EC/JJG/JP/WT

Decision 85 04 076 APR 17 1985

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Rulemaking on the Commission's own motion to revise the Uniform System of Accounts for Class B, C, and D Water Utilities	)	I.84-12-003

O P I N I O N

On December 5, 1984 the Commission instituted an investigation to be conducted under the Commission's rulemaking procedures as defined in article 3.5 (Rules 14.1 - 14.6) of the Commission's Rules of Practice and Procedure for the purpose of revising the Uniform System of Accounts for Class B, C, and D Water Utilities (water utilities having less than 10,000 service connections). The current Uniform System of Accounts for Class B and C Water Utilities was adopted by the Commission in D.50185 dated June 29, 1954, effective January 1, 1955. The current Uniform System of Accounts for Class D Water Utilities was adopted by the Commission in D.69950, dated November 16, 1965, effective January 1, 1966.

The staff of the Commission's Evaluation and Compliance Division prepared a proposed revised Uniform System of Accounts for Class B, C, and D Water Utilities (water utilities having less than 10,000 service connections). This proposed revision was designed to reflect changes that have occurred since the time the original systems of accounts were adopted by the Commission such as changes in income tax regulations and the institution of the Safe Drinking Water Bond Act, and to reduce record keeping requirements for the utilities.

The Commission entertained written comments on the proposed revision, as permitted by Rule 14.1 of the Commission's Rules of Practice and Procedure. Written comments on the proposed revision were filed with the Commission during the 30-day comment period. All properly filed written comments related to this proceeding were considered by this Commission in its decision.

The adoption of this Uniform System of Accounts for Class B, C and D water utilities shall not be construed as binding this Commission to approve or to accept any item set out in any account for the purpose of fixing rates or of determining other matters which may come before this Commission.

O R D E R

IT IS ORDERED that:

1. The Uniform System of Accounts prescribed by this Commission for Class B, C, and D Water Utilities (water utilities having less than 10,000 service connections) is hereby revised.

2. Water utilities having more that 10,000 service connections shall maintain their accounts as prescribed by the Uniform System of Accounts for Class A Water Utilities.

EC/JJG/JP/DPR*

3. The effective date of the Uniform System of Accounts for Class B, C, and D Water Utilities is January 1, 1985.

This order becomes effective 30 days from today.

Dated APR 17 1985, at San Francisco, California.

DONALD VIAL
President
VICTOR CALVO
PRISCILLA C. GREW
WILLIAM T. BAGLEY
FREDERICK R. DUDA
Commissioners

UNIFORM SYSTEM OF ACCOUNTS

FOR

CLASS B, C, AND D WATER UTILITIES
(Water utilities having less than
10,000 service connections)

Effective January 1, 1985

*

To All Water Utilities:

Proceeding under the authority conferred upon it by the Public Utilities Code, the Public Utilities Commission of the State of California by its Decision 85-04-076 adopted and prescribed, effective January 1, 1985, the uniform system of accounts contained herein.

In adopting and prescribing this system of accounts the Commission does not commit itself to approve or accept any item set out in any account for the purpose of fixing rates or of determining other matters which may come before it. The system is designed to set out the facts in connection with the construction, operation and financing of water utilities and therefrom the Commission will determine, when passing on matters before it, what consideration and weight shall be given to the various items in the several accounts.

PUBLIC UTILITIES COMMISSION

OF THE

STATE OF CALIFORNIA

By Joseph E. Bodovitz
Executive Director

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Class B, C, and D Water Utilities
(Water Utilities having less than
10,000 service connections)

CHART OF ACCOUNTS

Balance Sheet Accounts

No.	Assets
101	Water plant in service
103	Water plant held for future use
104	Water plant purchased or sold
105	Construction work in progress - water plant
108	Accumulated depreciation of water plant
108.1	Accumulated Amortization of SDWBA Loan
114	Water plant acquisition adjustments
121	Non-utility property and other assets
122	Accumulated depreciation of non-water utility property
131	Cash
131.1	Cash on hand
131.2	Cash in bank
132	Special Deposits
141	Accounts receivable - customers
143	Accumulated provision for uncollectible accounts
151	Materials and supplies
174	Other current assets
180	Deferred charges

Equity and Liabilities

201	Common stock
204	Preferred stock
211	Other paid-in capital
215	Retained earnings
218	Proprietary capital
218.1	Proprietary drawings
224	Long-term debt
231	Accounts payable
232	Short-term notes payable
235	Customer deposits
236	Accrued Taxes
237	Accrued Interest
237.1	Interest accrued on long-term debt
237.2	Interest accrued on SDWBA loan
237.3	Interest accrued on other liabilities
241	Other current liabilities
252	Advances for construction
253	Other credits

No.	Equity and Liabilities (Cont'd)
255	Accumulated deferred investment tax - credits
271	Contributions in aid of construction
272	Accumulated amortization of contributions - dr.
282	Accumulated deferred income taxes - ACRS depreciation
283	Accumulated deferred income taxes - other

Plant Accounts

Non-Depreciable

301	Intangible plant
303	Land

Depreciable

304	Structures
307	Wells
317	Other water source plant
311	Pumping equipment
320	Water treatment plant
330	Reservoirs, tanks and standpipes
331	Water mains
333	Services and meter installations
334	Meters
335	Hydrants
339	Other equipment
340	Office furniture and equipment
341	Transportation equipment

Income Accounts

400	Operating revenues
401	Operating expenses
403	Depreciation expense
407	SDWBA loan amortization expense
408	Taxes other than income taxes
408.1	Property taxes
408.2	Payroll taxes
408.3	Other taxes and licenses

Utility Operating Income Before Income Taxes

409	State corporate income tax expense
410	Federal corporate income tax expense

Utility Operating Income

421	Non-utility income
426	Miscellaneous non-utility expense
427	Interest expense

Net Income

Operating Revenue Accounts

460 Unmetered water revenue
- 460.1 Single-family residential
- 460.2 Commercial and multi-residential
- 460.3 Large water users
- 460.5 Safe Drinking Water Bond Surcharge
- 460.9 Other unmetered revenue

462 Fire protection revenue
- 462.1 Public fire protection
- 462.2 Private fire protection

465 Irrigation revenue

470 Metered water revenue
- 470.1 Single-family residential
- 470.2 Commercial and multi-residential
- 470.3 Large water users
- 470.5 Safe Drinking Water Bond Surcharge
- 470.9 Other metered revenue

480 Other water revenue

Operating Expense Accounts

Plant Operation and Maintenance Expenses

A. Volume Related Expenses

610 Purchased Water
615 Power
618 Other Volume Related Expenses

B. Non-Volume Related Expenses

630 Employee Labor
640 Materials
650 Contract Work
660 Transportation Expense
664 Other Plant Maintenance Expenses

Administrative and General Expenses

670 Office Salaries
671 Management Salaries
674 Employee Pensions and Benefits
676 Uncollectible Accounts Expense

Administrative and General Expenses (Cont'd)

678 Office Services and rentals
681 Office Supplies and expenses
682 Professional services
684 Insurance
688 Regulatory Commission expense
689 General expense

800 Expenses Capitalized (Optional)

900 Clearing Accounts (Optional)
900.1 Payroll Clearing (Optional)

DEFINITIONS

When used in this system of accounts-

1. "Commission" means the Public Utilities Commission of the State of California having regulatory jurisdiction over a utility.

