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§ 563.1 Classification of water plant at effective date of system of accounts

(a) The water plant accounts provided herein are generally the same as those contained in the prior system of accounts except for some changes in classification, regrouping, and rearrangement of certain accounts. Except for these changes, the balances in the various plant accounts, as determined under the prior system of accounts, should be carried forward. Any remaining balance of plant which has not yet been classified, pursuant to the requirements of the prior system, shall be classified in accordance with the following instructions.

(b) The cost to the utility of its unclassified plant shall be ascertained by analysis of the utility's records. Adjustments shall not be made to record in utility plant accounts amounts previously charged to operating expenses or to income deductions in accordance with the uniform system of accounts in effect at the time or in accordance with the discretion of management as exercised under a uniform system of accounts, or under accounting practices previously followed.

(c) The detailed water plant accounts (301 to 399, inclusive) shall be stated on the basis of cost to the utility, after giving effect to any amounts of contributions in aid of construction applicable to the property, of plant constructed by it and the original cost, estimated if not known, of plant acquired as an operating unit or system. The difference between the original cost, as above, and the cost to the utility of water plant after giving effect to any accumulated provision for depreciation or amortization, shall be recorded in account 114, Water Plant Acquisition Adjustments. The original cost of water plant shall be determined by analysis of the utility's records or those of predecessor or vendor companies with respect to water plant previously acquired as operating units or systems and the difference between the original cost so determined, less accumulated provisions for depreciation and amortization and the cost to the utility, with necessary adjustments for retirements from date of acquisition, shall be entered in account 114, Water Plant Acquisition Adjustments. Any difference between the cost of water plant and its book cost, when not properly includible in other accounts, shall be recorded in account 116, Other Water Plant Adjustments.

§ 563.2 Water plant to be recorded at original cost

(a) All amounts included in the accounts for water plant acquired as an operating unit or system, except as otherwise provided in the texts of the intangible plant accounts, shall be stated at the cost incurred by the person who first devoted the property to utility service. All other water plant shall be included in the accounts at the cost incurred by the utility. Where the term "cost" is used in the detailed plant accounts, it shall have the meaning stated in this subdivision. (See also § 560.1, definition (19).)

(b) When the consideration given for property is other than cash, the value of such consideration shall be determined on a cash basis. (See, however, § 560.1, definition (9).) 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.

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

(d) Contributions for construction purposes made in cash, services or property by any governmental agency, individuals or others shall be credited to the plant account chargeable with the cost of construction. In the case of water plant contributed to the utility, water plant accounts shall be charged only with such expenses, if any, incurred by the utility for which it was not reimbursed, to obtain title, possession or ownership of said plant. 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.

(e) As of the effective date of this uniform system of accounts, the account "Contributions in Aid of Construction" is discontinued. Amounts for contributions in aid of construction still remaining in such account at the effective date of the uniform system of accounts prescribed herein shall be transferred temporarily to an appropriate subdivision of account 253, Other Deferred Credits. The amounts which can be identified with property in water plant accounts and with property which has been retired shall be charged to account 253 and concurrently credited to the water plant accounts or to the accumulated provisions for depreciation, as appropriate. With respect to the remaining amounts of contributions, which cannot be identified or associated with specific water plant property, the utility shall submit a proposal for an account disposition of such remaining balance to the commission for its consideration and determination. Except as provided herein, such amounts representing contributions in aid of construction shall not be transferred to any other account without the approval of the commission. Note: Amounts received for construction which are ultimately to be refunded, wholly or in part, shall be credited to account 252, Customers' Advances for Construction. When the amount to be refunded has been finally determined, the balance, if any, remaining in account 252 shall be debited thereto and credited to the water plant accounts to which the cost of the property was charged.

§ 563.3 Components of construction cost

(a) The cost of construction property includible in the water plant accounts shall include, where applicable, 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.

(2) Labor includes the pay and expenses of employees of the utility engaged on construction work, and related workmen's compensation insurance, payroll 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 allowance 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 water plant accounts unless the correctness of the accounting therefor is verified by current inventories. The cost 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, 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 book 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 the 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 to persons 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 the 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 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 capitalized includes the portion of the pay and expenses of the general officers and administrative and general expenses applicable to construction work.

(13) 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.

(14) 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, defection 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 paragraph (2) of this subdivision.

