Injuries and damages.
 17. Insurance on materials and supplies and on stores equipment.
 18. Losses due to breakage, leakage, evaporation, fire or other causes, less credits for amounts received from insurance, transportation companies or others in compensation of such losses.
 19. Postage, printing, stationery and office supplies.
 20. Rent of storage space and facilities.
 21. Communication service.
 22. Excise and other similar taxes not assignable to specific materials.
 23. Transportation expense on inward movement of stores and on transfer between storerooms but not including charges on materials recovered from retirements which shall be accounted for as part of cost of removal.

NOTE.—A physical inventory of each class of materials and supplies shall be made at least every two years.

164.1 Gas Stored Underground—Current.

This account shall be debited with such amounts as are credited to account 117, Gas Stored Underground—Noncurrent, to reflect classification for balance sheet purposes of such portion of the inventory of gas stored underground as represents a current asset according to conventional rules for classification of current assets.

NOTE.—It shall not be considered conformity to conventional rules of current asset classification if the amount included in this account exceeds an amount equal to the cost of estimated withdrawals of gas from storage for purposes of sale within the 24-month period from date of the balance sheet, or if the amount represents a volume of gas which, in fact, could not be withdrawn from storage without impairing the pressure level of any project for normal operating purposes.

164.2 Liquefied Natural Gas Stored.

A. This account shall include the cost of liquefied natural gas stored in above or below ground facilities.

B. Natural gas purchased in a liquefied form shall be priced at the cost of such gas to the utility. Natural gas liquefied by the utility shall be priced according to generally accepted methods of cost determination consistently applied from year to year. Transmission expenses for facilities of the utility used in moving the gas to the storage facilities shall not be included in the inventory of gas except as may be authorized by the Commission.

C. Amounts debited to this account for natural gas placed in storage shall be credited to account 809, Gas Delivered to Storage—Credit. Amounts credited to this account for gas withdrawn from storage shall be debited to account 808, Gas Withdrawn from Storage—Debit.

D. Withdrawals of gas may be priced according to the first-in first-out, last-in first-out, or weighted average cost method provided the method adopted by the utility is used consistently from year to year and inventory records are maintained in accordance therewith. Commission approval must be obtained for any other pricing method or for any change in the pricing method adopted by the utility. Separate records shall be maintained for each storage project of the Mcf of gas delivered to storage and remaining in storage.

E. Adjustments for inventory losses shall be charged to account 842.3, Gas Losses.

165. Prepayments.

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

171. Interest and Dividends Receivable.

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

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

NOTE B.—Interest and dividends receivable from associated companies shall be included in account 146, Accounts Receivable from Associated Companies.

172. Rents Receivable.

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

NOTE.—Rents receivable from associated companies shall be included in account 146, Accounts Receivable from Associated Companies.

173. Accrued Utility Revenues.

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

174. Miscellaneous Current and Accrued Assets.

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

4. DEFERRED DEBITS**181. Unamortized Debt Discount and Expense.**

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

B. A discount, expense, and premium account shall be maintained for each class and series of long-term debt (including receivers' certificates) issued or assumed by the utility, in which shall be recorded the discount, expense, and premium associated with the issuance and sale of each such class and series of debt. In stating the balance sheet, the total of the debit balances remaining in those accounts having

debit balances shall be reported under this account and the total of credit balances remaining in those accounts having credit balances shall be reported under account 251, Unamortized Premium on Debt. Accounts with debit balances shall not be set off against accounts with credit balances.

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

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

E. When the redemption of one issue or series of bonds or other long-term obligations is financed by another issue or series before the maturity date of the first issue, account 421, Miscellaneous Nonoperating Income or account 426, Miscellaneous Income Deductions, shall be credited or debited, as appropriate, with any unamortized discount, expense, or premium on the first issue and any premium paid or discount earned on the redemption.

If the utility desires to amortize any of the discount, expense, or premium associated with the issuance or redemption of the first issue over a period subsequent to the date of redemption, the permission of the Commission must be obtained; provided, however, that special permission of the Commission shall not be necessary, if the utility proceeds with a plan of disposition of the discount, expense, and redemption premiums associated with the refunded bonds, as follows:

BALANCE SHEET ACCOUNTS

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

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

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

F. Discount, expense, or premium on debt shall not be included as part of the cost of constructing or acquiring any property, tangible or intangible, except under the provisions of account 432, Interest Charged to Construction—Cr.

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 this 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.