2. "Composite depreciation rate" is a percentage based on the weighted average service life of a number of units of plant, each of which may have a different individual life expectancy. Composite depreciation rates may be determined for (a) each depreciable plant account, or (b) a single composite rate may be determined for all depreciable plant of the utility.

3. "Cost" means the actual money cost of property, or the current market value of any consideration other than money exchanged for property.

4. "Cost of removal" means the cost of demolishing, dismantling, removing, tearing down, or otherwise disposing of water plant.

5. "Depreciation" as applied to depreciable water plant means the loss in service value not restored by current maintenance, caused by factors such as wear and tear, decay, action of the elements, inadequacy, obsolescence, changes in the art, changes in demand and requirements of public authorities.

6. "Net salvage value" means the salvage value of the property retired, after deducting the cost of removal.

7. "Original cost" as applied to water plant means the cost of such property to the person or corporation first devoting it to public service.

8. "Plant retired" means plant which has been removed, sold, abandoned, destroyed, or otherwise withdrawn from water service.

9. "Salvage value" means the amount received for property retired, if sold, or if retained for reuse, the amount at which the material recovered is chargeable to account 150, Materials and Supplies, or other appropriate account.

10. "Service life" means the period between the time of installation of water plant and the time of its retirement.

11. "Service value" means the difference between the original cost and the net salvage value of water plant.

12. "Straight-line remaining life method" as applied to depreciation accounting means the plan under which the service value of property is charged to operating expenses (and to clearing accounts if used), and credited to the accumulated depreciation account through equal annual charges during its service life. "Remaining life" implies that estimates of future life and salvage will be re-examined periodically and that depreciation rates will be adjusted to reflect any changes in these estimates.

GENERAL INSTRUCTIONS

1. Classification of water utilities

   A. For the purpose of applying systems of accounts prescribed by the Commission, water utilities are divided into four classes as follows:

      Class A Utilities having more than 10,000 service connections.

      Class B Utilities having between 2,000 service connections and 10,000 service connections.

      Class C Utilities having between 500 service connections and 2,000 service connections.

      Class D Utilities having less than 500 service connections.

   B. The Uniform System of Accounts contained herein was prescribed for Class B, C, and D water utilities, effective January 1, 1985, by California Public Utilities Commission Decision No. _____. A separate Uniform System of Account for Class A Water Utilities, has been prescribed by the California Public Utilities Commission.

2. Accounting Instructions - General

   A. The books of account of all water utilities shall be kept by the double entry method, on an accrual basis. Each utility shall post its accounts monthly and shall close its books at the end of each calendar year.

   B. All books of account, together with records and memoranda supporting the entries therein, shall be kept in such a manner as to support fully the facts pertaining to such entries. The books and records referred to herein include not only the accounting records in a limited technical sense, but also all other records, reports, correspondence, memoranda and information useful in determining the facts regarding a transaction.

   C. Utilities may further subdivide any of the accounts provided that such subdivisions do not impair the integrity of the accounts, or they may maintain such additional accounts as are included in the Uniform System of Accounts for Class A Water Utilities.

3. Accounting Instructions - Water Plant Accounts

A. All water plants shall be recorded at original cost. (See definition (7).)

B. Work orders. It is suggested that utilities use a work order system for recording plant additions and retirements. However, use of a work order system shall be mandatory only for those water utilities having more than 500 service connections. The work orders should contain the date, description and location of each plant addition and retirement, together with an itemized record of materials, labor and other costs, and the plant or other accounts to be charged or credited.

4. Accounting Instructions - Depreciation

A. Depreciation charges shall be computed using the straight-line remaining life method (see definition (12)), and composite depreciation rates (see definition (2)). The rates shall be reviewed periodically and adjusted as required, so that the depreciation accrual will bear a reasonable relationship to the remaining life, the estimated net future salvage, cost of plant in service and to the balance of accumulated depreciation accrued in prior periods.

B. When an item of water plant is retired, account 108, Accumulated Depreciation of Water Plant, shall be charged and the appropriate plant accounts shall be credited with the entire recorded original cost of plant retired regardless of the amount of depreciation which has been accumulated for this particular item of plant, except as provided in paragraph C, following. Account 108, Accumulated Depreciation of Water Plant, also shall be charged with the costs of removal of retired plant, and shall be credited with the salvage value, sales price or other amounts recovered from plant retired. Note that Account 108, rather that Account 108.1, Accumulated Amortization of SDWBA Loan, shall be charged with retirements of SDWBA financed plant.

C. In rare instances the unexpected early retirement of a major unit of property, which would eliminate or seriously deplete the existing depreciation reserve, may require accounting treatment which differs from that described in paragraph B above. In such instances the Commission may authorize or order the loss on retirement (less any tax savings) to be charged to income in the current year or transferred to account 180, Deferred Charges, and amortized in future periods. Such accounting treatment shall be used only when specifically authorized or directed by the Commission.

4. Accounting Instructions - Depreciation (Cont'd)

D. It is suggested that all utilities maintain a separate accumulated depreciation subaccount for each depreciable plant account. This shall be mandatory for water utilities having more than 500 customers.

5. Accounting Instructions - Contributions in Aid of Construction

A. Non-refundable contributions of cash or plant facilities donated to the water utility to assist it in constructing, extending or relocating its water facilities shall be credited to account 271, Contributions in Aid of Construction. (See account 271 for description of items includible in this account.)

B. Balances in this account representing contributions of depreciable plant shall be written off over a period equal to the estimated service life of the property involved by charges to account 272, Accumulated Amortization of Contributions (instead of to account 403, Depreciation Expense), with contra credits to account 108, Accumulated Depreciation of Water Plant.

The balance in this account representing contributions of non-depreciable plant shall remain unchanged until such time as the property is sold or otherwise retired. At the time of retirement of non-depreciable contributed plant, its cost shall be credited to the appropriate plant account and charged to this account.

6. Accounting Instructions - Clearing Accounts

The purpose of a clearing account is to temporarily accumulate in one account costs of a specific type which affect more than a single account, and which subsequently will be apportioned among utility plant accounts, operating expense accounts and other appropriate accounts.

The use of clearing accounts is optional. In addition to the payroll clearing account, a utility may use such additional clearing accounts as it finds useful. The Uniform System of Accounts for Class A Water Utilities provides descriptions and instructions relating to several additional clearing accounts useful in distributing costs and expenses applicable to more than one account.

7. Accounting Instructions - Federal Income Taxes

Interperiod Tax Allocations

The Federal Economic Recovery Tax Act of 1981 (ERTA) provides that a utility claiming accelerated depreciation [Accelerated Cost Recovery System (ACRS)] must use a normalized method of accounting for federal income taxes on its books of account and for ratemaking purposes. A utility must use the same depreciation method and lives in computing federal income tax expense when establishing cost of service for ratemaking purposes as is used in its books of account. Similarly, in order to claim investment tax credits, a utility must defer the entire balance of investment tax credits on its books of account, and amortize the balance over the book life of the related property.

Accounting

A. The utility will initially charge account 410, Federal Corporate Income Tax Expense, and credit account 236, Taxes Accrued, to record its estimated federal income tax expense based on tax basis straight-line method depreciation. A utility may, at its opinion, subdivide account 410 to identify the deferred components of income tax expense, e.g., account 401.1 - Deferred Federal - Corporate Income Tax Expense - Accelerated Cost Recovey System; and account 410.2 - Deferred Federal Corporate Income Tax Expense - Investment Tax Credit."