(15) Law expenditures includes the general law expenditures incurred in connection with construction and the court and legal costs 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.

(16) 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 for which taxes may be capitalized shall be limited to the period of construction. (See provisions set forth in paragraph (17) of this subdivision, Allowance for funds used during construction, which may be applicable, as appropriate, to this paragraph.)

(17) Allowance for funds used during construction. (i) Allowance for funds used 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. No allowance-for-funds-used-during-construction charges shall be included in these accounts upon expenditures for construction projects which have been abandoned. Allowance for funds used during construction shall be charged to the individual job upon which the funds are expended and shall be credited to account 419.1, Allowance for Funds Used During Construction.

(ii) The period for which an allowance for funds used may be capitalized shall be limited to the period of construction. 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. No allowance for funds used should be accrued during periods of interrupted construction, unless the company can justify the interruption as being reasonable under the circumstances. Note applicable to paragraphs (16) and (17) of this subdivision: When a part only of a plant or project is placed in operation or is completed and ready for service, but the construction work as a whole is incomplete, that part of the cost of property placed in operation, or ready for service, shall be treated as "Water Plant in Service", and allowance for funds used and taxes thereon as charges to construction shall cease. Allowance for funds used and taxes on that part of the cost of the plant which is incomplete may be continued as charges to construction until such time as it is placed in operation or is ready for service, except as limited by provisions of paragraphs (16) and (17) of this subdivision.

(18) Earnings and expenses during construction includes:

(i) all revenues derived during the construction period from property which is included in the cost of a project under construction; and

(ii) all expenses which are attributable to the revenues received.

(a) The earnings shall include revenues received or earned for water produced by plants during the construction period and sold or used by the utility. When such water is sold to an independent purchaser before intermingling with water from other plants, the credit shall consist of the selling price of the water. When the water from a plant under construction is delivered to the utility's water 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 water so delivered. The revenues shall also include rentals for lands, buildings, etc., and miscellaneous receipts not properly includible in other accounts.

(b) The expenses shall consist of the cost of operating the water plant, and other costs incident to the production and delivery of the water for which construction is credited under clause (a) of this subparagraph, 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.

§ 563.4 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 plant accounts at the time the property is retired.

(b) As far as practicable, the determination of payroll charges includible in construction overheads shall be based on time card distributions thereof. Where this procedure is impractical, special studies shall be made periodically of the time of supervisory employees devoted to construction activities to the end that only such overhead costs as have a definite relation to construction shall be capitalized. The addition to direct construction costs of arbitrary percentages or amounts to cover assumed overhead costs is not permitted.

(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 utility plant account, and the basis of distribution of such costs.

§ 563.5 Water plant purchased or sold

(a) When water 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 costs of acquisition, including expenses incidental thereto properly includible in water plant, shall be charged to account 102, Water Plant Purchased or Sold.

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

(1) The original cost of plant, estimated if not known, shall be credited to account 102, Water Plant Purchased or Sold, and concurrently charged to the appropriate water plant in service accounts and to account 104, Water Plant Leased to Others, account 105, Water Plant Held for Future Use, and account 107, Construction Work in Progress--Water, as appropriate.

(2) The depreciation and amortization applicable to the original cost of the properties purchased, shall be charged to account 102, Water Plant Purchased or Sold, and concurrently credited to the appropriate account for accumulated provision for depreciation or amortization.

(3) The cost to the utility of any property includible in account 121, Nonutility Property, shall be transferred thereto.

(4) The remaining amount of contributions in aid of construction, which have not been identified with and credited to specific water plant acquired, shall be disposed of in accordance with provisions of water plant instruction, section 563.2(e) of this Part.

(5) The amount remaining in account 102, Water Plant Purchased or Sold, shall then be closed to account 114, Water Plant Acquisition Adjustments, unless otherwise authorized by the commission.

(c) If property acquired in the purchase of an operating unit or system is in such physical condition when acquired that it is necessary substantially to rehabilitate it in order to bring the property up to the standards of the utility, the cost of such work, except replacements, shall be accounted for as part of the purchase price of the property.

(d) When any property acquired as an operating unit or system includes duplicate or other plant which will be retired by the accounting utility in the reconstruction of the acquired property or its consolidation with previously owned property, the proposed accounting for such property shall be presented to the commission.