183.1 Preliminary Natural Gas Survey and Investigation Charges.

A. This account shall be charged with all expenditures for preliminary surveys, plans, investigations, etc., made for the purpose of determining the feasibility of acquiring land and land rights to provide a future supply of natural gas. If such land or land rights are acquired, this account shall be credited and the appropriate gas plant account (see utility plant instruction 7-G) charged with the amount of the expenditures related to such acquisition. If the project is abandoned, the expenditures related thereto shall be charged to account 798, Other Exploration.

B. The records supporting the entries to this account shall be so kept that the utility can furnish, for each investigation, complete information as to the identification and location of territory investigated, the number or other identification assigned to the land tract or leasehold acquired, and the nature and respective amounts of the charges.

NOTE.—The amount of preliminary survey and investigation charges transferred to gas plant shall not exceed the expenditures which may reasonably be determined to contribute directly and immediately and without duplication to gas plant.

183.2 Other Preliminary Survey and Investigation Charges.

A. This account shall be charged with all expenditures for preliminary surveys, plans, investigations, etc., made for the purpose of determining the feasibility of utility projects under contemplation, other than the acquisition of land and land rights to provide a future supply of natural gas. If construction results, this account shall be credited and the appropriate utility plant account charged. If the work is abandoned, the charge shall be made to account 426, Miscellaneous Income Deductions, or the appropriate operating expense account.

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

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

184. Clearing Accounts.

This caption shall include undistributed balances in clearing accounts at the date of the balance sheet. Balances in clearing accounts shall be

substantially cleared not later than the end of the calendar year unless items held therein relate to a future period.

185. Temporary Facilities.

This account shall include amounts shown by work orders for plant installed for temporary use in utility service for periods of less than one year. Such work orders shall be charged with the cost of temporary facilities and credited with payments received from customers and net salvage realized on removal of the temporary facilities. Any net credit or debit resulting shall be cleared to account 488, Miscellaneous Service Revenues.

186. Miscellaneous Deferred Debits.

A. This account shall include all debits not elsewhere provided for, such as miscellaneous work in progress, and unusual or extraordinary expenses, not included in other accounts, which are in process of amortization and items the proper final disposition of which is uncertain.

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

187. Deferred Losses from Disposition of Property.

This account shall include losses from the sale or other disposition of property previously recorded in accounts, 101-104; in account 105, 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 5F, 7E and 10E.)

5. PROPRIETARY CAPITAL

Common Capital Stock

- 201. Common Stock Issued.
- 202. Common Stock Subscribed.
- 203. Common Stock Liability for Conversion.

Preferred Capital Stock

- 204. Preferred Stock Issued.
- 205. Preferred Stock Subscribed.
- 206. Preferred Stock Liability for Conversion.

201. Common Stock Issued.**204. Preferred Stock Issued.**

A. These accounts shall include the par value or the stated value of stock without par value if such stock has a stated value, and, if not, the cash value of the consideration received for such nonpar stock, of each class of capital stock actually issued, including the par or stated value of such capital stock in account 124, Other Investments and account 217, Reacquired Capital Stock.

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

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

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

NOTE.—When a levy or assessment, except a call for payment on subscriptions, is made against holders of capital stock, the amount collected upon such levy or assessment shall be credited to account 207, Premium on Capital Stock; provided, however, that the credit shall be made to account 213, Discount on Capital Stock, to the extent of any remaining balance of discount on the issue of stock.

202. Common Stock Subscribed.**205. Preferred Stock Subscribed.**

A. These accounts shall include the amount of legally enforceable subscriptions to capital stock of the utility. They shall be credited with the par or stated value of the stock subscribed, exclusive of accrued dividends, if any. Concurrently, a debit shall be made to subscriptions to capital stock, included as a separate subdivision of account 143, Other Accounts Receivable, for the agreed price and any discount or premium shall be debited or credited to the appropriate discount or premium account. When properly executed stock certificates have been issued representing the shares subscribed, this account shall be debited, and the appropriate capital stock account credited, with the par or stated value of such stock.

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

203. Common Stock Liability for Conversion.**206. Preferred Stock Liability for Conversion.**

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

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

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

207. Premium on Capital Stock.

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

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

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

208. Donations Received from Stockholders.

This account shall include the balance of credits for donations received from stockholders consisting of capital stock of the utility, cancellation or reduction of debt of the utility, and the cash value of other assets received as a donation.

209. Reduction in Par or Stated Value of Capital Stock.

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

210. Gain on Resale or Cancellation of Reacquired Capital Stock.

This account shall include the balance of credits arising from the resale or cancellation of reacquired capital stock. (See account 217, Reacquired Capital Stock.)