B. To record the tax deferral resulting from the use of normalized tax accounting, the utility will charge account 236, Taxes Accrued, and credit account 282, Accumulated Deferred Income Taxes, with the difference between the federal income tax expense based on tax-basis straight-line method depreciation and the tax liability resulting from use of accelerated (ACRS) depreciation. When the tax expense based on the tax basis straight-line method depreciation exceeds the tax liability resulting from the use of accelerated (ACRS) depreciation the utility will charge account 282, accumulated Deferred Income Taxes with contra credits to account 236, Taxes Accrued.

C. In order to properly account for deferred taxes, it will be necessary for the utility to maintain plant and depreciation records so that plant items can be identified by year of installation and service life.

D. The Federal Economic Recovery Tax Act of 1981 (ERTA) also requires the deferral of investment tax credits (ITC). Companies are divided into "Option 1 companies," i.e., generally, companies that did not defer investment tax credits prior to enactment of ERTA, and "Option 2 companies," i.e., those companies that had elected to defer all or a portion of ITC prior to enactment of ERTA.

E. Water utilities will charge account 236, Taxes Accrued, and credit account 255, Accumulated Deferred Investment Tax - Cr., with the amount of investment tax credits used to reduce income taxes for the current year.

F. Companies that were not deferring any portion of their investment tax credits prior to enactment of ERTA (i.e., Option 1 companies), will amortize the deferred balance of ITC by equal annual charges to account 255, Accumulated Deferred Investment Tax Credits, with contra credits to account 426, Miscellaneous Non-utility Expense, over the life of the related property.

G. Companies that did defer all or a portion of their investment tax credits prior to enactment of ERTA (i.e., Option 2 companies) will amortize the deferred balance of ITC by equal annual charges to account 255, Accumulated Deferred Investment Tax Credits, with contra credits to account 410, Federal Corporate Income Tax Expense, over the life of the related property.

Ratemaking

The instructions for a uniform system of accounts normally do not contain references to the ratemaking treatment to be accorded to items. However, because of the uncertainty that exists among some smaller water utilities as to the ratemaking treatment for Deferred Income Taxes and Deferred Investment Tax Credits, the following brief explanation has been included for information purposes.

I. Deferred Income Taxes

For ratemaking purposes, the balance in account 282, Accumulated Deferred Income Taxes, will be deducted from ratebase by both Option 1 and Option 2 companies.

II. Deferred Investment Tax Credits

A. For ratemaking purposes, Option 1 companies will reduce rate base by the unamortized deferred ITC in account 255. Option 1 companies will not reduce cost of service to reflect the annual amortization of deferred investment tax credits.

B. For ratemaking purposes, Option 2 companies will reduce cost of service to reflect the annual amortization of deferred investment tax credits by a credit to account 410, Federal Corporate Income Tax Expense. Option 2 companies will not reduce rate base by the balance of unamortized deferred ITC in account 255.

C. An example, showing how income taxes and investment tax credits are recorded in the books of account, is presented in Appendix A.

8. Accounting Instructions - Safe Drinking Water Bond Act Loans

Special accounting procedures are provided for those utilities that have been granted low interest rate Safe Drinking Water Bond Act (SDWBA) loans through the State Department of Water Resources (DWR).

A. Progress payments received from DWR will be deposited in a separate bank account and will be entered in account 131.2, Cash in Bank. Disbursements will be made only for materials and services used on DWR approved construction projects.

B. The liability for the SDWBA loan will be recorded in a separate sub-account of Account 224, Long-Term Debt.

C. SDWBA loans will be repaid through surcharges on customer water bills. Surcharges will be separately shown on customer bills and credited to Account 470.5, Safe Drinking Water Bond Surcharge - Metered Revenue or Account 460.5, Safe Drinking Water Bond Surcharge - Unmetered Revenue.

D. SDWBA surcharge revenue collections will be deposited monthly with the designated fiscal agent. The funds on deposit with the fiscal agent will be reported in Account 132 Special Deposits.

E. Safe Drinking Water Bond Act financed plant will not be depreciated on the books of account through charges to Account 403, Depreciation Expense. Instead, the principal amount of the loan will be amortized through charges to Account 407, SDWBA Loan Amortization Expense, with contra credits to Account 108.1, Accumulated Amortization of SDWBA Loan, over the life of the SDWBA loan. These amortization charges will not be included in cost of service for ratemaking purposes. The intent of these entries is to have an accumulated depreciation balance equal to the amount of plant financed through the loan, when the SDWBA loan is fully paid.

F. An example, showing how safe drinking water bond act transactions are recorded in the books of account is presented in Appendix B.

9. Accounting Instructions - Water Utility Users Fee

Public Utilities Code Sections 401 through 415 provide that the Commission shall annually set a fee to be paid by water utilities to cover the costs incurred by the Commission in regulating them. A percentage of gross revenues is added to customer bills and paid by the water companies to the Commission.

Class A water utilities pay a percentage of gross revenues quarterly; Class B, C, and D water utilities pay a designated amount, based on gross revenues, on January 15 of the following year. Sales of water for resale and Interdepartment water sales should be excluded from gross revenues when computing the Water Utility Users fee.

Water utilities will credit regular operating revenue accounts with amounts billed to customers and charge account 688, Regulatory Commission Expense, with fees paid to the Commission.

BALANCE SHEET ACCOUNTS

Asset Accounts

101. Water Plant in Service

A. This account shall include the original cost of all water plant owned and used by the utility in providing water service.

B. This account is the control account for plant accounts 301 through 379.

103. Water Plant Held for Future Use

A. This account shall include the cost of property owned and held for future use in utility service under a definite plan for such use.

B. The property included in this account shall be classified according to the detailed accounts (301 to 379) for utility plant in service and the account shall be maintained in such manner and in such detail as though the property were in service.

Note:

Materials and supplies, and meters held in reserve shall not be included in this account.

104. Water Plant Purchased or Sold

A. This account shall be temporarily charged with the cost and expenses incidental to acquisition of water systems acquired as operating units or systems. The account shall be temporarily credited with the selling price of water systems transferred to others.

B. Within six months from date of acquisition or sale of a water system the utility shall file with the Commission for approval proposed journal entries to clear this account.

Note:

A. In clearing this account the original cost of acquired plant shall be charged to plant accounts, and accumulated depreciation shall be credited to account 108, Accumulated Depreciation of Water Plant. Any balance (representing the difference between the

104. Water Plant Purchased or Sold (Cont'd)

net original cost of the assets acquired and the cost to the acquiring utility) shall be charged or credited to account 114, Water Plant Acquisition Adjustments.

B. When an existing water system or operating unit is acquired the utility shall be obligated to obtain from the vendor all existing records, including records of plant construction dates and costs, and records of accumulated depreciation applicable to such properties.

105. Construction Work in Progress - Water Plant

This account shall include the cost of water plant in process of construction, but not yet ready for service.

108. Accumulated Depreciation of Water Plant

A. This account shall reflect the depreciation and amortization accumulated on plant used in water utility service.

B. This account shall be credited with:

1. Amounts concurrently charged to account 403, Depreciation Expense, representing currently accruing depreciation of water plant (other than contributed water plant).

2. Amounts concurrently charged to account 272, Accumulated Amortization of Contributions, representing amortization of contributed water plant.