(e) In connection with the acquisition of water 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 in conformity with regulations or practices governing the preservation of records of its own construction.

(f) When water 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 utility plant accounts, including amounts carried in account 114, Water Plant Acquisition Adjustments, and the amounts (estimated if not known) carried with respect thereto in the accounts for accumulated provisions for depreciation and amortization and in account 252, Customer Advances for Construction, shall be charged to such accounts and the contra entries made to account 102, Water Plant Purchased or Sold. 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 421.1, Gain on Disposition of Property, or 421.2, Loss on Disposition of Property. (See account 102, Water Plant Purchased or Sold.)

Note: In cases where existing utilities merge or consolidate because of financial or operating reasons or statutory requirements rather than as a means of transferring title or purchased properties to a new owner, the accounts of the constituent utilities, with the approval of the commission, may be combined. In the event original cost has not been determined, the resulting utility shall proceed to determine such cost as outlined herein.

§ 563.6 Expenditures on leased property

(a) The cost of substantial initial improvements (including repairs, rearrangements, additions, and betterments) made in the course of preparing for utility service property leased for a period of more than one year, and the cost of subsequent substantial additions, replacements, or betterments to such property, shall be charged to the water plant account appropriate for the class of property leased. If the service life of the improvements is terminable by action of the lease, the cost, less net salvage, of the improvements shall be spread over the life of the lease by charges to account 404, Amortization of Limited-term Water Plant. However, if the service life is not terminated by action of the lease but by depreciation proper, the cost of the improvements, less net salvage, shall be accounted for as depreciable plant.

(b) If the improvements made to property leased for a period of more than one year are of relatively minor cost, or if the lease is for a period of not more than one year, the cost of the improvements shall be charged to the account in which rent is included, either directly or by amortization thereof.

§ 563.7 Land and land rights

(a) The accounts for land and land rights shall include the cost of 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, water and water power rights, diversion rights, submersion rights, rights-of-way, and other like interests in land. Do not include in the accounts for land and land rights and rights-of-way, costs incurred with first clearing and grading the land and rights-of-way and the damage costs associated with the construction and installation of plant. Such costs shall be included in the appropriate plant accounts directly benefited.

(b) Where 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.

(c) The net profit from the sale of timber, wood, sand, gravel, other resources, or other property acquired with the right-of-way or other lands shall be credited to the appropriate plant account to which related. Where land is held for a considerable period of time and timber and other natural resources on the land at the time of purchase increases in value, the net profit, (after giving effect to the cost of the natural resources) from the sales of timber or its products or other natural resources shall be credited to the appropriate utility operating income account when such land has been recorded in account 105, Water Plant Held for Future Use, or classified as plant in service otherwise to account 421, Miscellaneous Nonoperating Income.

(d) Separate entries shall be made for the acquisition, transfer, or retirement of each parcel of land, and of each water right, land right, (except rights-of-way for distribution lines), 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, and 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 water operations but for a purpose differing from that for which the land is chiefly employed; for example, a small storehouse on source of supply land. Note: In the case of distribution land rights, when the expected period of occupancy does not exceed the estimated life of the initial plant installed, the cost of permits or privileges to place distribution lines or other distribution plant and the related pay and expenses of employees and other costs incident to acquiring such permits, shall be included in the account appropriate for the cost of the property constructed and not in the accounts for distribution land or land rights.

(e) Any difference between the amount received from the sale of land or land rights, less agents' commissions and other costs incident to the sale, and the book cost of such land or rights shall be included in account 117, Accumulated Gains and Losses from Disposition of Utility Land and Land Rights, when such property has been used in utility service or recorded in account 105, Water Plant Held for Future Use, otherwise, such difference shall be included in account 421.1, Gain on Disposition of Property, or 421.2, Loss on Disposition of Property, as appropriate, unless a reserve therefore has been authorized and provided. Appropriate adjustments of the accounts shall be made with respect to any structures or improvements located on land sold.

(f) The cost of buildings and other improvements (other than public improvements) 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 water 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 operations, 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.

(g) When the purchase of land for water operations requires the purchase of more land than needed 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 in utility operations. The portion of the cost measured by the fair market value of the land not to be used shall be included in account 105, Water Plant Held for Future Use, account 118.2, Other Utility Plant, or account 121, Nonutility Property, as appropriate.

