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§ 664.1 Computation of depreciation rates

(a) Depreciation percentage rates shall be computed in conformity with a group plan of accounting for depreciation and shall be such that the loss in service value of the property, except for losses excluded under the definition of depreciation, may be distributed under the straight-line method during the service life of the property. These percentage rates shall be based upon the estimated service values and service lives developed by a study of the company's history and experience and such engineering and other information as may be available with respective future conditions. Such percentage rates shall not include any allowance for loss in service value of property expected to be installed in the future. The percentage rates shall, for each primary account comprised of more than one class of property, produce a charge to operating expenses for that account equal to the sum of the amounts that would otherwise be chargeable for each of the various classes of property included in the account.

(b) In the event any composite percentage rate becomes no longer applicable, revised composite percentage rates shall be computed and filed with the Commission in accordance with subdivisions (a) and (d) of this section.

(c) The company shall keep such records of property and property retirements as will allow the determination of the service life of property which has been retired, or facilitate the determination of service life indications by mortality, turnover, or other appropriate methods. Such records will also allow the determination of the percentage of salvage value or net salvage value, as appropriate, for property retired from each class of depreciable plant. (See account 2321 regarding amortization of customer premises wiring.)

(d) Not later than six months following the date when a company becomes subject to this system of accounts, it shall have filed with this commission estimates of the composite annual percentage rates considered applicable to the original cost of each class of depreciable telecommunications plant owned or used by the company. (Note section 664.2 of this Part.) The estimates of the composite annual percentage rates so filed shall be accompanied by a statement subscribed to by an officer or other duly authorized representative of the company, showing the basis therefor and the methods employed in their computation.

§ 664.2 Depreciation charges

(a) A separate annual percentage rate for each depreciation category of telecommunications plant shall be used in computing depreciation charges.

(b) Charges for currently accruing depreciation shall be made monthly to the appropriate depreciation accounts, and corresponding credits shall be made to the appropriate depreciation reserve accounts. Current monthly charges shall normally be computed by the application of one-twelfth of the annual depreciation rate to the monthly average balance of the associated category of plant. The average monthly balance shall be computed using the balance as of the first and last days of the current month.

(c) When acquired depreciable plant carried in account 1439, Deferred Charges, is distributed to the appropriate plant accounts, adjusting entries shall be made covering the depreciation charges applicable to such plant for the period during which it was carried in account 1439.

(d) When the company is responsible under the terms of a lease for depreciation of property, used but not owned, the computation of depreciation charges shall be made on the same basis as for owned depreciable property.

§ 664.3 Classes of depreciable telecommunications plant

(a) The classes of depreciable telecommunications plant and the accounts covering such plant are as follows:

Motor Vehicles (account 2112)  
Aircraft (account 2113)  
Special Purpose Vehicles (account 2114)  
Garage Work Equipment (account 2115)  
Other Work Equipment (account 2116)  
Buildings (account 2121)  
Furniture (account 2122)  
Office Equipment (account 2123)  
General Purpose Computers (account 2124)  
Analog Electronic Switching (account 2211)  
Digital Electronic Switching (account 2212)  
Electro-Mechanical Switching (account 2215)  
Operator Systems (account 2220)  
Radio Systems (account 2231)  
Circuit Equipment (account 2232)  
Station Apparatus (account 2311)  
Customer Premises Wiring (account 2321)  
Large Private Branch Exchanges (account 2341)  
Public Telephone Terminal Equipment (account 2351)  
Other Terminal Equipment (account 2362)  
Poles (account 2411)  
Aerial Cable (account 2421)  
Underground Cable (account 2422)  
Buried Cable (account 2423)  
Submarine Cable (account 2424)  
Deep Sea Cable (account 2425)  
Intrabuilding Network Cable (account 2426)  
Aerial Wire (account 2431)  
Conduit Systems (account 2441)

§ 664.4 Plant retired for nonrecurring factors not recognized in depreciation rates

(a) A retirement will be considered as nonrecurring (extraordinary) only if the following criteria are met:

- (1) The impending retirement was not adequately considered in setting past depreciation rates.
- (2) The charging of the retirement against the reserve will unduly deplete that reserve.
- (3) The retirement is unusual such that similar retirements are not likely to recur in the future.

(b) Upon direction or approval from this commission, the company shall credit account 3100, Accumulated Depreciation, and charge account 1438, Deferred Maintenance and Retirements, with the unprovided-for loss in service value. Such amounts shall be distributed from account 1438 to account 6561, Depreciation Expense--Telecommunications Plant

in Service, or account 6562, Depreciation Expense--Property Held for Future Telecommunications Use, over such period as this commission may direct or approve.

#### § 664.5 Amortization accounting

(a) Amortization shall be computed on the straight-line method, i.e., equal annual amounts shall be applied, or other method as directed by the commission. The cost of each type of asset shall be amortized on the basis of the estimated life of that asset and shall not be written off in the accounting period in which the asset is acquired. A reasonable estimate of the useful life may be based on the upper or lower limits even though a fixed existence is not determinable. However, the period of amortization shall not exceed 40 years.

(b) In the event any estimated useful life becomes no longer applicable, a revised estimated useful life shall be determined in accordance with subdivision (a) of this section.

(c) Amortization charges shall be made monthly to the appropriate amortization expense accounts and corresponding credits shall be made to the appropriate amortization reserve accounts. Monthly charges shall be computed by the application of one-twelfth to the annual amortization amount.

(d) The company shall keep such records as will allow the determination of the useful life of the asset.

#### § 664.6 Depreciation and amortization subsidiary records

(a) Subsidiary record categories shall be maintained for each class of depreciable telecommunications plant in account 3100 for which there is a prescribed depreciation rate. (See also section 664.1(c) of this Part.)

(b) Subsidiary records shall be maintained for accounts 3410, 3420, 3500, and 3600 in accordance with section 664.5(d) of this Part.

#### § 664.7 Accounting for software

The original cost of initial operating system software for computers shall be classified to the same account as the associated hardware whether acquired separately or in conjunction with the associated hardware. (See also account 8310, Software Expense.)