3. Salvage value, sales price, insurance settlements and other amounts recovered from plant retired.

4. Amounts representing the balance of accumulated depreciation and amortization of water plant acquired from others.

108. Accumulated Depreciation of Water Plant (Cont'd)

C. A separate subaccount, Account 108.1, Accumulated Amortization of SDWBA Loan, shall be maintained for utilities with Safe Drinking Water Bond Act loans.

Note:

Also see account 104, Water Plant Purchased or Sold.

D. This account shall be charged with:

1. Original cost of depreciable water plant retired.

2. Cost of removal of plant retired.

E. The utility should maintain separate subaccounts corresponding with the depreciable plant accounts, in which the accumulated depreciation total is segregated. Such a segregation of accumulated depreciation is mandatory for utilities having more than 500 customers.

F. The utility is restricted in the use of this account to the purposes set forth above. It shall not transfer any portion to retained earnings or to other accounts without prior written authorization from this Commission.

Note: See Section 4, pages 11 and 12, Accounting instructions - Depreciation, for information on depreciation accruals and plant retirement procedures.

114. Water Plant Acquisition Adjustments

A. This account shall include the difference between (1) the cost to the utility of water plant acquired as an operating unit or system by purchase, merger, or otherwise, and (2) the net of amounts distributed to the plant accounts, the accumulated depreciation account and other appropriate accounts.

B. No transfers shall be made from this account unless prior written authorization has been obtained from the Commission. If authorization is obtained to amortize the balance in this account, the contra charge shall be to Account 426, Miscellaneous Non-Utility Expense.

Note:

See also account 104, Water Plant Purchased or Sold.

121. Non-water Utility Property and Other Assets

A. This account shall include all property and other assets owned by the utility, but not used in providing water service, for which separate balance sheet accounts have not been provided.

B. The account shall be appropriately subidivided.

Items

Land and buildings not used in water operations.
Water utility assets transferred to "non-operative" status.
Investments in securities (other than those reported in account 124.)
Assets of nonutility businesses owned by the water utility.
Accounts receivable and notes receivable, other than from water customers, not due within one year.

122. Accumulated Depreciation of Non-water Utility Property

This account shall reflect the depreciation and amortization accumulated on property not used in water utility operations.

A. This account shall be credited with amounts currently charged to accounts 426, Miscellaneous Non-utility Expense, representing currently accruing depreciation and amortization on property not used in water utility operations.

B. This account shall be charged with the amount of depreciation accumulated on items of non-utility property sold, abandoned, or otherwise retired.

124. Other Investments

This account shall include the book cost of investments in securities of companies for the purpose of obtaining an adequate water supply.

Item

Stock of mutual water company.

131. Cash

A. This account shall include the amount of cash on hand or on deposit in banks.

131. Cash (Cont'd)

B. The following subaccounts should be maintained:

131.1 Cash on Hand
131.2 Cash in Bank

132. Special Deposits

This account shall include cash amounts set aside from general corporate funds, and deposited in a separate account with fiscal agents or others, and designated for a special use.

141. Accounts Receivable - Customers

This account shall include amounts due from customers for water service.

Note:

Accounts receivable other than from customers for water service shall be included in account 174, Other Current Assets, or in account 121, Non-Water Utility Property and Other Assets, as appropriate.

143. Accumulated Provision for Uncollectible Accounts

This account shall be used by those utilities desiring to maintain a valuation reserve for uncollectible accounts, instead of writing off bad debts directly as they are incurred.

This account shall be credited with amounts to cover estimated losses on accounts receivable, with concurrent charges to Account 676, Uncollectible Accounts Expense.

This account also shall be credited with collections on accounts receivable previously written off as uncollectible.

This account shall be charged, and Account 141, Accounts Receivable - Customers, shall be credited with amounts determined to be uncollectible.

151. Materials and Supplies

A. This account shall include the cost of materials and supplies on hand, purchased for use in plant construction or repair work.

B. The cost shall include, when practicable, transportation charges, sales and use taxes and other directly assignable costs. Cash discounts realized on material purchases shall be credited to this account.

151. Materials and Supplies (Cont'd)

C. Reusable materials which are retired from plant and returned to the materials and supplies inventory shall be charged to this account and credited to account 108, Accumulated Depreciation of Water Plant. Identifiable units which have been removed from service (e.g. pumps, motors, etc.) shall be carried in inventory at original cost. Items of small value whose original cost cannot be readily determined shall be carried in inventory at current prices new. Scrap materials shall be carried in inventory at estimated scrap value.

D. Inventories of materials and supplies shall be taken at least annually and the necessary adjustments shall be made to bring this account into agreement with the actual quantities on hand.

174. Other Current Assets

A. This account shall include prepayment of rents, taxes, insurance and similar expenses for which payment has been made in advance of the period to which they apply. As the periods covered by such prepayments expire, this account shall be credited and the proper operating expense or other accounts shall be charged with the amounts applicable to the current period.

B. This account shall include the book cost of all notes receivable and accounts receivable, other than from customers for water service, maturing or collectible within one year.

C. This account shall include all other current assets not provided for in other balance sheet accounts.

D. Separate subaccounts shall be maintained for each class of current asset included in this account.

180. Deferred Charges

A. This account shall include such items as expenses of security issues, bond discount, items in suspense, and costs which the Commission has authorized the utility to amortize over future periods.

B. This account shall be appropriately subdivided.

EQUITY AND LIABILITY ACCOUNTS

201. Common Stock

A. This account shall be credited with the total par value or stated value of common stock outstanding.

B. Premiums related to the issue of common stock shall be carried in a separate subaccount of account 211, Other Paid in Capital.

204. Preferred Stock

A. This account shall be credited with the total par value or stated value of preferred stock outstanding.

B. A separate subaccount shall be maintained for each class and series of preferred stock.

C. Premiums and discounts related to the issue of preferred stock shall be carried in a separate subaccount of account 211, Other Paid-in Capital.

211. Other Paid-in Capital (for corporations only)

A. This account shall include all paid-in capital not derived from earnings. It shall include such items as premiums and discounts related to the issuance of capital stock, donations to the utility of its capital stock, credits arising from the forgiveness of debt of the utility; credits arising out of a reorganization of the utility, or in connection with its recapitalization.

B. Each type of paid-in capital shall be carried in a separate subaccount.

215. Retained Earnings (for corporations only)

A. This account shall reflect corporate earnings retained in the business.

B. The account shall be credited with:

1. Net income.

2. Accounting adjustments not properly attributable to the current period.

215. Retained Earnings (Cont'd)

C. The account shall be charged with:

1. Net losses.

2. Accounting adjustments not properly attributable to the current period.

3. Dividends.

218. Proprietary Capital (for proprietorships and partnerships only)

A. This account shall be credited with the investment of a sole proprietor, or partners, in an unincorporated water utility.

B. A separate subaccount shall be maintained for each partner.

C. At the end of each calendar year the net income or loss for the year shall be entered in this account.

D. Accounting adjustments not properly attributable to operations of the current period shall be charged or credited to this account.

E. All withdrawals from the business by the owner or partners other than as compensation for services performed shall be charged to subaccount 218.1, Proprietary Drawings. This subaccount shall be closed into account 218 at the end of each accounting period.

Note:

Amounts designated by a non-corporate owner or partner as a "salary", representing fair and reasonable compensation for services performed, shall be charged to operating expense account 671, Management Salaries, or to water plant accounts when appropriate. If clearing accounts are used, the owner's or partners' salaries will initially be charged to account 900.1, Payroll Clearing, pending distribution.