(h) Provision shall be made for amortizing amounts carried in the accounts for limited-term interest in land, so as to apportion equitably the cost of each interest over the life thereof. (See account 111, Accumulated Provision for Amortization of Water Plant in Service, and account 404, Amortization of Limited-term Water Plant.)

(i) The items of cost to be included in the accounts for land and land rights are as follows:

- (1) Bulkheads, buried, not requiring maintenance or replacement.
- (2) Cost, first, of acquisition including mortgages and other liens assumed (but not subsequent interest thereon).
- (3) Condemnation proceedings, including court and counsel costs.

- (4) Consents and abutting damages, payment for.
- (5) Conveyancers' and notaries' fees.
- (6) Fees, commissions, and salaries to brokers, agents, and others in connection with the acquisition of the land or land rights.
- (7) Leases, cost of voiding upon purchase to secure possession of land.
- (8) 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.
- (9) Retaining walls unless identified with structures.
- (10) Special assessments levied by public authorities for public improvements on the basis of benefit 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.
- (11) Surveys in connection with the acquisition, but not amounts paid for topographical surveys and maps where such costs are attributable to structures, or plant equipment erected or to be erected or installed on such land.
- (12) Taxes assumed, accrued to date of transfer of title.
- (13) Title, examining, clearing, insuring, and registering in connection with the acquisition and defending against claims relating to the period prior to the acquisition.
- (14) Appraisals prior to closing title.
- (15) Cost of dealing with distributees or legatees residing outside of the State or country, such as recording power of attorney, recording will or exemplification of will, recording satisfaction of State tax.
- (16) Filing satisfaction of mortgage.
- (17) Documentary stamps.
- (18) Photographs of property at acquisition.
- (19) Fees and expenses incurred in the acquisition of water rights, and grants.
- (20) Cost of fill to extend bulkhead line over land under water, where riparian rights are held, which is not occasioned by the erection of a structure.
- (21) Sidewalks and curbs constructed by the utility on public property.
- (22) Labor and expenses in connection with securing rights-of-way, where performed by company employees and company agents.

§ 563.8 Structures and improvements

(a) The accounts for structures and improvements shall include the costs of all buildings and facilities to house, support, or safeguard property or persons, including all fixtures permanently attached to and made a part of buildings and which cannot be removed therefrom without cutting into the walls, ceilings, or floors or without in some way impairing the buildings, and improvements of a permanent character on or to land. Also include those costs incurred in connection with the first clearing and grading of land and rights-of-way and the damage costs associated with construction and installation of plant.

(b) The cost of specially provided foundations not intended 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.

(c) Minor buildings and structures, such as valve towers, patrolmen's towers, telephone stations, etc., which are used directly in connection with or form a part of a reservoir, dam, waterway, etc., shall be considered a part of the facility in connection with which constructed or operated and the cost thereof accounted for accordingly.

(d) Where furnaces and boilers are used primarily for furnishing steam for some particular department and only incidentally for furnishing steam 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.

(e) Where the structure of a dam forms also the foundation of a building, such foundation shall be considered a part of the dam.

(f) The cost of disposing of materials excavated in connection with construction of structures shall be considered as a part of the cost of such work, except as follows:

(1) 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;

(2) 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.

(g) Lighting or other fixtures temporarily attached to buildings for purposes of display or demonstration shall not be included in the cost of the building but in the appropriate equipment account.

(h) The items of cost to be included in the accounts for structures and improvements are as follows:

(1) Architects' plans and specifications including supervision.

(2) Ash pits (when located within the building).

(3) Athletic field structures and improvements.

(4) Boilers, furnaces, piping, wiring, fixtures, and machinery for heating, lighting, signaling, ventilating, and air conditioning systems, plumbing, vacuum, cleaning systems, incinerator and smoke pipe, flues, etc.

(5) Bulkheads, including dredging, riprap fill, piling, decking, concrete, fenders, etc., when exposed and subject to maintenance and replacement.

(6) Chimneys.

(7) Coal bins and bunkers.

(8) Commissions and fees to brokers, agents, architects and others.

(9) Conduit (not to be removed) with its contents.

(10) Damages to abutting property during construction.

(11) Docks.

(12) Door checks and door stops.

(13) Drainage and sewerage systems.

