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§ 461.1 Classification of utilities

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

Class A. Utilities having annual steam operating revenues of \$ 750,000 or more. Such utilities shall keep all the accounts prescribed herein which are applicable to their operations.

Class B. Utilities having annual steam operating revenues of more than \$ 100,000 but less than \$ 750,000. Such utilities shall keep all the accounts prescribed herein which are applicable to their operations, except those operation and maintenance accounts in which the letter B does not appear in the prefix.

(b) The class to which any utility belongs shall be determined by the average of its annual steam operating revenues for the three years next preceding the effective date of this system of accounts. If at the end of any calendar year following the effective date of this system of accounts the annual steam operating revenues of the utility for the three years ended on that date shall average \$ 750,000, then such utility shall be classified as a class A utility for the next succeeding year.

(c) Any utility may at its option adopt the system of accounts prescribed herein for class A utilities. Notice of such action shall be promptly filed with the commission.

§ 461.2 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 the 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 may be kept, provided that such subdivisions do not impair the integrity of the prescribed accounts. The titles of all such subdivisions or subaccounts shall refer by number or title to the account or accounts of which they are subdivisions.

(e) Clearing accounts, in addition to those prescribed, and temporary or experimental accounts may be kept, provided such additional accounts do not impair the integrity of the prescribed accounts.

(f) Not later than July 1, 1944, each utility shall have filed with the commission a copy of its manual of accounts, or other systematic statement of accounts, showing every account or subaccount kept during the year 1943, and thereafter shall file (either as the changes occur, or for each calendar year at a date not later than the filing of its annual report) a statement of each account, subaccount, and clearing account opened or discontinued and the effective date of each change. For each clearing account opened, the purpose of the account shall be stated.

(g) 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 S, E, G, O, R, and W may be prefixed to identify the account with steam heating, electric, gas, omnibus, rail line, or water, respectively. Common utility plant and operating accounts shall be designated by letter C.

§ 461.3 Accounting period

Each utility shall keep its books on a monthly basis, so that for each month all transactions applicable thereto, as nearly as may be ascertained, shall be entered in the books of the utility. A trial balance shall be taken after the monthly postings have been made, and each utility shall close its books at the end of each calendar year.

§ 461.4 Submission of questions

To maintain uniformity of accounting, utilities shall submit questions of doubtful interpretation to the commission for consideration and decision.

§ 461.5 Interpretation of lists of items

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

§ 461.6 Delayed items

(a) The term delayed items means items relating to transactions which occurred prior to the current calendar year but which were not recorded in the books of account in the prior year.

(b) Delayed items shall be charged or credited to the same accounts which would have been charged or credited had the items not been delayed; provided, that when the amount of a delayed item is relatively so large that its inclusion in the accounts for a single month would seriously distort the accounts it may be distributed in equal amounts to the accounts for the current and remaining months of the calendar year. If the amount of any delayed item is relatively so large that its inclusion in the accounts for a single year would seriously distort the accounts, the utility shall distribute the amount to the appropriate surplus account.

(c) Records shall be maintained so that the utility will be able to list and describe in the annual report for each year each delayed item amounting to \$ 100 or more entered in the Income Account during that year.

§ 461.7 Unaudited items

When, at the end of any year or at such other times as a financial statement may be required by the commission, it is known that a transaction has occurred which affects the accounts, but the amount involved in the transaction and its effect upon the accounts can not be determined with absolute accuracy, then the amount shall be estimated and such estimated amount included in the proper accounts. When the item is audited appropriate adjustments shall be made in the current accounts. The utility is not required to anticipate minor items which would not appreciably affect the accounts.

§ 461.8 Transactions with associated companies

(a) Each utility shall so keep its accounts and records as to be able to furnish readily, accurate statements of all transactions with associated companies. The statements may be required to show the general nature of the transactions, the amounts involved therein and the amounts included in each account prescribed herein with respect to such transactions. Transactions with associated companies shall be recorded in the appropriate accounts for other transactions of the same nature, except as otherwise provided herein.

(b) If a clearing account is not maintained for each associated company in which all gross charges by that company are entered and from which they are distributed, all charges of any nature whatsoever by any associated company shall be credited at the gross amounts involved to a subaccount for that company under account 215, Advances from Associated Companies, or under account 223, Payables to Associated Companies (even though immediately transferred to an account for capital stock, long-term debt, or other liability), as appropriate. In like manner, in the absence of clearing accounts, all gross charges to any associated company shall be debited to a subaccount for that company under account 111, investments in Associated Companies (even though immediately transferred to a special deposit, special fund, or other investment account), or to account 126, Receivables from Associated Companies, as appropriate.

(c) 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 debited to account 126, Receivables from Associated Companies, 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 806, Duplicate Miscellaneous Charges--Credit.

§ 461.9 Depreciation accounting

Each utility shall record each month the estimated amount of depreciation accrued during that month on steam plant and on the portion of common utility plant applicable to steam operations. (See account 503, depreciation, account 250, reserve for depreciation of steam plant, and account 253.2, reserve for depreciation and amortization of common utility plant.)

