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§ 181.1 Classification of utilities

(a) For the purpose of applying the system of accounts prescribed herein, utilities are divided into two classes as follows:

Class C: Utilities having annual electric operating revenues of more than \$ 150,000 but not more than \$ 1,000,000. Such utilities shall keep the accounts prescribed herein which are applicable to their operations.

Class D: Utilities having annual electric operating revenues of more than \$ 25,000 but not more than \$ 150,000. Such utilities shall keep all the accounts prescribed herein which are applicable to their operations, except those accounts in which the letter D does not appear in the prefix.

(b) The class to which any utility belongs shall be determined by the average of its annual electric operating revenues for the three years next preceding the effective date of this system of accounts. If the average of its electric operating revenues for the three years ended December 31 of any year following the effective date of this system of accounts is greater than the maximum specified for the class within which the utility has theretofore been included, such utility shall for the succeeding year keep the accounts prescribed for such higher class.

(c) Any utility, which because of its revenues falls within a given class, may, at its option, adopt the system of accounts prescribed for a higher class. Notice of such action shall be promptly filed with the commission.

§ 181.2 Records

(a) Each utility shall so keep its books of account, and all other books, records, and memoranda which support in any way the entries in such books of account, as to be able to furnish readily full information as to any item included in any account. Each entry shall be supported by such detailed information as will permit a ready identification, analysis, and verification of all the facts relevant thereto.

(b) The books and records referred to herein include not only accounting records in a limited technical sense, but all other records such as minute books, stock books, reports, correspondence, memoranda, engineering records, calculations, drawings, etc., which may be useful in developing the history of or facts regarding any transaction.

(c) Except as authorized by this commission, all operating, accounting or financial papers, records, books, invoices, stubs, maps, or documents or any papers or records which support entries to any of the accounts or which are necessary for an analysis shall be retained permanently. All such records shall be accessible, at all times, to the authorized representatives of the commission at a location within the State of New York.

(d) Subdivisions of any account in the system of accounts prescribed herein and clearing, temporary, or experimental accounts may be kept, provided that such subdivisions or additional accounts do not impair the integrity of the prescribed accounts. The titles of all subdivisions or subaccounts shall refer by number and title to the account or accounts of which they are subdivisions.

(e) All charges to the accounts prescribed in this system for electric plant, income, operating revenues and operating expenses shall be just and reasonable and any payments by the utility in excess of just and reasonable charges shall be included in account 1538, Miscellaneous Income Deductions.

(f) The numbers prefixed to account titles are to be considered as part of the titles. Each utility may, however, adopt a different system of account numbers provided that the numbers herein prescribed shall appear in the descriptive headings of the ledger accounts. When the same account number is used in systems of accounts prescribed for different classes of operations conducted by one utility, the initial letters E, G, O, R, S, and W may be prefixed to identify the

account with electric, gas, omnibus, rail line, steam heating, or water, respectively. Accounts for common utility plant and operations shall be designated by the word "Common."

§ 181.3 Accounting period

Each utility in Class C shall keep its books on a monthly basis, so that all transactions applicable thereto, as nearly as may be ascertained, shall be entered monthly in the books of the utility. Each utility in Class D shall keep its books on either a monthly or quarterly basis; when the quarterly basis is used provisions contained herein relative to monthly entries shall be regarded as calling for quarterly entries. A trial balance shall be taken after the monthly or quarterly postings have been made, and each utility shall close its books at the end of each calendar year.

§ 181.4 Submission of questions

To maintain uniformity of accounting, utilities shall submit questions of doubtful interpretation to the commission for consideration and decision. Utilities shall also ask for instructions, if occasion arises, regarding the accounting for such transactions as spreading over a number of months relatively large income or expense items which if included in the accounts for a single month would seriously distort the accounts; the disposition of items which relate to transactions which occurred prior to the current calendar year but which were not recorded in the books of account in the prior year and which are relatively so large that inclusion in the accounts for a single year would seriously distort the accounts; and expenditures for replacement of units of property leased from others. Ordinary delayed items shall be charged or credited to the same accounts which would have been charged or credited if the items had not been delayed.

§ 181.5 Accounting to be on accrual basis

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

(b) Also when payments are made for items such as insurance, rents, taxes, or interest, the amount applicable to future periods shall be charged to account 1132, Prepayments, and spread over the periods to which applicable by credits to account 1132, Prepayments, and charges to the accounts appropriate for the expenditure.

§ 181.6 Interpretation of lists of items

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

§ 181.7 Transactions with associated companies

(a) Each utility shall so keep its accounts and records as to be able to furnish accurately and expeditiously statements of all transactions with associated companies, showing the general nature of the transactions, the amounts involved therein and the amounts included in each account prescribed herein with respect to such transactions.

(b) Dividends, rebates, or earnings from associated companies or mutual service companies representing refunds of the excess charges made by such companies over the cost to them, shall be cleared through account 1901, Charges by Associated Companies--Clearing, and shall be credited so far as practicable to the same accounts to which the corresponding charges were made, including proper distinction between construction and operating expenses. Credits applicable to operating expenses which it is impracticable to allocate among the accounts to which the corresponding charges have been made, shall be to account 1806, Duplicate Charges--Credit.

§ 181.8 Depreciation accounting

(a) Depreciation, as applied to electric plant, means the net loss in service value not restored by current maintenance, incurred in connection with the consumption or prospective retirement of electric plant in the course of service from causes which are known to be in current operation and against which the utility is not protected by insurance. Among the causes to be given consideration are wear and tear, decay, action of the elements, inadequacy, obsolescence, changes in the art, changes in demand, and requirements of public authorities.