224. Long-Term Debt

A. This account shall include all notes, conditional sales contracts or other evidences of indebtedness payable more than one year from date of issue.

B. A separate subaccount shall be maintained for each obligation outstanding.

224. Long-Term Debt (Cont'd)

Note:

Prior authorization must be obtained from this Commission before any long-term indebtedness may be incurred by the utility. (Public Utilities Code, Section 818.)

231. Accounts Payable

This account shall include all amounts payable by the utility within one year, which are not provided for in other accounts.

232. Short-Term Notes Payable

This account shall include the face value of all notes, or other similar evidences of indebtedness, payable on demand or within a period not exceeding one year from the date of issue.

233. Customer Deposits

This account shall include all amounts deposited with the utility by customers as security for payment of water bills.

236. Taxes Accrued

A. This account shall include all taxes accrued or payable by the utility including property taxes, payroll taxes, withholding taxes, and corporation income taxes.

B. This account shall be credited during each accounting period with the amount of taxes accrued during the period. Such credits may be based upon estimates, but from time to time during the year, the amount of the periodic credits shall be adjusted so as to reflect the correct tax liability. Any amount representing a prepayment of taxes applicable to the period subsequent to the date of the balance sheet shall be shown under Account 174, Other Current Assets.

C. This account shall be debited and account 255, Accumulated Deferred Investment Tax - Credits, shall be credited with the amount of investment tax credits used to reduce income taxes for the current year.

Note:

Liability for personal income or self-employment taxes of owner or partners shall not be entered in the books of the utility, although payment of such taxes may be charged as withdrawals to proprietary capital.

237. Interest Accrued

This account shall include the total of the balances in subaccounts 237.1 and 237.2.

237.1. Interest Accrued On Long-Term Debt

This account shall include the amount of interest accrued on the long-term debt of the utility, other than Safe Drinking Water Bond Act loans.

237.2. Interest Accrued on Safe Drinking Water Bond Act loans

237.3. Interest Accrued On Other Liabilities

This account shall include the amount of interest accrued on liabilities of the utility other than long-term debt.

241. Other Current Liabilities

A. This account shall include all current and accrued liabilities not provided for elsewhere.

B. Include herein pension accruals prior to the time they are transmitted to the trustee, accruals of vacation pay, etc.

C. A separate subaccount shall be maintained for each class of liability.

252. Advances for Construction

A. This account shall include construction advances from subdividers and others, which are subject to refund in accordance with the provisions of the utility's water main extension rules.

B. Any balances in this account representing the unrefunded balances of expired contracts, or discounts resulting from termination of contracts in accordance with the utility's water main extension rules, shall be transferred to account 271, Contributions in Aid of Construction.

253. Other Credits

This account shall include advance billings, unamortized premium on debt, items in suspense and other credit items not provided for in other accounts.

255. Accumulated Deferred Investment Tax Credits

A. This account shall be credited with all investment tax credits deferred by companies. The balance in this account shall be amortized by equal charges over the life of the related property.

B. Records shall be maintained identifying the properties related to the investment tax credits for each year, the weighted average service life of such properties, and any unused balance of such credits.

Note:

Refer to Paragraph 7, Accounting Instructions - Federal Income Taxes for detailed information on charges and credits to this account.

271. Contributions in Aid of Construction

A. This account shall include:

1. All non-refundable contributions of cash, land or other property received by the utility in connection with the construction or extension of its water system.

2. Amounts transferred from account 252, Advances for Construction, representing unrefunded balances of expired main extension contracts, or discounts resulting from termination of contracts in accordance with the utility's water main extension rules.

3. Compensation received from governmental agencies and others for relocation of water mains or other plant, in excess of costs incurred in such relocation.

B. The utility shall maintain a separate account in which to accumulate amounts amortized. This account shall be titled: 272 Accumulated Amortization of Contributions.

C. Specific instructions for amortization of balances in this account will be found on page 12 of this booklet, in paragraph 5, Accounting Instructions - Contributions in Aid of Construction. In general, it is intended that balances which represent contributions of depreciable plant shall be amortized by charges to this account over a period equal to the actual service life of the contributed plant, with contra credits to account 108, Accumulated Depreciation of Water Plant. Contributions of non-depreciable plant shall not be transferred from this account unless written authorization has been obtained from this Commission.

271. Contributions in aid of Construction (Cont'd)

Note:

Construction advances which are subject to full or partial repayment shall be credited to account 252, Advances for Construction, instead of to this account.

272. Accumulated Amortization of Contributions - dr.

This account is a valuation account, applied against balances in Account 271, Contributions in Aid of Construction.

This account shall include the amortization accumulated on balances in Account 271, Contributions in Aid of Construction.

This account shall be charged and Account 108, Accumulated Depreciation of Water Plant, shall be credited with amounts sufficient to amortize balances in Account 271, Contributions in Aid of Construction, over the lives of the depreciable assets to which they relate.

282. Accumulated Deferred Income Taxes - ACRS Depreciation

Account 282 shall be credited and account 236, Taxes Accrued, shall be charged with the difference between the federal income tax expense based on tax basis, straight-line method of depreciation and the tax liability resulting from use of accelerated (ACRS) depreciation.

Account 282 shall be debited and account 236, Taxes Accrued shall be credited when the tax liability based on the use of accelerated (ACRS) depreciation exceeds the federal income tax expense based on tax basis, straight-line method of depreciation.

In order to employ normalized tax accounting it will be necessary for the utility to maintain plant and depreciation records grouped by year of installation and service life.

See Paragraph 7 Accounting Instructions - Federal Income Taxes for more detailed instructions on tax normalization accounting.

283. Accumulated Deferred Income Taxes - Other

This account shall include all credit income tax deferrals other than those deferrals included in Account 282 - Accumulated Deferred Income Taxes - ACRS Depreciation.

PLANT ACCOUNTS.

301. Intangible Plant

This account shall include the cost of organizing and incorporating the business, and other intangible property used in the utility's water operations.

Items

Legal fees and other costs for incorporating the business and obtaining a certificate to operate as a utility.

Payments to the state or to political subdivisions for franchises or certificates, not including annual franchise payments.

Note:

A. This account shall not include any expenses incurred in connection with the authorization or sale of securities, or discounts on securities issued.

B. This account shall not include any sum for franchises or certificates in excess of the amounts actually paid to the state or political subdivision, and necessary and reasonable expenses incident to obtaining such franchises or certificates.

C. Annual franchise payments shall be charged to subaccount 408.3, Other Taxes and Licenses.

303. Land

A. This account shall include the cost of land, rights-of-way and easement used in water operations.

304. Structures

A. This account shall include the cost of structures used in water operations.

B. The account shall show separately the cost of each structure.

Items

Pump houses	Buildings
Landscaping, sidewalks	Yard pavings and fencing
Storage sheds	Meter testing shops

307. Wells

A. This account shall include the cost of wells used in utility operations.

B. The cost of drilling wells which are nonproductive, or which produce water which cannot be used in the system shall be charged to operating expenses (account 600, Other Plant Operation Expenses) in the year in which the expense is incurred unless this Commission in writing authorizes the utility to charge such costs to account 180, Deferred Charges, and to amortize such amount over a future period.

