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§ 463.1 Classification of steam plant at effective date of system of accounts

(a) Not later than December 31, 1938, each utility shall have completed the studies necessary for determining the original cost thereof and classifying its steam plant as of the effective date of this system of accounts in accordance with the accounts prescribed herein (accounts 101 to 105 and subaccounts thereunder) and it shall submit prior to said date to the commission the entries it proposes to make to carry out the provisions of this system of accounts. It shall submit also, a comparative balance sheet showing the accounts and amounts appearing in its books as of the effective date of this system of accounts and the accounts and respective amounts as of the same date after the proposed entries shall have been made.

(b) Pending the classification of steam plant at the effective date of this system of accounts in accordance with the accounts prescribed herein, each utility shall maintain its present accounts with respect to such property as subaccounts of account 106.1, Steam Plant in Process of Reclassification.

(c) Nothing herein stated shall be taken as permitting the recording as part of the original cost of steam plant of amounts charged in previous years to operating expenses, operating taxes or other income or surplus accounts.

§ 463.2 Steam plant to be recorded at original cost

(a) All amounts included in subaccounts of accounts 101 to 104 for steam plant (except as otherwise provided in account 302, Franchises and Consents) shall be the original cost (see § 460.1, subd. (a)(27)) of such steam plant.

(b) When the term cost is used in the detailed steam plant accounts, it shall mean the original cost unless otherwise specified and shall include not only the materials, supplies, labor, services and other items consumed or employed in the construction and installation of steam plant, but also the cost of preliminary studies, plans, surveys, engineering, supervision, and general expenses, which contribute directly and immediately to steam plant without duplication of such costs.

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

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

(e) Steam plant contributed to the utility or constructed by it from contributions to it of cash or its equivalent shall be charged to the steam plant accounts at cost (see § 460.1, subd. (a) (13)) to the utility (i.e., original cost less the portion thereof contributed by or on behalf of customers). Records shall be kept so that the utility can readily furnish information as to the source, purpose, and amount of each contribution, the property to which each contribution relates, and the conditions, if any, upon which each contribution was made.

A: Amounts received for construction which are ultimately to be refunded, wholly or in part, shall be credited to account 241, Customers' Advances for Construction. When the amount to be refunded has been finally determined, the balance, if any, remaining in account 241 shall be debited thereto and credited to the steam plant accounts to which the cost of the property was charged.

B: Amounts in account 265, Contributions in Aid of Construction, as of the effective date of this amendment, which are applicable to and can be identified with property in service or held for future use, shall be transferred to the accounts in which the cost of such property is carried. The balance, if any, remaining in account 265, Contributions in Aid of Con-

struction, shall be transferred to account 250, Reserve for Depreciation of Steam Plant (or account 253.1, Reserve for Depreciation and Amortization of Other Utility Plant, or 253.2, Reserve for Depreciation and Amortization of Common Utility Plant, if appropriate), unless the commission approves or directs other disposition.

#### § 463.3 Steam plant purchased

(a) When steam plant constituting an operating unit or system is acquired by purchase, merger, consolidation, liquidation, or otherwise, after the effective date of this system of accounts, the cost of acquisition, including expenses incidental thereto and properly includible in steam plant, shall be charged to account 106.2, Steam Plant Purchased.

(b) The accounting for the acquisition shall then be completed as follows:

(1) The original cost, estimated if not known, (less any credits for contributions in aid of construction applicable to the property transferred), shall be credited to account 106.2, Steam Plant Purchased, and concurrently charged to account 101, Steam Plant in Service, account 102, Steam Plant Leased to Others, account 103, Construction Work in Progress, and account 104, Steam Plant Held for Future Use, as appropriate, and distributed to the detailed accounts which they control.

(2) The accrued depreciation applicable to the properties purchased shall be charged to account 106.2, Steam Plant Purchased, and concurrently credited to account 250, Reserve for Depreciation of Steam Plant.

(3) The amounts previously carried by the selling company in account 265, Contributions in Aid of Construction, shall be charged to account 106.2, Steam Plant Purchased, and concurrently credited to account 265, Contributions in Aid of Construction.

(4) The amount remaining in account 106.2, Steam Plant Purchased, shall then be closed to account 105, Steam Plant Acquisition Adjustments, unless otherwise ordered by this commission.

(c) In connection with the acquisition of steam plant constituting an operating unit or system, the utility shall procure, if possible, all existing records relating to the property acquired, or certified copies thereof, and shall preserve such records until authorized by the commission to destroy or otherwise dispose of them.