(b) Each utility shall record each month (see also general instruction § 181.3, above) the estimated amount of depreciation on electric plant accrued during that month, by crediting the appropriate subdivision of account 1250, Reserve for Depreciation of Utility Plant, and charging the accounts for the depreciation expense as follows: Account in Which Subdivision of Account

| | | | |
|------------------------------|--------------------------|------------------------|---------------------------|
| Electric Plant is | 1250 to be Credited | Account to be Charged | |
| Included 1101 Electric Plant | 1250.1 Reserve for | 1503 Depreciation | |
| in Service | Depreciation of Electric | (See notes hereunder.) | |
| | Plant in Service | | |
| 1102 Electric Plant | 1250.2 Reserve for | 1508.2 Expenses of | |
| Leased to Others | Depreciation of Electric | Electric Plant | |
| | Plant Leased to Others | Leased to Others | |
| 1104 Electric Plant | 1250.4 Reserve for | The question to be | |
| Held for Future Use | Depreciation of Electric | submitted to the | Plant Held for Future Use |
| | | | Commission |
| 1106 Unclassified | 1250.6 Reserve for | 1503 Depreciation | |
| Electric Plant | Depreciation of | (See notes hereunder.) | |
| | Unclassified Electric | | |
| | Plant | | |

Note A: To the extent that any electric property is used in construction, the depreciation thereon shall be charged to account 1103, Construction Work in Progress; if clearing accounts are used, depreciation of plant (except structures) the maintenance and operation of which are charged to clearing accounts, shall be charged to such clearing accounts. Note B: The accounting for depreciation of utility plant in other departments carried in account 1108, Other Utility Plant (§ 190.1), which are subject to regulation by the commission shall be in accordance with the effective system of accounts applicable to such operations.

Note C: Depreciation accruals on Common plant (see note B under Utility Plant) shall be currently distributed on an equitable basis to the departments making use thereof; the reserve applicable to common plant shall be carried by Class C utilities in subdivisions of account 1250, Reserve for Depreciation of Utility Plant, applicable to the plant account wherein the common plant is carried. Note D: See also account 1250, Reserve for Depreciation of Utility Plant and electric plant instruction § 182.2.

§ 181.9 Distribution of pay and expenses of employees

(a) The charges to electric plant, operating expense and other accounts for services and expenses of employees engaged in activities chargeable to various accounts, such as construction and operations (or in more than one type of electric operation, such as production and distribution) shall be based upon the actual time engaged in the respective classes of work, or, in case that method is impracticable, upon the basis of a study of the time actually engaged during a representative period.

(b) The pay and expenses of general officers shall be charged to the actual work on which they are engaged, to the particular operations over which they have direct supervision, or, if their jurisdiction is over the entire electric operation, to the appropriate accounts provided in the Administrative and General group in operating expenses.

(c) Except as otherwise specifically provided in this system of accounts or by order of the commission, no amounts for salaries or wages shall be included in charges to electric plant, cost of removal, or electric operating expenses, except employees' welfare and pension expenses includible in account 1800, Other General Expenses, which are not paid to employees affected subject to their free disposition. Payroll deductions made under a statute or order of a court; or for such purposes as group insurance, purchase of appliances or homes, etc., authorized by written order of the employee without coercion of any kind, may be included.

§ 181.10 Accounting for other departments

This system of accounts is designed for use by electric utilities. If the utility, in addition to its electric operations, operates other departments, such as gas or water, it shall keep such accounts for the other departments as may be prescribed by this commission, and in the absence of prescribed accounts, it shall keep such accounts as are proper or necessary to reflect the results of operating each such other department. It is not intended that proprietary and similar accounts which apply to the utility as a whole shall be departmentalized. (See also general instruction, § 181.2, subd. (f).)

§ 181.11 Allocation of costs between electric plant and operating expenses to be made currently

Each utility shall determine currently the costs which are applicable to the electric plant accounts and in the case of costs involving allocations, the amount which is applicable to other accounts, such as operating expenses, taxes, depreciation reserve (cost of plant removal), other balance sheet accounts, and income or surplus accounts; the intent of this provision being that such costs shall be allocated to the accounts to which they are applicable when they are incurred.

§ 181.12 Employee pensions and benefits

(a) All costs of employee pensions and benefits, whether such costs represent pensions payable currently to retired employees or their beneficiaries, advance provision for future payments, or both, are includible in the charges of each accounting period, provided:

- (1) the pension program under which the costs are determined is reasonable;
- (2) amounts paid are irrevocably dedicated to pension purposes; and

(3) any program of systematic advance provision is based on actuarial studies or other recognized and acceptable systematic method of computation and allocation. Pension payments and accruals are includible in account 1800, Other General Expenses; however, a utility may distribute to construction and retirement projects and to clearing and other accounts an applicable portion of the pension and benefits costs.

(b) No charge shall be made to any account in this system of accounts to reflect the advance provision for employee pension and benefits costs or to augment incomplete provision at a given date for amounts computed in relation to service prior to that date, unless full particulars of the program shall have been filed with the commission together with copies of supporting documents. Filings shall be promptly made also of any material changes in pension or other benefits programs subsequent to the initial presentation to the commission. Acceptance by the commission of such data, as filed, shall not be interpreted as constituting approval of a pension and employee benefits program, or of documents associated therewith, or of any accounting made thereunder by the utility.

(c) The utility shall keep supporting records which will disclose as of the end of each account period:

- (1) the amounts disbursed by the company during the period, direct to pensioners or their beneficiaries;
- (2) the amounts paid into the fund dedicated to future pension payments; and for each of such classes of disbursements, the accumulated total from the beginning of the year;
- (3) the amount accumulated in the pension fund as provision for future pension payments; and

(4) at each year end the amount by which pension commitments under the plan as then in effect, even though subject to future amendment or termination, computed in relation to employee service to that date, (generally the "actuarial liability") exceed the amount in the pension fund.