(14) Elevators, cranes, hoists, etc., and the machinery for operating them.

(15) Excavation, including shoring, bracing, bridging, refill, and disposal of excess excavated material, cofferdams around foundation, pumping water from cofferdams during construction, and test borings.

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

(17) Fire protection systems, when forming a part of a structure.

(18) Flagpole.

(19) Floor covering (permanently attached).

(20) Foundations and piers for machinery, constructed as a permanent part of a building or other items listed herein.

(21) Grading and clearing, when directly occasioned by the building of a structure.

- (22) Intrasite communication system, poles, pole fixtures, wires and cables.
- (23) Landscaping, lawns, shrubbery, etc.
- (24) Leases, voiding upon purchase to secure possession of structures.
- (25) Leased property, expenditures on.
- (26) Lighting fixtures and outside lighting system.
- (27) Mail chutes, when part of a building.
- (28) Marquee, permanently attached to building.
- (29) Painting, first cost.
- (30) Permanent paving, concrete, brick, flagstone, asphalt, etc., within the property lines.
- (31) Partitions, including movable.
- (32) Permits and privileges.
- (33) Platforms, railings and gratings, when constructed as a part of a structure.
- (34) Power boards for services to a building.
- (35) Refrigerating systems for general use.
- (36) Retaining walls, except when identified with land.
- (37) Roadways, railroads, bridges and trestles, intrasite, except railroads provided for in equipment accounts.
- (38) Roofs.
- (39) Scales, connected to and forming a part of a structure.
- (40) Screens.
- (41) Sewer systems, for general use.
- (42) Sidewalks, culverts, curbs and streets constructed by the utility on its property.
- (43) Sprinkling systems.
- (44) Sump pumps and pits.
- (45) Stacks--brick, steel or concrete, when set on foundation forming part of general foundation and steelwork of a building.
- (46) Steel inspection during construction.
- (47) Storage facilities constituting a part of a building.
- (48) Storm doors and windows.
- (49) Subways, areaways and tunnels, directly connected to and forming part of a structure.
- (50) Tanks, constructed as part of a building or as a distinct structural unit.
- (51) Temporary heating during construction (net cost).
- (52) Temporary water connection during construction (net cost).
- (53) Temporary shanties and other facilities used during construction (net cost).
- (54) Topographical maps.
- (55) Tunnels, intake and discharge, when constructed as part of a structure, including sluice gates, and those constructed to house mains.
- (56) Vaults constructed as part of a building.

- (57) Watchmen's sheds and clock systems (net cost when used during construction only).
- (58) Water basins or reservoirs.
- (59) Waterfront improvements.
- (60) Water meters and supply system for a building or for general company purposes.
- (61) Water supply piping, hydrants and wells.
- (62) Wharves.
- (63) Window shades and ventilators.
- (64) Yard drainage system.
- (65) Yard lighting system.
- (66) Yard surfacing--gravel, concrete or oil. (First cost only.)

Note: Structures and improvements accounts shall be credited with the cost of coal bunkers, stacks, foundations, subways, tunnels, etc., the use of which has terminated with the removal of the equipment with which they are associated, even though they have not been physically removed.

§ 563.9 Equipment

(a) The cost of equipment chargeable to the water plant accounts, unless otherwise indicated in the text of an equipment account, includes the net purchase 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. Also include those costs incurred in connection with the first clearing and grading of land and rights-of-way and the damage costs associated with construction and installation of plant.

(b) 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 water 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 pumping, transmission, distribution, etc., or in "stores", shall be charged to the plant account appropriate for their use.

(c) 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 walls, ceilings or floors, or without in some way impairing the building, shall be included in the building accounts.

(d) The equipment accounts shall include 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 utility shall furnish the commission with full particulars of and justification for any test or experimental run extending beyond a period of 30 days.

(e) The cost of efficiency or other tests made subsequent to the date equipment becomes available for service shall be charged to the appropriate 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 water plant account.

§ 563.10 Additions and retirements of water plant

(a) For the purpose of avoiding undue refinement in accounting for additions to and retirements and replacements of water plant, all property shall be considered as consisting of:

- (1) retirement units; and
- (2) minor items of property.

Each utility shall use such list of retirement units as is in use by it at the effective date hereof, or as may be prescribed by the commission. Not later than December 31st of the year in which a utility first becomes subject to this system of accounts, it 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.