311. Pumping Equipment

This account shall include the cost of electric, gas, gasoline, or other types of pumping equipment.

Items

Engines
Motors
Turbines
Pumps
Pressure regulating and recording instruments
Electric power lines
Switching equipment
Power generating equipment

317. Other Water Source Plant

This account shall include the cost of all water source plant other than wells.

Items

Springs
Spillways
Cost of connections with other water systems or water sources, including payments to public agencies for water supply connections to which utility does not receive title.
Infiltration galleries
Lake and river intakes
Master meters used to measure quantity of water produced or delivered into system.

320. Water Treatment Plant

This account shall include the cost of equipment used in treatment of water.

Items

Softening equipment	Filtering equipment
Chlorination equipment	Purification equipment
Sand traps	Fluoridation equipment
Settling basins	

330. Reservoirs, Tanks and Standpipes

A. This account shall include the cost of reservoirs, storage tanks, hydropneumatic tanks and standpipes used in storing water for distribution.

B. The account shall be segregated so as to show separately the cost of each major facility or installation.

331. Water Mains

This account shall include the cost installed of water mains, including valves, fittings, shut-offs, etc., between the water source and customer's service.

333. Services and Meter Installations

This account shall include the cost installed of service pipes leading from the water mains to the customers' premises and the cost of labor, materials, and expense incurred in the original installation of meters.

Items

Service piping	Yokes
Meter boxes	Stops

Note:

A. Labor cost of removing and resetting meters shall be charged to operating expense account 630, Employee Labor.

334. Meters

A. This account shall include the cost of all meters used to measure the quantity of water delivered to consumers, including meters actually in service and meters held in stock.

334. Meters (Cont'd)

B. Records shall be kept to show the number of meters of each type and size in service or held in stock, and their location.

Note: The cost of "master meters" used to measure the quantity of water produced or delivered into the system shall be entered in account 317, Other Water Source Plant.

335. Hydrants

This account shall include the cost installed of hydrants owned by the utility.

Note:

A hydrant begins at and includes the fittings at the connection with the main.

339. Other Equipment

A. This account shall include the cost of equipment and tools used in water operations which are not includible in any other accounts.

B. Small tools costing $100 or less may be charged directly to operating expenses at the time of purchase.

Items

Hoists	Tractors
Communications equipment	Pipe wrapping equipment
Power tools	Leak detecting equipment
Trenchers	Back hoes

340. Office Furniture and Equipment

This account shall include the cost of office furniture and equipment owned and used by the utility.

Items

Adding machines	Postage meter machines
Addressing machines	Desks, typewriters
Calculating machines	Filing cabinets
Drafting room equipment	Book cases, tables, chairs
	Computers

341. Transportation Equipment

A. This account shall include the cost of trucks, automobiles and trailers owned and used by the utility.

B. Records shall be maintained to show the cost of each vehicle.

INCOME ACCOUNTS

400. Operating Revenues

This is the revenue control account in which is summarized the total of amounts credited to revenue accounts 460 through 480.

401. Operating Expenses

This is the operating expense control account in which is entered the total of amounts charged to operating expense accounts 610 through 689.

403. Depreciation Expense

This account shall be charged with that portion of the depreciation accrual credited to account 108, Accumulated Depreciation of Water Plant, applicable to all classes of depreciable water plant except plant represented by contributions in aid of construction. Depreciation shall be accrued on a straight-line remaining life basis. Use of a single composite depreciation rate applied to all depreciable plant is permissible for water utilities with annual revenues of $100,000 or less.

Note:

A. See Accounting instructions - Depreciation, Paragraph 4, for more detailed instructions on depreciation accounting.

B. Depreciation on property not used in water operations is charged to account 426, Miscellaneous Non-utility Expense, and is credited to account 122, Accumulated Depreciation of Non-water Utility Property.

407. SDWBA Loan Amortization Expense

This account shall be charged and Account 108.1, Accumulated Amortization of SDWBA Loan, shall be credited with periodic amounts sufficient to fully amortize the SDWBA loan balance over its life. The intent of these entries is to accumulate depreciation equal to the amount of plant financed through the SDWBA loan, over the life of the SDWBA loan.

408. Taxes Other Than Income Taxes

This is the tax expense account to which taxes other than income taxes are charged. Property taxes, payroll taxes (e.g., unemployment insurance, social security taxes) and other taxes and licenses (e.g., municipal business taxes, annual franchise fees) will be entered in this account. A separate subaccount will be maintained for each type of tax.

408.1 Property taxes

408.2 Payroll taxes

408.3 Other taxes and licenses

Note A: Vehicle license fees shall be included in operating expense account 660, Transportation Expense.

Note B: Assessments for support of regulatory commissions shall be charged to operating expense account 688, Regulatory Commission Expense.

409. State Corporate Income Tax Expense

This is the tax expense account to which State Corporate Franchise Taxes for the current calendar year are charged. This account will be used only by incorporated utilities.

410. Federal Corporate Income Tax Expense

This account will be used only by incorporated water utilities.

This account will be charged with federal income taxes for the current calendar year.

See Accounting Instruction 7 - Federal Income Taxes.

421. Non-utility Income

In this account is entered all income not includible in operating revenue accounts 460 through 480.

Items

Interest income
Dividend income
Gross income from non-water utility operations
Net gain on sale of non-water utility property

426. Miscellaneous Non-utility Expense

To this account shall be charged all expense other than expenses of water utility operations and interest expense.

Items

Contributions for charitable or community welfare purposes.

Expenses, including depreciation and taxes, of non-water utility property.

Country club dues, service club dues (Rotary, Kiwanis, etc.) and items of a similar nature.

Amortization of balances in account 114 - Utility Plant Acquisition Adjustments.

427. Interest Expense

To this account shall be charged all interest expense of the utility. The contra credits to entries in this account shall be divided among:

Account 237.1 Interest Accrued on Long-Term Debt

Account 237.2 Interest Accrued on SDWBA Loan

Account 237.3 Interest Accrued on Other Liabilities

OPERATING REVENUE ACCOUNTS

460. Unmetered Water Revenue

A. This account shall include all revenue from unmetered water service.

B. Unmetered revenue shall be segregated, using the following subaccounts.

460.1 Residential, Single-family Dwellings and Multiple Dwelling Units Billed Individually.

460.2 Commercial and Miscellaneous

"Miscellaneous" is defined as an unmetered customer not properly classified in account 460.1 or account 460.3.

460. Unmetered Water Revenue (Cont'd)

460.3 Large Water Users

Large water users are defined as unmetered customers other than customers whose revenues are reported in account 460.1 or account 460.2 whose estimated water usage is at least five times as much as the average single-family residential customer and have a 1-1/2" or larger service.

460.5 Safe Drinking Water Bond Surcharge

460.9 Other Unmetered Revenue

Include herein revenues from construction water sales, sales from resale and revenue from water sales under special contract.

Note:

Additive flat rate charges for coolers, large lot areas, large gardens, etc. will be included in the above accounts along with the basic flat rate charges.

462. Fire Protection and Hydrant Revenue

A. Include herein all revenue from public agencies and others for hydrant charges, private fire protection service, street sprinkling, sewer flushing and similar sources.

B. The following subaccounts shall be used:

465.1 Public Fire Protection

465.2 Private Fire Protection

465. Irrigation Revenue

This account shall include all revenue from irrigation service, under either metered or flat rate irrigation tariff schedules.