#### § 463.4 Components of construction cost

(a) The cost of construction properly includible in the steam plant accounts shall include, when applicable and when actually incurred, the direct and overhead costs as listed and defined hereunder:

(1) Contract work includes amounts paid for work performed under contract by other companies, firms, or individuals, costs incident to the award of such contracts, and the inspection of such work. It does not include the cost of work performed by the utility on projects when part of the work is performed by the utility itself and part is performed by others under contract.

(2) Labor includes the pay and expenses of employees of the utility engaged on construction work, and also workmen's compensation insurance, pay roll taxes and similar items of expense. It does not include the pay and expenses of employees which are distributed to construction through clearing accounts nor the pay and expenses included in other items hereunder.

(3) Materials and supplies includes the purchase price at the point of free delivery plus customs duties, excise taxes, the cost of inspection, loading and transportation, the related stores expenses and the cost of fabricated materials from the utility's shop. In determining the cost of materials and supplies used for construction, proper credit shall be made for unused materials and supplies, for materials recovered from temporary structures used in performing the work involved, and for discounts allowed and realized in the purchase of materials and supplies. Note: The cost of individual items of equipment of small value (for example, \$ 200 or less) or of short life, including small portable tools and implements, shall not be charged to steam plant accounts unless the correctness of the accounting therefor is verified by current inventories. The costs shall be charged to the appropriate operating expense or clearing accounts, according to the use of such items, or, if such items are consumed directly in construction work, the cost shall be included as part of the cost of the construction.

(4) Transportation includes the cost of transporting employees, materials and supplies, tools, purchased equipment, and other work equipment (when not under own power) to and from points of construction. It includes amounts paid to others as well as the cost of operating the utility's own transportation equipment. (See paragraph (5) of this subdivision.)

(5) Special machine service includes the cost of labor, optional materials and supplies, depreciation, and other expenses incurred in the maintenance, operation and use of special machines, such as steam shovels, pile drivers, derricks, ditchers, scrapers, trenching machines, material unloaders, and other labor-saving machines; also expenditures for rental, maintenance and operation of machines of others. It does not include the cost of small tools and other individual items of small value or short life which are included in the cost of materials and supplies. (See paragraph (3) of this subdivision.) When a particular construction job requires the use for an extended period of time of special machines, transportation or other equipment, the net cost thereof, less the appraised or salvage value at time of release from the job, shall be included in the cost of construction.

(6) Shop service includes the proportion of the expense of the utility's shop department assignable to construction work, except that the cost of fabricated materials from the utility's shop shall be included in "materials and supplies".

(7) Protection includes the cost of protecting the utility's property from fire or other casualties and the cost of preventing damages to others, or to the property of others, including payments for discovery or extinguishment of fires, cost of apprehending and prosecuting incendiaries, witness fees in relation thereto, amounts paid to municipalities and others for fire protection, and other analogous items of expenditures in connection with construction work.

(8) Injuries and damages includes expenditures or losses in connection with construction work on account of injuries to persons and damages to the property of others; also the cost of investigation of and defense against actions for such injuries and damages. Insurance recovered or recoverable on account of compensation paid for injuries incident to construction shall be credited to the account or accounts to which such compensation is charged. Insurance recovered or recoverable on account of property damages incident to construction shall be credited to the account or accounts charged with the cost of damages.

(9) Privileges and permits includes payments for and expenses incurred in securing temporary privileges, permits or rights in connection with construction work, such as for the use of private or public property, streets, or highways, but it does not include rents, or amounts chargeable as franchises and consents for which see account 302, Franchises and Consents.

(10) Rents includes amounts paid for the use of property during the construction period, such as construction quarters and office space occupied by construction forces and amounts properly includible in construction costs for such facilities jointly used.

(11) Engineering and supervision includes the portion of the pay and expenses of engineers, surveyors, draftsmen, inspectors, superintendents, and their assistants applicable to construction work.

(12) General administration includes the portion of the pay and expenses of the general officers and administrative and general expenses applicable to construction work.

(13) Employee pensions and benefits includes the portion of the cost of employee pensions and benefits which is applicable to construction work.

(14) Engineering services includes amounts paid to other companies, firms or individuals engaged by the utility to plan, design, prepare estimates, supervise, inspect, or give general advice and assistance in connection with construction work. A copy of the agreement or arrangement under which such services are rendered shall be preserved.

(15) Insurance includes premiums paid or amounts provided or reserved as self-insurance for the protection against loss and damages in connection with construction, by fire or other casualty, injury to or death of persons other than employees, damages to property of others, defalcation of employees and agents, and the nonperformance of contractual obligations of others. It does not include workers' compensation or similar insurance on employees included as "labor" in subdivision (b) of this section.

