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§ 560.0 Order authorizing uniform system of accounts for classes A and B

(a) The uniform system of accounts for waterworks corporations (classes A and B) is hereby prescribed for every waterworks corporation (as that term is defined in the Public Service Law) which has annual operating revenues from water operations of \$ 700,000 or more, subject to the jurisdiction of this commission, and every such water corporation is hereby required, on and after July 1, 1987, to keep its records and accounts in conformity therewith.

(b) During the 12 months following the date on which said uniform system of accounts becomes effective, any such waterworks corporation may for purposes of comparison, keep on its books, in addition to the accounts hereby prescribed, such portion or portions of its present accounts as may be deemed desirable by any such corporation.

(c) Each waterworks corporation for which this uniform system of accounts is prescribed shall classify, set forth, and carry all assets, liabilities, capital stock, and retained earnings (formerly surplus) existing as of the effective date of this uniform system of accounts, as prescribed in such system of accounts.

(d) As of the date a utility becomes subject to this system of accounts, it shall prepare opening entries in accordance with the following provisions:

(1) The accounts prescribed herein shall be opened by transferring thereto the balances carried in the accounts previously maintained. The company is authorized to make such subdivisions, reclassifications, or consolidations of such balances as are necessary to meet the requirements of this system of accounts.

(2) The company shall prepare and keep as supporting records summary statements showing:

- (i) the closing balances in each account carried on the books prior to the adoption of this system of accounts;
- (ii) the journal entries to effect the transfer of those balances to the accounts prescribed herein, arranging such entries so as to show for each account or subdivision thereof from what account and to what account each amount was transferred;
- (iii) the resultant opening balance of each account under this system of accounts.

(3) The first annual report filed with this commission by a utility covering its operations subsequent to the adoption of this system of accounts shall include copies of the statements referred to in paragraph (2) of this subdivision.

(e) In prescribing this system of accounts, the commission does not commit itself to the approval or acceptance of any item set out in any account for the purpose of fixing rates or in determining other matters before the commission. The prescribed system of accounts is designed to set out the facts in connection with the capitalization, construction, income, expenditures, etc., and therefrom the commission will determine, in connection with such matters as may be under advisement from time to time, just what consideration shall be given to the various items in the several accounts.

(f) The system of accounts prescribed by this Part shall become effective July 1, 1987 and shall be put into effect by each water corporation affected thereby on July 1, 1987.

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§ 560.1 Definitions

(a) When used in this system of accounts:

(1) Accounts means the accounts prescribed in this system of accounts.

(2) Actually issued, as applied to securities issued or assumed by the utility, means those which have been sold to bona fide purchasers for a valuable consideration, those issued as dividends on stock, and those which have been issued in accordance with contractual requirements direct to trustees of sinking funds.

(3) Actually outstanding, as applied to securities issued or assumed by the utility, means those which have been actually issued and are neither retired nor held by or for the utility; provided, however, that securities held by trustees shall be considered as actually outstanding.

(4) Amortization means the gradual extinguishment of an amount in an account by distributing such amount over a fixed period, over the life of the asset or liability to which it applies, or over the period during which it is anticipated the benefit will be realized.

(5)(i) Associated companies means companies or persons that, directly or indirectly, through one or more intermediaries, control, or are controlled by, or are under common control with, the accounting company.

(ii) Control (including the terms controlling, controlled by, and under common control with), means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a company, whether such power is exercised through one or more intermediary companies, or alone, or in conjunction with, or pursuant to an agreement, and whether such power is established through a majority or minority ownership or voting of securities, common directors, officers, or stockholders, voting trusts, holding trusts, associated companies, contract or any other direct or indirect means.

(6) Book cost means the amount at which property is recorded in these accounts without deduction of related provisions for accrued depreciation, amortization, or for other purposes.

(7) Commission or the commission means the Public Service Commission of the State of New York.

(8) Company, corporation, water-works corporation (see definition (20) herein; Public Service Law; also General Provisions, § 560.2 subd. (b), Abstract from law).

(9) Cost means the amount of money actually paid for property or services. When the consideration given is other than cash in a purchase and sale transaction, as distinguished from a transaction involving the issuance of common stock in a merger or a pooling of interest, the value of such consideration shall be determined on a cash basis.

(10) Cost of removal means the cost of demolishing, dismantling, tearing down or otherwise removing water plant, including the cost of transportation and handling incidental thereto.

(11) Debt expense means all expenses in connection with the issuance and initial sale of evidences of debt, such as fees for drafting mortgages and trust deeds; fees and taxes for issuing or recording evidences of debt; cost of engraving and printing bonds and certificates of indebtedness, fees paid trustees; specific costs of obtaining governmental authority; fees for legal services; fees and commissions paid underwriters, brokers, and salesmen for marketing such evidences of debt; fees and expenses of listing on exchanges; and other like costs.

(12) Depreciation, as applied to depreciable water plant, means the loss in service value not restored by current maintenance, incurred in connection with the consumption or prospective retirement of water 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.

(13) Discount as applied to debt securities issued or assumed by the utility, means the excess of the face value of the debt securities plus interest accrued at the date of the sale over the cash value of the consideration received from their sale.