211. Miscellaneous Paid-In Capital.

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

NOTE.—Amounts included in capital surplus at the effective date of this system of accounts which cannot be classified as to the source thereof shall be included in this account.

212. Installments Received on Capital Stock.

A. This account shall include in a separate subdivision for each class and series of capital stock the amount of installments received on capital stock on a partial or installment payment plan from subscribers who are not bound by legally enforceable subscription contracts.

B. As subscriptions are paid in full and certificates issued, this account shall be charged and the appropriate capital stock account credited with the par or stated value of such stock. Any discount or premium on an original issue shall be included in the appropriate discount or premium account.

213. Discount on Capital Stock.

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

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

C. The utility may amortize the balance in this account by systematic charges to account 425, Miscellaneous Amortization, or it may write off capital stock discount in whole or in part by charges to account 439, Adjustments to Retained Earnings.

214. Capital Stock Expense.

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

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

C. The utility may amortize the balance carried in this account by systematic charges to account 425, Miscellaneous Amortization, or it may write off capital stock expense in whole or in part by charges to account 439, Adjustments to Retained Earnings.

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

215. Appropriated Retained Earnings.

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

216. Unappropriated Retained Earnings.

This account shall include the balance, either debit or credit, of unappropriated retained earnings arising from earnings. It shall not include items includible in any of the accounts for paid-in capital. Further, this account shall not include any amounts representing the undistributed earnings of subsidiary companies.

216.1 Unappropriated Undistributed Subsidiary Earnings.

This account shall include the balances, either debit or credit, of undistributed retained earnings of subsidiary companies since their acquisition. When dividends are received from subsidiary companies relating to amounts included in this account, this account shall be debited and account 216, Unappropriated Retained Earnings, credited.

217. Reacquired Capital Stock.

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

B. When reacquired capital stock is retired or canceled, the difference between its cost, including commissions and expenses paid in connection with the reacquisition, and its par or stated value plus any premium and less any discount and expenses applicable to the shares retired, shall be debited or credited, as appropriate, to account 210, Gain on Resale or Cancellation of Reacquired Capital Stock, provided, however, that debits shall be charged to account 439, Adjustments to Retained Earnings, to the extent that they exceed the balance in account 210.

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

NOTE A.—See account 124, Other Investments, for permissive accounting treatment of stock reacquired under a definite plan for resale.

NOTE B.—The accounting for reacquired stock shall be as prescribed herein unless otherwise specifically required by statute.

6. LONG-TERM DEBT**221. Bonds.**

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

222. Reacquired Bonds.

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

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

223. Advances from Associated Companies.

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

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

224. Other Long-Term Debt.

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

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

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

7. CURRENT AND ACCRUED LIABILITIES

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

231. Notes Payable.

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

232. Accounts Payable.

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

233. Notes Payable to Associated Companies.**234. Accounts Payable to Associated Companies.**

These accounts shall include amounts owing to associated companies on notes, drafts, acceptances, or other similar evidences of indebtedness, and open accounts payable on demand or not more than one year from date of issue or creation.

NOTE.—Exclude from these accounts notes and accounts which are includible in account 223, Advances from Associated Companies.

235. Customer Deposits.

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

236. Taxes Accrued.

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

B. If accruals for taxes are found to be insufficient or excessive, correction therefor shall be made through current tax accruals. However, if such corrections are so large as to seriously distort current expenses, see General Instructions 7.1.

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

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

237. Interest Accrued.

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

238. Dividends Declared.

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

239. Matured Long-Term Debt.

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

240. Matured Interest.

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

241. Tax Collections Payable.

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

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

242. Miscellaneous Current and Accrued Liabilities.

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

8. DEFERRED CREDITS**251. Unamortized Premium on Debt.**

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

252. Customer Advances for Construction.

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

253. Other Deferred Credits.

This account shall include advance billings and receipts and other deferred credit items, not provided for elsewhere, including amounts which cannot be entirely cleared or disposed of until additional information has been received.

256. Deferred Gains From Disposition of Property.

This account shall include gains from the sale or other disposition of property previously recorded in accounts 101-104; in account 105, Property Held for Future Use or account 121, Nonutility Property, where such gains 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 credits to account 411.6, Gains from Disposition of Utility Plant or account 421.1, Gain on Disposition of Property, as appropriate. Amounts recorded in this account shall be net of related income taxes. (See Utility Plant Instruction 5F, 7E and 10E.)