(16) Law expenditures includes the general law expenditures incurred in connection with construction and the court and legal cost directly related thereto, other than law expenses included in protection, paragraph (7) of this subdivision, and in injuries and damages, paragraph (8) of this subdivision.

(17) Taxes includes taxes on physical property (including land) during the period of construction and other taxes properly includible in construction costs before the facilities become available for service. The period of construction shall extend from the date of commencement of construction to the time when property is ready for service and shall also include any reasonable and necessary period during which the property is held for future service; but shall not include, except upon order of the commission, any period in excess of one year during which construction is suspended.

(18) Interest during construction includes the net cost of borrowed funds used for construction purposes and a reasonable rate upon the utility's own funds when so used. Interest during construction shall be charged to the individual job upon which the funds are expended and shall be credited to account 536, Interest Charged to Construction--Credit. The period for which interest may be capitalized shall be limited to the period of construction. No interest charges shall be included in these accounts upon expenditures for construction projects which have been abandoned. (See paragraph (17) of this subdivision.) Note: When a part only of a plant or project is placed in operation but the construction work as a whole is incomplete, that part of the cost of the property placed in operation shall be treated as "steam plant in service" and interest thereon as a charge to construction shall cease.

(19) Earnings and expenses during construction. The earnings and expenses during construction shall constitute a component of construction costs.

(i) The earnings shall include revenues received or earned for steam produced by generating stations during the construction period and sold or used by the utility. When such steam is sold to an independent purchaser before intermingling with steam generated by other plants, the credit shall consist of the selling price of the steam. When the steam generated by a plant under construction is delivered to the utility's steam system for distribution and sale, or is delivered to an associated company, or is delivered to and used by the utility for purposes other than distribution and sale (for manufacturing or industrial use, for example), the credit shall be the fair value of the steam so delivered. The revenues shall also include rentals for lands, buildings, etc., and miscellaneous receipts not properly includible in other accounts.

(ii) The expenses shall consist of the cost of operating the steam generating station and other cost incident to the generation and delivery of the steam for which construction is credited under subparagraph (i) of this paragraph, including the cost of repairs and other expenses (but not taxes) of operating and maintaining lands, buildings and other property, and other miscellaneous and like expenses not properly includible in other accounts.

#### § 463.5 Overhead construction costs

(a) All overhead construction costs, such as engineering, supervision, general office salaries and expenses, construction engineering and supervision by others than the accounting utility, law expenses, insurance, injuries and damages, relief and pensions, taxes and interest, shall be charged to particular jobs or units on the basis of the amounts of such overheads reasonably applicable thereto, to the end that each job or unit shall bear its equitable proportion of such costs and that the entire cost of the unit, both direct and overhead, shall be deducted from the steam plant accounts at the time the unit of property is retired.

(b) The instructions contained herein shall not be interpreted as permitting the addition to steam plant accounts of arbitrary percentages or amounts to cover assumed overhead costs, but as requiring the assignment to particular jobs and accounts of reasonable overhead costs to the extent actually incurred, as shown by records currently maintained.

(c) The records supporting the entries for overhead construction costs shall be so kept as to show the total amount of each overhead for each year, the nature and amount of each overhead expenditure charged to each construction work order and to each steam plant account, and the bases of distribution of such costs.

#### § 463.6 Leased property, expenditures on

(a) Except as provided in subdivision (b) of this section, the cost of initial improvements (including repairs, rearrangements, additions and betterments) to property leased from others made in the course of preparing the property for service, and the cost of any subsequent additions or betterments to such leased property shall be charged to the steam plant or other property account appropriate for the class of property leased. (See account 101 and operation and maintenance instruction, section 467.5 of this Article.)

(b) When the initial improvements to leased property which are otherwise chargeable to steam plant or other property accounts are of relatively minor cost or short life, the cost shall be charged to the account in which the rent expense is included. If the period of the lease is not more than five years, the cost may be carried in account 146, Other Deferred Debits, and charged off over the period of the lease to the account in which the rent expense is included. (See also operation and maintenance instruction, section 467.5 (e) of this Article.)

#### § 463.7 Temporary facilities

When property ordinarily having a service life of more than one year is installed for temporary use in steam service, it shall be accounted for in the manner prescribed for steam plant in service.

#### § 463.8 Land and land rights

(a) Land and land rights means land owned in fee by the utility, and rights, interests and privileges held by the utility in land owned by others, such as leaseholds, easements, rights-of-way, and other like interests in land.