470. Metered Water Revenue

A. This account shall include all revenue from metered water service.

470. Metered Water Revenue (Cont'd)

B. Metered revenue shall be segregated, using the following subaccounts:

470.1 Residential, Single-family Dwellings and Multiple Dwelling Units Individually Metered

470.2 Commercial and Multi-residential Master Metered

470.3 Large water users: Large water users are defined as customers, other than customers whose revenues are reported in account 470.1 or 470.2, who use at least 5 times as much water as the average single-family residential customer and have a 1-1/2" or larger meter installed.

470.5 Safe Drinking Water Bond Surcharge

470.9 Other Metered Revenues

Include herein revenues from construction water sales, sales for resale and revenue from water sales under special contract.

480. Other Water Revenue

This account shall include revenue from water operations other than the delivery of water or provision of fire protection. This account shall be appropriately subdivided.

Items

Fees for changing, temporarily shutting off or reconnecting services

Maintenance of appliances or repair of piping on customers' premises

Rental income from water property

OPERATING EXPENSE ACCOUNTS

Plant Operation and Maintenance Expenses

A. Volume Related Expenses

610. Purchased Water

This account shall include the cost at the point of delivery of water purchased for resale.

615. Power

This account shall include the cost of power and fuel used to operate pumps.

Note:

Fuel and electricity used to heat and light offices shall be charged to Account 681, Office Supplies and Expense.

618. Other Volume Related Expenses

This account shall include all other expenses related to the volume of water used.

Items

Ground water replenishment charges.
Chemicals used in water treatment.
Water rights leases based on volume.

Note:

Any of the above types of charges that are not based on volume shall be charged to Account 664, other plant maintenance expenses.

B. Non-Volume Related Expenses

630. Employee Labor

This account shall include the wages of all employees (other than the manager, owner, or principal stockholders) whose time is utilized in the operation, repair and maintenance of the water system. The account shall include wages of employees who perform such work as, for example:

Cutting brush and weeds at springs or streams
Checking, oiling and other pump maintenance

630. Employee Labor (Cont'd)

Repairing leaks in water mains and services
Reading meters
Removing, resetting and testing meters
Turning water off or on at customers' premises
Maintenance of water treatment equipment; labor of adding chemicals, washing filters, etc.

Note:

A. Wages of managers, owners, or principal stockholders who perform any of the above functions shall not be included in this account but shall be included in account 671, Management Salaries.

B. The wages of employees who perform both maintenance work and office work shall be charged to the account to which the greater portion of their time is devoted, unless segregation between accounts is based on actual records of amount of time spent on each type of work. No arbitrary allocations of employee wages between accounts shall be made.

C. The cost of labor assignable to utility plant construction shall be charged to account 101, Water Plant in Service; account 105, Construction Work in Progress - Water Plant; or account 900.1, Payroll clearing, as appropriate.

D. The cost of chemicals used in water treatment shall be charged to Account 618, Other Volume related expenses.

640. Materials

This account shall include all materials and supplies used in operation and maintenance of the water system, other than repair and maintenance materials charged to Account 650, Contract Work and chemicals charged to Account 618, Other Volume Related Expenses.

650. Contract Work

This account shall include the cost of all repair and maintenance work not performed by water company employees. Examples of such expenses are pump repairs, repairs of water system leaks by local plumbers, painting of tanks by painting contractors, and testing of water by laboratories. This account shall include materials that are part of a contract price if the cost of such materials is not separately stated, and incidental operation and maintenance expenses not chargeable to accounts 630 or 640.

660. Transportation Expense

This account shall include all truck, automobile, construction equipment and other vehicle expense chargeable to utility operations, except depreciation and insurance.

Items

Tires	Oil
Batteries	Vehicle and equipment rentals
Lubrication	License fees
Fuel	Repairs

664. Other Plant Maintenance Expenses

This account shall include all plant operation and maintenance expenses not related to volume of water, and not separately provided for in other accounts.

Items

Well rental charges.
Charges for the right to divert water from springs and streams
Cost of drilling nonproductive wells unless special accounting is ordered by the Commission.
Telemetering.

ADMINISTRATIVE AND GENERAL EXPENSES

670. Office Salaries

This account shall include the salaries of all employees (other than the manager, owner or principal stockholders) whose time is utilized in billing, collecting, record keeping, or general office work.

Note:

Fees of independent accountants will be charged to account 682, Professional Services.

671. Management Salaries

A. This account shall include the portion of salaries of managers, owners, partners or principal stockholders of a utility, chargeable to utility operations.

B. No portion of such salaries shall be allocated to other expense accounts even though the owner or manager may perform other duties (e.g., billing, collecting, maintenance) in addition to managing the utility.

671. Management Salaries (Cont'd)

C. Drawings by partners or owners of noncorporate utilities in addition to amounts designated as "salaries" for operating the utility shall be charged to subaccount 218.1, Proprietary Drawings.

D. The portion of salaries of managers, owners, partners or principal stockholders assignable to utility plant construction shall be charged to account 101 or account 105 as appropriate. Also see account 900.1 Payroll Clearing.

674. Employee Pensions and Benefits

This account shall include all accruals under employee pension plans to which the utility has irrevocably committed such funds, and payments for employee accident, sickness, hospital and death benefits, or insurance therefore. Include also expenses for medical, educational or recreational activities of employees.

Note:

Utilities with more than 1,000 service connections shall subdivide this account to correspond with salaries reported in accounts 630 Employee Labor, 670 Office Salaries, and 671 Management Salaries.

676. Uncollectible Accounts Expense

This account shall be charged with amounts sufficient to cover losses from uncollectible accounts receivable.

If a valuation reserve account is maintained for receivables, a contra credit shall be made to Account 143, Accumulated Provision for Uncollectible Accounts.

If the utility writes off bad debts directly as accounts are determined to be uncollectible, the contra credit shall be to Account 141, Accounts Receivable - Customers.

If accounts that previously were written off as bad debts are subsequently collected, the amount collected will be credited to Account 143, Accumulated Provision for Uncollectible accounts, if the utility follows this method of accounting. If the utility writes off bad debts directly, subsequent collection of amounts previously written off will be credited to Account 676, Uncollectible Accounts

678. Office Services and Rentals

Items

Computer and/or Billing Machine	Credit Reports
Payments to Service Bureaus	Commissions to others for collecting bills
Office Equipment Rentals	Other Services

681. Office Supplies and Expense

This account shall include the cost of office supplies and expenses, including printing, stationery, general accounting supplies, repair, maintenance and telephone, utilities, and other office expenses.

682. Professional Services

This account shall include the fees of independent accountants, engineers, lawyers, and similar professional consultants. This account shall be kept in a manner that will permit ready analysis of charges.

684. Insurance

This account shall include all insurance costs applicable to the accounting period, including workers' compensation, liability, vehicle, fire and theft or robbery insurance.

Note:

A. Insurance dividends and refunds shall be credited to this account.

B. The cost of policies extending over a period of more than one year shall be prorated over the period of coverage. Prepaid insurance shall be charged to account 174, Other Current Assets, when appropriate.

688. Regulatory Commission Expense

A. This account shall include all expenses (except salaries of regular utility employees) incurred by the utility in connection with formal cases before regulatory commissions.

B. This account also shall include fees assessed against a utility for salaries and expenses of regulatory commissions.

688. Regulatory Commission Expense (Cont'd)

C. Amounts of regulatory commission expense which, by direction of the commission are to be spread over future periods shall be charged to account 180, Deferred Charges and amortized by charges to account 688, Regulatory Commission Expense.