9. OPERATING RESERVES**261. Property Insurance Reserve.**

A. This account shall include amounts reserved by the utility for self-insurance against losses through accident, fire, flood, or other hazards to its own property or property leased from others. The amounts charged to account 924, Property Insurance, or other appropriate accounts to cover such risks shall be credited to this account. A schedule of risks covered by this reserve shall be maintained, giving a description of the property involved, the character of the risks covered and the rates used.

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

262. Injuries and Damages Reserve.

A. This account shall be credited with amounts charged to account 925, Injuries and Damages, or other appropriate accounts, to meet the probable liability, not covered by insurance, for deaths or injuries to employees and others, and for damages to property neither owned nor held under lease by the utility.

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

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

263. Pensions and Benefits Reserve.

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

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

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

NOTE.—If employee pension or benefit plan funds are not included among the assets of the utility but are held by outside trustees, payments into such funds, or accruals therefor, shall not be included in this account.

265. Miscellaneous Operating Reserves.

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

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

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

10. ACCUMULATED DEFERRED INCOME TAXES

A. Authorization to practice deferred tax accounting must first be obtained from the Commission.

B. The utility shall use the accounts provided below for prior accumulations of deferred taxes on income and for additional provisions.

NOTE A.—The text of the accounts below are designed primarily to cover deferrals of federal income taxes pursuant to provisions of the Internal Revenue Code of 1954 but the accounts are also applicable to deferrals of State taxes on income.

NOTE B.—A utility which has more than one utility department and/or non-utility property and which has deferred taxes on income with respect thereto shall classify such deferrals in the accounts provided below so as to allow ready identification of items relating to each utility department and to Other Income and Deductions.

281. Accumulated Deferred Income Taxes - Accelerated Amortization.

A. This account shall be credited and account 410, Provision for Deferred Income Taxes, shall be debited with an amount equal to that by which taxes on income payable for the year are lower because of accelerated (5-year) amortization of (1) certified defense facilities in computing such taxes, as permitted by Section 168 of the Internal Revenue Code of 1954, and (2) certified pollution control facilities in computing such taxes, as permitted by Section 169 of the Internal Revenue Code of 1954, as compared to the depreciation deduction otherwise appropriate and allowable for tax purposes according to the straight line of other nonaccelerated depreciation method and appropriate estimated useful life for such property.

B. This account shall be debited and account 411, Income Taxes Deferred in Prior Years — Credit, shall be credited with an amount equal to that by which taxes on income payable for the year are greater because of the use in prior years of accelerated (5-year) amortization of (1) certified defense facilities and (2) pollution control facilities, instead of nonaccelerated or nonliberalized depreciation otherwise appropriate for income tax purposes, and deferral of taxes in such prior years as described in paragraph A, above. Such debit to this account and credit to account 411 shall, in general, represent the effect on taxes payable for the current year of the unavailability of a depreciation deduction for tax purposes, or a reduced amount, with respect to any depreciable property for which accelerated amortization was used in prior years, as compared to the depreciation deduction otherwise available and appropriate for such property, considering its estimated useful life, according to the depreciation method ordinarily used by the utility for similar property in computing depreciation for tax purposes by a nonaccelerated or nonliberalized depreciation method.

C. Records with respect to entries to this account as described above, and the account balance, shall be so maintained as to show the factors of calculation and the separate amounts applicable to the facilities of each certification or authorization of accelerated amortization for tax purposes.

D. The use of this account and the accounting described above are not mandatory for any utility, which in accordance with a consistent policy elects not to follow deferred tax accounting even though accelerated amortization is used in computing taxes on income. If, however, deferred tax accounting is initiated with respect to any certified defense facility, the accounting shall not be suspended or discontinued on the property covered by that certificate, without approval of the Commission.

E. The utility is restricted in its use of this account to the purposes set forth above. It shall not transfer the balance in this account or any portion thereof to retained earnings or make any use thereof except as provided in the text of this account without prior approval of the Commission. Any remaining balance of accumulated deferred taxes with respect to any certified defense facility for which deferred tax accounting has been followed, shall, upon expiration of the estimated useful life of the facility on which deferred tax calculations were based or upon retirement of such facility or predominant part thereof, be credited to account 411, Income Taxes Deferred in Prior Years-Credit, or otherwise be applied as the Commission may authorize or direct.

F. Upon the sale, exchange, abandonment, premature retirement or taxable transfer of any certified pollution control facility on which there is a related balance herein, this account shall be charged and account 411, Income Taxes Deferred in Prior Years — Credit, shall be credited with the amount of such balance; provided, however, that if the related income tax attributable to the disposition is significantly less than such a related balance, the Commission shall otherwise direct or authorize how the residuals shall be treated. Upon transfers of plant to a wholly owned subsidiary the related balance in this account shall also be transferred. If transfers of plant are made to other than a wholly owned subsidiary and such transfer does not involve a tax transaction, the accounting shall be as authorized or directed by the Commission.