(b) The addition and retirement of retirement units shall be accounted for as follows:

(1) When a retirement unit is added to the water plant, the cost thereof shall be added to the appropriate water plant account, except that when units are acquired in the acquisition of any water plant constituting an operating system, they shall be accounted for as provided in water plant instruction, section 563.5 of this Part.

(2) When property ceases to be used and useful in water service, it shall be retired immediately from the water plant accounts. When a retirement unit is retired from water plant with or without replacement, the book cost thereof shall be credited to the water plant account in which it is included, determined in the manner set forth in subdivision (d) of this section. If the retirement unit is of a depreciable class, the book cost of the unit retired and credited to water plant shall be charged to the accumulated provision for depreciation applicable to such property. The cost of removal and the salvage shall be charged or credited, as appropriate, to such depreciation account. (See also account 108 and water plant instruction, section 563.11 of this Part.)

(c) The addition and retirement of minor items of property shall be accounted for as follows:

(1) When a minor item of property which does not replace a similar item and 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 water plant account; otherwise the cost of any minor item of property shall be charged to the appropriate maintenance account. The amount added to water 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 water plant account in which it is included; and, in the event the minor item is a part of depreciable plant, the account for accumulated provision for depreciation shall be charged with the book cost and cost of removal and credited with the salvage. If, however, the book cost of the minor item retired and not replaced 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 depreciable 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 durability, or of greater capacity), the excess cost of the replacement over the estimated cost at current prices of replacing without betterment shall be charged to the appropriate water plant account.

(d) The book cost of water plant retired shall be the amount at which such property is included in the water plant accounts, including all components of construction costs. The book cost shall be determined from the utility's records, and if this cannot be done it shall be estimated. When it is impracticable to determine the book cost of each unit, due to the relatively large number or small cost thereof, an appropriate average book cost of the units, with due allowance for any differences in size and character, shall be used as the book cost of the units retired.

(e) 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 (less any accumulated provision for depreciation, or amortization therefor which has been authorized and provided) and the sale price of the land (less commissions and other expenses of making the sale) shall be recorded in account 117, Accumulated Gains and Losses from Disposition of Utility Land and Land Rights, when the property has been used in utility service, or recorded in account 105, Water Plant Held for Future Use; otherwise such difference shall be included in accounts 421.1, Gain on Disposition of Property, or 421.2, Loss on Disposition of Property, as appropriate. If land is not used in utility service but is retained by the utility, such property shall be charged to account

105, Water Plant Held for Future Use, or account 121, Nonutility Property, as appropriate, in accordance with instructions contained in section 563.12, Transfers of Property.

(f) The book cost less net salvage of depreciable water plant retired shall be charged in its entirety to account 108, Accumulated Provision for Depreciation of Water Plant in Service. Any amounts which, by approval or order of the commission, are charged to account 182, Extraordinary Property Losses, shall be credited to account 108, Accumulated Provision for Depreciation of Water Plant in Service.

(g) The accounting for the retirement of amounts, included in account 302, Franchises and Consents, and account 303, Miscellaneous Intangible Plant, and the items of limited-term interest in land included in the accounts for land and land rights, shall be as provided for in the text of account 111, Accumulated Provision for Amortization of Water Plant in Service, account 404, Amortization of Limited-term Water Plant, and account 405, Amortization of Other Water Plant.

(h) The ledgers containing the primary water 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 water 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 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 water 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.

§ 563.11 Work order and property record system required

(a) Each utility shall record all construction and retirements of water plant by means of work orders or job orders. Separate work orders may be opened for additions to and retirements of water plant or the retirements may be included with the construction work order, provided, however, that all items relating to the retirements shall be kept separate from those relating to construction and provided, further, that any maintenance costs involved in the work shall likewise be segregated.

(b) Each utility shall keep its work order system so as to show the nature of each addition to or retirement of water plant, the total cost thereof, the source or sources of costs, and the water plant account or accounts to which charged or credited. Work orders covering jobs of short duration may be cleared monthly.

(c) Each utility shall maintain records in which, for each plant account, the amounts of the annual additions and retirements, subsequent to the effective date of this system of accounts, are classified so as to show the number and cost of the various record units or retirement units.