(b) The accounts for land and land rights shall include the first cost, including the amounts of mortgages or other liens assumed, but not rents payable periodically with respect to such rights.

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

(d) The net profit from the sale of timber, cord wood, or other property acquired with rights-of-way or other lands shall be credited to the appropriate land and land rights account. When land is held for a considerable period of time and timber on the land at the time of purchase increases in value, the net profit (after giving effect to the cost of the timber) from the sales of timber or its products shall be credited to account 526, miscellaneous nonoperating revenues.

(e) Separate entries shall be made for the acquisition, transfer, or retirement of each parcel of land, and each land right, having a life of more than one year. A record shall be maintained showing the nature of ownership, full legal description, area, map reference, purpose for which used, city, county, and tax district in which situated, from whom purchased or to whom sold, payment given or received, other costs, contract date and number, date of recording of deed, book and page of record. Entries transferring or retiring land or land rights shall refer to the original entry recording its acquisition. A parcel of land acquired and carried on the books as a unit, is not required to be subdivided, with transfers to other land accounts, merely because of the erection thereon of an incidental structure to be used in steam operations but for a purpose differing from that for which the land is chiefly employed; for example, a small general storehouse on production plant land.

(f) Entries to the steam plant accounts for limited-term interests in land shall make specific reference to the lease, contract or arrangement under which each interest is held or used, together with a concise statement of the terms of the lease, contract or arrangement.

(g) The cost of buildings and other improvements (except bulkheads, buried, not requiring maintenance or replacement; retaining walls primarily for preserving the level of land; assessments for public improvements, and sidewalks and curbs constructed by the utility on public streets) shall not be included in the land accounts. If at the time of acquisition of an interest in land such interest extends to buildings or other improvements (other than public improvements), which are then devoted to steam operations, the land and improvements shall be separately appraised and the cost allocated to land and buildings or improvements on the basis of the appraisals. If the improvements are removed or wrecked without being used in steam operations, the cost thereof and the cost of removing or wrecking shall be charged and the salvage credited to the account in which the cost of the land is recorded.

(h) The cost of land acquired in excess of that used in steam operations shall be included in account 108, Other Utility Plant, account 110, Other Physical Property, or account 104, Steam Plant Held for Future Use, as appropriate.

(i) When the purchase of land for steam operations requires the purchase of land not to be used for such purposes, the charge to the specific land account shall be based upon the cost of the land purchased, less the fair market value of that portion of the land which is not to be used for steam operations. The fair market value of such land not to be used for steam operations shall be included in account 110, Other Physical Property.

(j) When the purchase of land for steam operations requires the purchase of land not to be used for such purpose, but held for such purpose, the charge to the specific land account shall be based upon the cost of only that portion which is used for steam operations, and the cost of the remaining land shall be included in account 104, Steam Plant Held for Future Use.

(k) The items of cost to be included in the accounts for land and land rights are as follows (see steam plant instruction § 463.3):

- (1) Bulkheads, buried, not requiring maintenance or replacement.
- (2) Cost of acquisition including mortgages and other liens assumed (but not subsequent interest thereon after the property is placed in service).
- (3) Clearing (first cost) the land of brush, trees and debris; and also tree trimming (first cost) when not chargeable to other steam plant accounts.
- (4) Condemnation proceedings, including court and counsel costs.
- (5) Consents and abutting damages, payment for.
- (6) Conveyancers' and notaries' fees.
- (7) Fees, commissions, and salaries to brokers, agents and others in connection with the acquisition of the land or land rights.
- (8) Grading the land, except when directly occasioned by the building of a structure.
- (9) Leases, cost of voiding upon purchase to secure possession of land.
- (10) Removing, relocating, or reconstructing property of others, such as buildings, highways, railroads, bridges, cemeteries, churches, telephone and power lines, etc., in order to acquire quiet possession.
- (11) Retaining walls when they increase the value of the land or are primarily to preserve the level of the land.
- (12) Special assessments levied by public authorities for public improvements on the basis of benefits for new roads, new bridges, new sewers, new curbing, new pavements, and other public improvements, but not taxes levied to provide for the maintenance of such improvements.
- (13) Surveys in connection with the acquisition.
- (14) Taxes assumed, accrued to date of transfer of title.
- (15) Title, examining, clearing, insuring, and registering in connection with the acquisition, and defending against claims relating to the period prior to the acquisition.

#### § 463.9 Structures and improvements

(a) Structures and improvements means all permanent buildings and structures to house, support or safeguard property or persons, and improvements of a permanent character, other than public improvements, on or to land.