689. General Expense

This account shall include all expenses not includible in other operating expense accounts.

Items

Advertising	Collection agency fees
Subscriptions	Water association dues

800. Expenses Capitalized - Credit (Optional)

A. If this account is used it shall be credited (with concurrent charges to account 105, Construction Work in Progress - Water Plant) for amounts of payroll overheads (payroll taxes, workers' compensation insurance, etc.), transportation expenses and other items determined to be proper components of construction cost.

B. The methods used to calculate the amount of expenses to be capitalized are not specified, but shall result in an equitable allocation of such actual overheads to the appropriate accounts charged with the direct costs giving rise to such overheads. The addition of arbitrary percentages or amounts to cover assumed overhead costs is prohibited.

900. Clearing Accounts - Optional

The purpose of a clearing account is to temporarily accumulate in one account costs of a specific type which affect more than a single account, and which subsequently will be apportioned among utility plant accounts, operating expense accounts and other appropriate accounts.

The use of clearing accounts is optional. In addition to the payroll clearing account provided for below, a utility may use such additional clearing accounts as it finds useful.

900. Clearing Accounts (Optional)(Cont'd)

900.1 Payroll Clearing (Optional)

A. If this account is used it shall be charged with the gross wages earned by all employees. (Unincorporated utilities also shall charge to this account amounts withdrawn by the owner or partners representing the value assigned to their services in operating the utility. Other amounts withdrawn by owners or partners of unincorporated utilities in addition to amounts designated as "salaries" for operating the utility shall be charged to subaccount 218.1, Proprietary Drawings.)

B. This account shall be cleared by crediting it and charging the accounts indicated below:

1. Office employees' salaries shall be charged to account 670, Office Salaries.

2. Wages of all employees whose time is utilized in water plant construction or in water plant maintenance and repair shall be segregated in the following manner:

a. Account 105, Construction Work in Progress - Water Plant, shall be charged with the cost of assignable to utility plant construction.

b. Account 630, Employee Labor, shall be charged with the cost of all employee labor used in the repair, operation and maintenance of the water system.

3. Salaries of owners, partners, managers shall be segregated in the following manner:

a. Account 105, Construction Work in Progress - Water Plant, shall be charged with the portion of salaries chargeable to water plant construction.

b. Account 671, Management Salaries, shall be charged with the portion of salaries chargeable to operating expenses. (See account 671 and account 218.)

APPENDIX A

Sample Entries to Record Income Taxes

The following example shows entries to record Federal Corporate Income Taxes and Federal Investment Tax Credits in the books of account.

Assumptions -

(a) A water utility purchases depreciable plant at a cost of $10,000. The plant has a 10-year life with no salvage. (5-year ACRS property.)

(b) The utility's federal taxable income computed on a straight-line depreciation basis both in its books of account and for ratemaking is $30,000. The utility actually utilizes ACRS depreciation in preparing its federal income tax return. The ACRS life of the plant is 5-years.

(c) The investment tax credit is $800 ($10,000 x 8%) in order to use 100% of the $10,000 cost for ACRS depreciation.

	Account No.	Account Title		
1.	410	Federal Corporate Income Tax Expense[1/]	$13,800	
	236	Taxes Accrued		$13,800
		To record federal income tax expense ($30,000 x 46%)		

1/ A utility may, at its option, subdivide account 410 to identify the deferred components of income tax expense, e.g., account 410.1 - Deferred Federal - Corporate Income Tax Expense - Accelerated Cost Recovery System; and account 410.2 - Deferred Federal Corporate Income Expense - Investment Tax Credit.

	Account No.	Account Title		
2.	236	Taxes Accrued	$ 230	
	282	Accumulated Deferred Income Taxes - ACRS Depreciation		$ 230
		To reduce taxes accrued by the amount of deferred income taxes based on the difference between straight-line book depreciation and ACRS depreciation. ($1,500 ACRS depreciation - $1,000 book depreciation) x 46%[2/]		

The following example shows how the various transactions are recorded:

3.	236	Taxes Accrued	$ 800	
	255	Accumulated Deferred Investment Tax - Cr.		$ 800
		To record deferral of investment tax credits arising out of plant installed in current year.		
4.	255	Accumulated Deferred Investment Tax-Cr.	$ 80	
	426	Miscellaneous Non-utility Expense		$ 80
		To record the annual amortization, over the life of the related property, of a pro rata portion of the amount of ITC deferred in Entry 3. [This entry (in lieu of Entry 4) would be used only by Option 1 companies. See Accounting Instruction 7.]		

2/ At the point in time when book depreciation exceeds tax depreciation account 236 will be credited and Account 282 debited.

Account No.	Account Title		
5. 255	Accumulated Deferred Investment Tax-Cr.	$ 80	
410	Federal Corporate Income Tax Expense		$ 80

To reduce cost of service and the annual amortization, over the life of the related property, of a pro rata portion of the amount of ITC deferred in Entry 3. [This entry (in lieu of Entry 4) would be made only by Option 2 companies. See Accounting Instruction 7.]

APPENDIX B

Sample Entries To Record Transactions For a 30-Year, 6% SDWBA Loan of $100,000 Assume 490 Single-family Metered Residential Customers

	Dr	Cr
A/C 131.2 Cash in Bank	$100,000	
A/C 244.1 Long-Term Debt - SDWBA loan		$100,000
(Utility receives progress payments of $100,000 from DWR. Payments are deposited in separate bank account).		
A/C 101. Plant (detail entered in plant accounts 301 through 341.)	100,000	
A/C 131.2 Cash in Bank		100,000
(Payment is made to contractors for plant constructed with SDWBA loan proceeds).		
A/C 141. Accounts Receivable-Customers	1,637	
A/C 470.1 Metered Revenue-Single-Family Residential		1,000
A/C 470.5 SDWBA Surcharge		637
(Monthly billing of customers for ordinary revenue of $1,000 plus SDWBA surcharge of $637). ($1.30 surcharge x 490 customers = $637).		
A/C 131.2 Cash in Bank	1,550	
A/C 141 Accounts Receivable-Customers		1,550
(Monthly collections of customer receivables. Consists of $975 regular revenue and $575 SDWBA surcharge revenue).		
A/C 132 Special Deposit-Fiscal Agent	575	
A/C 131.2 Cash in Bank		575
(Surcharge collections are transferred monthly to account with fiscal agent).		

APPENDIX B
(Continued)

Sample Entries To Record Transactions
For a 30-Year, 6% SDWBA Loan of $100,000
Assume 490 Single-family Metered Residential Customers

		Dr	Cr
A/C 427.	Interest Expense - SDWBA loan	$ 3,000	
A/C 224.1	Long-Term Debt - SDWBA loan (Principal payment)	822	
A/C 132	Special Deposit-Fiscal Agent		$ 3,822
(Semi-annual payment of principal and interest to DWR by fiscal agent).			
A/C 132	Special Deposit - Fiscal Agent	50	
A/C 421.1	Non-Utility Income - Interest		50
(Credit of interest earned on surcharge collections deposited with fiscal agent).			
A/C 407	SDWBA Loan Amortization Expense	1,667	
A/C 108.1	Accumulated Amortization of SDWBA Loan		1,667
(Semi-annual amortization of 30-year SDWBA loan)			