(d) All installations, additions, retirements, or replacements shall be covered by a work order estimate and a work in progress record, which shall be supported as indicated in subdivisions (e) and (f) herein. Standing work orders may be used 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.

(e) 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 of 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., as 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 cost 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 or 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.

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

(1) A designation number or letter which shall correspond to the number or letter of 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 water 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 107, Construction Work in Progress--Water or account 108.1, 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 columns.

Note 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 water 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 107, Construction Work in Progress--Water, or subaccount 108.1, Retirement Work in Progress, as applicable.

Note B: The work order system is required to record changes in water plant used wholly or partly in water 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.

§ 563.12 Transfers of property

(a) When property is transferred from one water plant account to another, from one utility department to another, such as from water to electric, from one operating division or area to another, to or from accounts 101, Water Plant in Service, 104, Water Plant Leased to Others, and 105, Water Plant Held for Future Use, the transfer shall be recorded by transferring the original cost thereof from the one account, department, or location to the other. Any related amounts carried in the accounts for accumulated provisions for depreciation or amortization shall be transferred in accordance with the segregation of such accounts.

(b) When depreciable property is transferred from the water plant accounts to account 121, Nonutility Property, the transfer shall be accomplished by crediting the water plant accounts and charging the accumulated provision for depreciation with the book cost of the item transferred; the accumulated provision for depreciation shall then be credited, as the estimated salvage, and account 121, Nonutility 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 accumulated provision for depreciation to adjust the estimated salvage to the amount actually realized. If at the time of transfer, the market value is less than the cost new, account 121 may be charged with the cost new (instead of the market value) and account 122, Accumulated Provision for Depreciation and Amortization of Nonutility Property, credited with the difference between such cost and the market value.

(c) When nondepreciable land or land rights are transferred from the water plant accounts to account 121, Nonutility Property, the transfer shall be accomplished by crediting the appropriate plant accounts with the book cost of such

property and charging account 121, Nonutility Property, with the market value of the property transferred; any difference between the book cost and the market value of the property transferred shall be included in account 117, Accumulated Gains and Losses from Disposition of Utility Land and Land Rights. If the property is sold within a relatively short time the related gain or loss previously recorded in account 117, shall be adjusted to the amount actually realized upon sale of such property.

§ 563.13 Common utility plant

(a) If the utility is engaged in more than one utility service, such as water, electric and 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, such property may be designated and classified as "common utility plant".

(b) The book amount of utility plant designated as common plant shall be included in account 118.1, Common Utility Plant, and if applicable in part to water department, shall be segregated and accounted for in subaccounts as water plant is accounted for in accounts 101 to 107, inclusive, and water plant adjustments in accounts 114 and 116; any amounts classifiable as common plant acquisition adjustments or common plant adjustments shall be subject to disposition as provided in paragraph C and B of accounts 114 and 116, respectively, or amounts classified in those accounts. The original cost of common utility plant in service shall be classified according to detailed utility plant accounts appropriate for the property.

(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 399) 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 accumulated provision for depreciation and amortization of the utility shall be segregated so as to show the amount applicable to the property classified as common utility plant.

(e) The expenses of operation, maintenance, rents, depreciation and amortization, and taxes of common utility plant shall be recorded in the accounts prescribed herein, but designated as common expenses, and the allocation of such expenses to the departments using the common utility plant shall be supported in such manner as to reflect readily the basis of allocation used. Provisions in this system of accounts applicable to water plant and operations shall extend also to the accounts for common utility plant and operations.

§ 563.14 Supply, transmission and distribution mains

(a) All mains, pipes, aqueducts, canals or other facilities for carrying water shall be classified according to their primary functional use as follows:

Supply mains

Transmission and distribution mains

Fire mains

(b) Supply main means any main, pipe, aqueduct or canal the primary purpose of which is to convey water from one unit to another unit in the source of supply, water treatment or pumping plant and generally providing no service connections with customers.

(c) Transmission and distribution main means any main the primary purpose of which is to convey water, requiring no further processing except incidental chlorination or pressure boosting, from a unit in the source of supply, water treatment or pumping plant to customers.

(d) Fire main means any main forming part of an integrated system used exclusively for fire protection purposes.

§ 563.15 Multiple use plant

Land, rights-of-way and structures used jointly for several functions, such as supply, and transmission and distribution purposes, shall be classified according to the major use thereof.