(b) Buildings means permanent structures to house, support or safeguard property or persons, including all fixtures permanently attached to and made a part of buildings and which can not be removed therefrom without cutting into the walls, ceilings or floors, or without in some way impairing the buildings.

(c) Improvements means permanent improvements (other than buildings) to land.

(d) Items of cost (see steam plant instruction §463.3). BUILDINGS

- (1) Architects' plans.
- (2) Ash pits (when located within the building proper).
- (3) Boilers, furnaces, piping, wiring, fixtures, and machinery for heating, lighting, signaling, ventilating and plumbing.
- (4) Bulkheads, including dredging, riprap fill, piling, decking, concrete, fenders, etc., when exposed and subject to maintenance and replacement.
- (5) Chimneys.
- (6) Coal bins and bunkers.
- (7) Commissions and fees to brokers, agents, architects and others.
- (8) Conduit.
- (9) Damages to abutting property during construction.
- (10) Door checks and door stops.
- (11) Drainage and sewerage systems.
- (12) Elevators, cranes, hoists, etc., and the machinery for operating them, when not specifically provided for in other accounts.
- (13) Excavation, including shoring, bracing, bridging, refill, and disposal of excess excavated material.
- (14) Fire protection systems when forming a part of a structure.
- (15) Floor covering (permanently attached).
- (16) Foundations and piers for machinery, constructed as a permanent part of a building or other item listed herein.
- (17) Grading when directly occasioned by the building of a structure.
- (18) Leases, voiding upon purchase, to secure possession of structures.
- (19) Leased property, expenditures on.
- (20) Lighting fixtures and outside lighting systems.
- (21) Painting, at time of construction.
- (22) Partitions, including movable.
- (23) Permits and privileges.
- (24) Platforms, railings and gratings when constructed as a part of a structure.
- (25) Power boards for services to a building.
- (26) Refrigerating systems for general use.
- (27) Retaining walls.
- (28) Scales, connected to and forming a part of a structure.
- (29) Screens.
- (30) Sprinkling Systems.
- (31) Stacks--brick, steel, or concrete, when set on foundation forming part of general foundation or steelwork of a building.
- (32) Storage facilities constituting part of a building.
- (33) Storm doors and windows.
- (34) Subways, areaways, and tunnels, directly connected to and forming

part of a structure.

(35) Tanks constructed as part of a building when not includible in another account.

(36) Tunnels, intake and discharge, when constructed as part of a structure.

(37) Vaults constructed as part of a building.

(38) Water supply system for a building.

(39) Window shades and ventilators.

#### OTHER STRUCTURES AND IMPROVEMENTS

(1) Athletic field structures.

(2) Billboards.

(3) Docks.

(4) Fences and fence curbs (not including protective fences isolating individual items of equipment, which should be charged to the appropriate equipment account).

(5) Gas and oil supply systems, including pipe lines, holders, boosters, etc.

(6) Intra-site communication system poles, pole fixtures, wires and cables.

(7) Landscaping, lawns, shrubbery, etc.

(8) Retaining walls (not associated with a building), except when they increase the value of the land or are primarily to preserve the level of the land.

(9) Roadways, railroads, bridges, and trestles, intra-site, except railroads provided for in equipment accounts.

(10) Sewer systems for general use.

(11) Sidewalks, curbs and streets constructed by the utility, except sidewalks and curbs on public streets, which shall be included in the land account.

(12) Tanks, when constructed as distinct structural units.

(13) Waterfront improvements.

(14) Water supply piping, hydrants and wells.

(15) Yard drainage systems.

(16) Yard lighting systems.

(17) Yard surfacing, gravel, concrete or oil.

Note: The cost of disposing of material excavated in connection with construction shall be considered as a part of the cost of such work, except as follows: (a) when such material is used for filling, the cost of loading, hauling and dumping shall be equitably apportioned between the work in connection with which the removal occurs and the work in connection with which the material is used; (b) when such material is sold, the net amount realized from such sales shall be credited to the work in connection with which the removal occurs. If the amount realized from the sale of excavated materials exceeds the removal costs and the costs in connection with the sale, the excess shall be credited to the land account in which the site is carried.

(e) Items not included in buildings. (1) Do not include in the cost of buildings, lighting, heating, or other fixtures temporarily attached for purposes of display or demonstration.

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

(3) When furnaces and boilers are used primarily for producing steam for distribution to customers and only incidentally for heating a building and operating the equipment therein, the entire cost of such furnaces and boilers shall be charged to the appropriate plant account, and no part to the building account.