282. Accumulated Deferred Income Taxes—Liberalized Depreciation.

A. This account shall be credited and account 410, Provision for Deferred Income Taxes, shall be debited with an amount equal to that by which taxes on income payable for the year are lower because of the use of liberalized depreciation in computing such taxes, as permitted by Section 167 of the Internal Revenue Code of 1954, as compared to the depreciation deduction otherwise appropriate and allowable for tax purposes for similar property of the same estimated useful life according to the straight line or other nonliberalized method of depreciation.

B. This account shall be debited and account 411, Income Taxes Deferred in Prior Years—Credit, shall be credited with an amount equal to that by which taxes on income payable for the year are greater because of the use in prior years of liberalized depreciation for income tax purposes, and deferral of taxes in such prior years as described in paragraph A above. Such debit to this account and credit to account 411, shall in general, represent the effect on taxes payable for the current year of the smaller amount of depreciation permitted for tax purposes for the current year with respect to any depreciable property for which liberalized depreciation was used in prior years, as compared to the depreciation deduction otherwise appropriate and available for similar property of the same estimated useful life according to the straight line or other nonliberalized depreciation method ordinarily used by the utility in computing depreciation for tax purposes.

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

D. The use of this account and the accounting described above are not mandatory for any utility, which in accordance with a consistent policy, elects not to follow deferred tax accounting even though liberalized depreciation is used in computing taxes on income. If, however, deferred tax accounting is initiated with respect to any property such accounting shall not be discontinued on that property, without approval of the Commission.

E. The utility is restricted in its use of this account to the purposes set forth above. It shall not transfer the balance in the account or any portion thereof to retained earnings or make any use thereof except as provided in the text of this account without prior approval of the Commission. Any remaining deferred tax balance with respect to any years' plant additions or subdivisions thereof for which liberalized depreciation accounting has been followed upon retirement from service of such property or predominant portion thereof, or upon expiration of the estimated useful life on which the depreciation calculations for tax purposes are based, shall be credited to account 411, Income Taxes Deferred in Prior Years—Credit, or otherwise applied as the Commission may authorize or direct.

283. Accumulated Deferred Income Taxes—Other.

A. This account, when its use has been authorized by the Commission for specific types of tax deferrals shall be credited and account 410, Provision for Deferred Income Taxes, shall be debited with an amount equal to that by which taxes on income payable for the year are lower because of the current use of deductions other than accelerated amortization or liberalized depreciation in the computation of income taxes, which deductions for general accounting purposes will not be fully reflected in the utility's determination of annual net income until subsequent years.

B. This account, when its use has been authorized by the Commission, shall be debited and account 411, Income Taxes Deferred in Prior Years—Credit, shall be credited with an amount equal to that by which taxes on income payable for the year are greater because of deferral of taxes on income in previous years, as provided by paragraph A, above, because of difference in timing for tax purposes of particular income deductions from that recognized by the utility for general accounting purposes, other than with respect to accelerated amortization or liberal-

ized depreciation. Such debit to this account and credit to account 411 shall, in general, represent the effect on taxes payable in the current year of the smaller deduction permitted for tax purposes as compared to the amount recognized in the utility's general accounts with respect to the item or class of items for which deferred tax accounting by the utility was authorized by the Commission.

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

D. The utility is restricted in its use of this account to the purposes set forth above. It shall not transfer the balance in the account or any portion thereof to retained earnings or make any use thereof except as provided in the text of this account, without prior approval of the Commission. Any remaining deferred tax account balance with respect to an amount for any prior years tax deferral, the amortization of which or other recognition in the utility's income accounts has been completed, or other dispositions made, shall be credited to account 411, Income Taxes Deferred In Prior Years—Credit, or otherwise disposed of as the Commission may authorize or direct.

NOTE.—In determining appropriate use of this account as a basis of request to the Commission for authorization of its use, consideration shall be given to the relative importance of the amount involved, and to other items in the utility's accounts where "prepaid tax accounting" may be appropriate such as situations (a) where the time of taking a deduction in computing taxes on income is such that the tax deduction must be delayed or applied to a series of future years as opposed to earlier recognition of such item in determination of income in the general accounts of the utility, or (b) where inclusion of an income item is required for tax purposes but is to be recognized in whole or in part in the utility's income accounts of a subsequent year or years.