(14) Investment advances means advances, represented by notes or by book accounts only, with respect to which it is mutually agreed or intended between the creditor and debtor that they shall be settled by the issuance of securities or shall not be subject to current settlement.

(15) Minor items of property means the associated parts or items of which retirement units are composed.

(16) Net salvage value means the salvage value of property retired less the cost of removal.

(17) Nominally issued, as applied to securities issued or assumed by the utility, means those which have been signed, certified, or otherwise executed, and placed with the proper officer for sale and delivery, or pledged, or otherwise placed in some special fund of the utility, but which have not been sold, or issued direct to trustees of sinking funds in accordance with contractual requirements.

(18) Nominally outstanding, as applied to securities issued or assumed by the utility, means those which, after being actually issued, have been reacquired by or for the utility under circumstances which require them to be considered as held alive and not retired, provided, however, that securities held by trustees shall be considered as actually outstanding.

(19) Original cost as applied to water plant, means the cost of such property to the person, or to the municipal corporation operating a public utility, first devoting it to public service.

(20) Person means an individual, a corporation, a partnership, an association, a joint stock company, a business trust, or any organized group of persons, whether incorporated or not, or any receiver or trustee.

(21) Premium, as applied to the securities issued or assumed by the utility, means the excess of the cash value of the consideration received from their sale over the sum of their par (stated value of stocks without par value) or face value and interest or dividends accrued at the date of sale.

(22) Property retired, as applied to water plant, means property which has been removed, sold, abandoned, destroyed, or which for any cause has ceased to be used and useful in the water service of the public.

(23) Replacing or replacement, when not otherwise indicated in the context, means the construction or installation of water plant in place of property retired, together with the removal of the property retired.

(24) Research and development means expenditures incurred by the companies either directly or through another person or organization (such as research institute, industry association, foundation, university, engineering company or similar contractor) in pursuing research and development activities including experiment, design, installation, construction or operation. Such research and development costs should be reasonably related to the existing or future utility business. The term includes but is not limited to: all such costs incidental to the design, development or implementation of an experimental facility, a plant process, a product, a formula, an invention, a system or similar items, and the improvement of already existing items of a like nature; and the costs of obtaining its own patent, such as attorney's fees expended in making and perfecting a patent application. The term does not include expenditures for efficiency surveys; studies of management, management techniques and organization; consumer surveys, advertising, promotions, or items of a like nature.

(25) Retained earnings (formerly earned surplus) means the accumulated net income of the utility less distribution to stockholders and transfers to other capital accounts.

(26) Retirement units means those items of water plant which, when retired, with or without replacement, are accounted for by crediting the book cost thereof to the water plant account in which included.

(27) Salvage value means the amount received for property retired, less any expenses incurred in connection with the sale or in preparing the property for sale, or, if retained, the amount at which the material recoverable is chargeable to materials and supplies, or other appropriate account.

(28) Service life means the time between the date water plant is includible in water plant in service, or water plant leased to others, and the date of its retirement. If depreciation is accounted for on a production basis rather than on a time basis, then service life should be measured in terms of the appropriate unit of production.

(29) Service value means the difference between the original cost and the net salvage value of water plant.

(30) Utility or utility company, as used herein and when not otherwise indicated in the context means any waterworks corporation, as defined in the Public Service Law, to which this system of accounts is applicable.

§ 560.2 Abstracts from law

(a) Authority for uniform system of accounts. This uniform system of accounts for waterworks corporations is established and issued by the Public Service Commission under the following provision of the Public Service Law (chapter 48 of the Consolidated Laws):

"Section 89-c, subdivision 3. The commission shall have power, in its discretion, to prescribe uniform methods of keeping accounts, records and books to be observed by waterworks corporations. It may also, in its discretion, prescribe by order forms of accounts, records and memoranda to be kept by such corporations. Notice of alterations by the commission in the required method or form of keeping a system of accounts shall be given to such corporations by the commission at least six months before the same shall take effect. Any other and additional forms of accounts, records and memoranda kept by such corporations shall be subject to examination by the commission."

(b) Definition of waterworks corporation. "Section 2, subdivision 27. The term "waterworks corporation," when used in this Chapter includes every corporation, company, association, joint stock association, partnership and person, their lessees, trustees or receivers, appointed by any court whatsoever, owning, operating or managing any water plant or waterworks, except where water is distributed solely on or through private property solely for the use of the distributor or its tenants and not for sale to others. With respect to waterworks corporations having a property value of \$ 30,000 or less, only the provisions of this Chapter relating to the regulation of water rates shall apply."

"Section 5-b. Corporations formed to acquire property or to transact business which would be subject to the provisions of this Chapter, and corporations possessing franchises for any of the purposes contemplated by this Chapter, shall be deemed to be subject to the provisions of this Chapter although no property may have been acquired, business transacted or franchises exercised."

Note: Whenever the term waterworks corporation is used in this uniform system of accounts it shall be understood to have the inclusive meaning given it by the definitions quoted above. The term waterworks company is used in the same sense as waterworks corporation.