#### § 463.10 Equipment

(a) Equipment as used in this system of accounts, means all tangible steam plant, other than land and structures as herein defined.

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

(c) Exclude from equipment accounts hand and other portable tools which are likely to be lost or stolen or which have relatively small value (for example, \$ 200 or less) or short life, unless the correctness of the accounting therefor as steam plant is verified by current inventories. Special tools acquired and included in the purchase price of equipment shall be included in the appropriate plant account. Portable drills and similar tool equipment when used in connection with the operation and maintenance of a particular plant or department, such as production, transmission, distribution, etc., or stores, shall be charged to the plant account appropriate for their use.

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

(e) The equipment accounts shall include all the necessary costs of testing or running a plant or part thereof during an experimental or test period prior to becoming available for service. The accounting utility shall furnish the commission with full particulars of and justification for any test or experimental run extending beyond a period of 30 days.

(f) The cost of efficiency or other tests made subsequent to the date equipment becomes available for service shall be charged to the appropriate operating expense accounts, except that tests to determine whether equipment meets the specifications and requirements as to efficiency, performance, etc., guaranteed by manufacturers, made after operations have commenced and within the period specified in the agreement or contract of purchase, may be charged to the appropriate steam plant account.

#### § 463.11 Additions and retirements of steam plant

(a) For the purpose of avoiding undue refinement in accounting for additions to and retirements and replacements of steam plant, all property shall be considered as consisting of (1) retirement units and (2) minor items of property.

(b) Units of property (i.e., retirement units, see section 460.1 (a)(36) of this Article). Each utility may adopt its own list of retirement units for the purpose of this instruction until such time as the commission shall prescribe a list of units. Not later than six months after the effective date of this system of accounts, each utility shall file with the commission a list of the items of property it proposes to account for as retirement units of property. Revisions of such list may be made at any time by appropriate filing thereof with the commission.

(1) When a retirement unit is added to steam plant, the cost thereof shall be added to the appropriate steam plant account, except that when retirement units are acquired in the acquisition of any steam plant constituting an operating system, they shall be accounted for as provided in steam plant instruction, section 463.3 of this Part.

(2) When a retirement unit is retired from steam plant, with or without replacement, the book cost thereof shall be credited to the steam plant account in which it is included, determined in the manner set forth in subdivision (d) of this section. The book cost of the retirement unit retired and credited to steam plant shall be charged to the depreciation reserve provided for such property. (See also account 144, Retirement Work in Progress, and steam plant instruction, section 463.12 of this Part.)

(c) Minor items of property. (1) When a minor item of property which does not replace a similar item in which is a part of or associated with a retirement unit and will be accounted for and retired together with such unit, and which by itself or together with other similar items makes a substantial addition, is added to the plant, the cost thereof shall be added to the appropriate steam plant account; otherwise the cost of any minor item of property shall be charged to the appropriate maintenance account. The amount added to steam plant accounts for such minor items shall not, however, exceed the additional cost computed at current prices that would have been incurred if the minor items had been installed together with the retirement units to which they are related.

(2) When a minor item of property is retired and not replaced, the book cost thereof shall be credited to the steam plant account in which it is included; the depreciation reserve shall be charged with the book cost and cost of removal and credited with the salvage. If, however, the book cost of a minor item retired and not replaced, the original cost of which is less than \$ 100, has been or will be accounted for by its inclusion in the retirement unit of which it is a part when such unit is retired, no separate credit to the property account is required when such minor item is retired.

(3) When a minor item of property is replaced independently of the retirement unit of which it is a part, the cost of replacement shall be charged to the maintenance account appropriate for the item, except that if the replacement effects a substantial betterment (the primary aim of which is to make the property affected more useful, more efficient, or of greater capacity), the excess cost due to the betterment shall be charged to the appropriate steam plant account. Such excess cost shall not exceed the additional cost computed at current prices that would have been incurred for such betterment if it had been installed together with the retirement unit to which it is related.

(d) Determination of book cost. The book cost of steam plant retired shall be the amount at which such property is included in steam plant accounts 101 to 104 or 106, including all components of construction costs. The book cost shall be determined from the utility's records and if this can not be done, it shall be estimated. When it is impracticable to determine the book cost of each item, due to the relatively large number or small cost thereof, the average book cost of the items, with due allowance for any differences in size, character, and year of installation, shall be used as the book cost of the items retired.

(e) Land retired. The book cost of land retired shall be credited to the appropriate land account. If the land is sold, the difference between the book cost and the sale price of the land (less commissions and other expenses of making the sale) shall be credited or debited to the appropriate depreciation reserve.