Note A: Depreciation expense applicable to property included in account 102, steam plant leased to others, shall be charged to account 508.2, expenses of steam plant leased to others.

Note B: Depreciation applicable to transportation, stores, shop, and laboratory equipment, and to tools and work equipment shall be charged to clearing accounts provided herein; all depreciation on structures shall be charged to account 503, depreciation. Note C: The accounting for depreciation of utility plant in other departments which are subject to regulation by the commission shall be in accordance with the effective systems of accounts applicable to such operations.

§ 461.10 Distribution of pay and expenses of employees

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

(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 to the appropriate accounts provided in the administrative and general group in operating expenses.

(c) Salaries of officers or employees and incidental expenses which can be distributed equitably upon a predetermined basis may be distributed through clearing accounts.

(d) 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 steam plant, cost of removal, or steam operating expenses, except account 800, employees' welfare expenses and pensions, which are not paid to the 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.

§ 461.11 Employee pensions and benefits

(a) All costs of employee pensions whether such costs represent pensions payable currently to retired employees or their beneficiaries, advance provisions for such 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;

(3) any program of advance provision is based on actuarial studies of other recognized and acceptable systematic method of computation and allocation. Account 800.2, Pensions, is provided under Administrative and General Expenses for pension payments and accruals; however, a utility may clear from that account and distribute to construction and retirement work orders and to clearing and other accounts an applicable portion of the pension costs, and shall clear any such costs applicable to non-utility activities.

Note: Incidental refunds or credits to the utility of amounts disbursed for pension purposes, if such refunds are made under the provisions of a pension program filed with the commission, shall not be deemed to impair the irrevocable dedication of monies to pension purposes.

(b) Costs of accident and health insurance; hospital and surgical insurance; disability and lump sum separation allowances; life insurance, when the utility is not the beneficiary; and similar employee benefits, together with the cost of operating educational and recreational facilities, are includible in account 800.1, Employees' Welfare Expenses. (See also note A to account 799, injuries and Damages, and paragraph D of account 800.2, Pensions.) Salaries payable and expenses incurred in the administration of the welfare and pension department are includible in account 800.3, Welfare and Pensions Administration.

(c) No charge shall be made to any account in this system of accounts to reflect 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, including a copy of such supporting documents as:

- (1) the resolution of the governing board authorizing the program;
- (2) insurance contract, actuarial formula, or data supporting other method of computation and allocation;
- (3) trust agreement, if any.

Like filings shall be promptly made of any subsequent material changes in the pension plan. 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 the documents associated therewith, or of any accounting made thereunder by the utility.

(d) The utility shall keep supporting records which will disclose as of the end of each accounting 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.

§ 461.12 Territorial subdivisions

(a) Unless otherwise authorized or directed by the commission, each city, borough, village, or town and each production plant shall constitute a cost area and separate records shall be maintained of the book cost of steam plant located therein.

(b) Operating revenues shall be recorded so that the amount for each city, borough, village, or town may be readily determined.

(c) Records shall be currently maintained so that the utility will be prepared to show operating revenue deductions separately for each city, borough, village, or town and for each production plant; provided that, with the approval of the commission, two or more such territories which are contiguous and are operated as a unit, may be combined into an accounting division.

(d) Records shall be kept to show separately the depreciation reserve applicable to property in each accounting division.

§ 461.13 Accounting for other departments

This system of accounts is designed for use by steam utilities. If the utility, in addition to its steam operations, operates other departments, it shall keep such accounts for the other department 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 § 461.2, subd. (g), supra.)

§ 461.14 Spreading of income, revenue, and expense items

(a) Income, revenue, or expense items shall in all cases be entered in the accounts in the month in which they accrue and shall not be equalized by spreading over one or more months by the use of deferred debit, deferred credit, reserve or other accounts, except as otherwise specifically provided in this system of accounts or by order of the commission.

(b) When the amount of any unusual item includible in an income, operating revenue, or operating expense account for a single month is relatively so large that its inclusion in the accounts for that month would seriously distort those accounts, it may be included in account 146, other deferred debits, or account 242, other deferred credits, as appropriate, provided an order of the commission shall have been obtained permitting such procedure and determining the accounts to which it shall be distributed and the period of such distribution.

§ 461.15 Allocation of costs between steam plant and operating expenses to be made currently

Each utility shall determine currently the costs which are applicable to the steam plant accounts and in the case of costs involving allocations, the amount which is applicable to other accounts, such as operating expenses, taxes, retirement work in progress, 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.

§ 461.16 Charges shall be just and reasonable

All charges to the accounts prescribed in this system for steam 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 538, Miscellaneous income Deductions.

§ 461.17 Approval by the commission

Whenever the phrases with the permission of the commission, with the approval of the commission, approved by the commission, authorized by the commission or directed by the commission, are used herein, such permission, approval, authorization or direction must be specific and in writing.