(f) Steam plant sold. When steam plant constituting an operating unit or system is sold, conveyed or transferred to another by sale, merger, consolidation or otherwise, the book cost of the property sold or transferred to another shall be credited to the appropriate steam plant accounts, and amounts carried in account 105, Steam Plant Acquisition Adjustments, shall be credited thereto. The amounts (estimated if not known) carried with respect thereto in the depreciation and amortization reserve accounts and in account 241, Customers' Advances for Construction, and account 265, Contributions in Aid of Construction, shall be charged to such reserves and accounts. Unless otherwise ordered by the commission, the difference, if any, between (1) the net amount of debits and credits and (2) the consideration received for the property (less commissions and other expenses of making the sale) shall be included in account 414, Miscellaneous Debits to Surplus, or account 401, Miscellaneous Credits to Surplus, as appropriate. (See account 106.3, Steam Plant Sold.)

(g) The service value of steam plant retired shall be charged in its entirety to account 250, Reserve for Depreciation of Steam Plant. Any amounts which by approval of the commission are charged to account 141, Extraordinary Property Losses, shall be credited to account 250, Reserve for Depreciation of Steam Plant.

(h) The ledgers containing the primary steam plant accounts and subdivisions thereof shall be kept so as to show on their face (1) additions, (2) retirements, and (3) transfers and adjustments. Corrections of errors and adjustments to additions or retirements in the current or preceding year shall be classified as additions or retirements.

(i) The cost of paving disturbed, including replacing pavement, pavement base and sidewalks, shall be included in the steam plant accounts only when incurred in connection with the addition of one or more retirement units of property; and the cost associated with a particular retirement unit (see, however, subd. (d), supra) shall be retired when that retirement unit is retired, irrespective of whether the paving itself has a shorter or longer life. No addition (except charges to land for public improvements) shall be made to any steam plant account for cost of paving installed in public streets which is not directly occasioned by the installation of property constituting one or more retirement units with which the paving cost is associated as an element of cost. Amounts for such cost of pavement which are included in any primary steam plant account or subdivision thereof shall be carried in a separate subdivision of the account so that the balance therein may be determined at any time.

(j) In the case of substantial items of equipment readily identifiable by serial number or other distinguishing mark, such as pumps, motors, meters, vehicles, furniture, etc., which are retired from plant and not sold or scrapped, statistical records shall be maintained to show readily the year of original entry into utility service and the year when permanently retired and the salvage realized at permanent retirement. Such statistical records shall be of such nature that the history of the property may be recast to reflect the total life and final salvage of such items and to eliminate the intermediate retirements and reuses, during the life of the property as well as after final retirement.

#### § 463.12 Work order system required

(a) Each utility shall record all changes in steam plant used wholly or partly in steam operations by means of a work order or job order system. The work order system shall include a work order estimate and a work in progress record, which shall be supported as indicated below.

(b) All installations, additions, retirements, or replacements shall be covered by a work order estimate and a work in progress record. Standing work orders may be used by utilities with steam annual operating revenues in excess of \$ 25,000,000 for projects of less than \$ 10,000 each; by utilities with similar revenues between \$ 5,000,000 and \$ 25,000,000 for projects of less than \$ 5,000 each; and utilities with similar revenues below \$ 5,000,000 for projects of less than \$ 1,000 each; except that projects upon which interest during construction is charged shall not be recorded through standing work orders. These limits may be modified by order of the commission when warranted by particular circumstances.

(c) The work order estimate shall include the following particulars:

(1) A designation number or letter and the signature of the officer or employee who authorized the work or purchase. If authorization is by the board of directors or other body, the proper officer shall so state over his signature.

(2) A description and the location of the work to be done (or the purchase to be made), stating the reasons which necessitated the work, and the dates between which such work (or purchase) is to be accomplished. For each project for which interest during construction is charged, the date when completed and the date when placed in operation shall be shown either in the work order estimate or the work in progress record.

(3) Detailed estimates of the cost of the project, to be supported by maps, plans, diagrams, specifications, etc., applicable.

(4) The account or accounts to which the cost of the project is chargeable and the amount chargeable to each account.

(5) Any variations between estimates and actual costs of the project.

(6) When a project involves changes in existing property, either the work order estimate or the work in progress record shall show the year of installation of the property retired or otherwise affected and shall show or refer to other records which cover the book cost (estimated if not known, and the basis of the estimate to be stated) and the name and page of the accounting and engineering books and records covering such installation and the cost thereof.

(d) The work in progress record shall contain the following particulars:

(1) A designation number or letter which shall correspond to the number or letter on the work order estimate covering the same project. When more than one such work in progress record covers the work on a work order estimate, each shall be numbered or lettered in such manner as to be readily identifiable with the work order estimate for the same project.

(2) The accumulated charges applicable to each particular job or project, the total cost of the completed project, and the cost of removal shall be shown. When any project involves charges to more than one steam plant account, the work in progress record shall be kept so as to show the amount chargeable to each account. Every charge or credit on work in progress records shall refer to the voucher, journal, or other source from which the entry therein was made.

(3) Full details at any time of the amount carried in account 103, construction work in progress, or account 144, Retirement Work in Progress, as applicable. The cost of completed projects shall be promptly transferred from those accounts to the accounts to which chargeable. Upon coming into service, completed portions involving additions to accounts shall be transferred to the appropriate account although other portions of the work covered by the same work order are not yet completed and the work order has not been closed. Credits for such transfers shall be made in separate column.

A: Requirement of the use of the work order system here outlined may be suspended by order of the commission in the case of a utility which satisfies the commission that the system which it has in use for recording changes in steam plant accounts gives the equivalent detail by accounts in substantially the same form. The identification of expenditures with property must be complete and clear, and the detail of the cost of each project or job must be readily available. The total of the uncompleted projects must also be in agreement with account 103, Construction Work in Progress, or account 144, Retirement Work in Progress, as applicable.

B: The work order system is required to record changes in steam plant used wholly or partly in steam operations. Its use is recommended, however, in recording other expenditures, such as for plant in other departments, repairs, etc. When used for repairs, balances applicable thereto shall be cleared monthly to the appropriate accounts.

#### § 463.13 Transfers of property

(a) When steam plant consisting of one or more retirement units is transferred from one account for steam plant to another, from one utility department to another, such as from steam to electric, from one cost area to another, between accounts 101, Steam Plant in Service, 102, Steam Plant Leased to Others, 104, Steam Plant Held for Future Use, or between corresponding accounts for common utility plant, the transfer shall be recorded by transferring the book cost thereof from one account, department, or cost area to the other. In the case of all transfers between accounts 101, 102 and 104, and corresponding accounts for common utility plant and from one utility department to another, and in case of transfers of substantial amounts in any year from one primary account for steam or common plant to another, or from one accounting division to another, any related amounts carried in the depreciation reserves shall, not later than the end of the year, be transferred in accordance with the segregation of such reserves. When property (except customers' meters) in connection with which installation costs have been incurred is physically transferred, it shall be accounted for as provided in steam plant instruction section 463.11.

(b) When property is transferred from the steam plant accounts to account 110, Other Physical Property, the transfer shall be accomplished by crediting the steam plant accounts and charging the depreciation reserve with the book cost of the item transferred; the depreciation reserve shall then be credited, as the estimated salvage, and account 110, Other Physical Property, concurrently charged with the market value of the property transferred. If the property is sold within a relatively short time, a debit or credit shall be made to the depreciation reserve to adjust the estimated salvage to the amount actually realized. Note: Account 110 may be charged with the cost new (instead of the market value) and account 253.3, Reserve for Depreciation and Amortization of Other Property, credited with the difference between such cost and the market value.

#### § 463.14 Common utility plant

(a) If the utility is engaged in more than one utility service, such as steam and electric or gas, and any of its utility plant is used in common for several utility services or for other purposes to such an extent and in such manner that it is impracticable to segregate it by utility services currently in the accounts, or if general equipment is of such a nature that even though it is used exclusively for one class of utility service or is associated with one process or function within a department, it is likely to be used simultaneously by more than one department or is subject to transfer between departments, such property may be designated and classified as "Common Utility Plant". (See accounts 109.1 to 109.6 for common utility plant.)

(b) Utility plant designated as common utility plant shall be classified according to the detailed utility plant accounts appropriate for the property. Provisions in this system of accounts applicable to steam plant accounts shall extend also to the accounts for common utility plant.

(c) The utility shall be prepared to show at any time and to report to the commission annually, or more frequently if required, and by utility plant accounts (301 to 390), the following: (1) the book cost of common utility plant, (2) the allocation of such cost to the respective departments using the common utility plant, and (3) the basis of the allocation.

(d) The expenses of operation, maintenance, depreciation and taxes of common utility plant shall be recorded in the accounts prescribed herein, but designated as common, and the allocation thereof to the departments using the common utility plant shall be supported in the same manner as the allocation of the cost of such property.