

## SUBCHAPTER F—ACCOUNTS, NATURAL GAS ACT

### PART 201—UNIFORM SYSTEM OF ACCOUNTS PRESCRIBED FOR NATURAL GAS COMPANIES SUB- JECT TO THE PROVISIONS OF THE NATURAL GAS ACT

**AUTHORITY:** 15 U.S.C. 717-717w, 3301-3432; 42 U.S.C. 7101-7352, 7651-7651o.

**SOURCE:** Order 219, 25 FR 5616, June 21, 1960, unless otherwise noted.

**EDITORIAL NOTE:** For FEDERAL REGISTER citations affecting part 201, see the List of CFR Sections Affected, which appears in the Finding Aids section of the printed volume and at [www.fdsys.gov](http://www.fdsys.gov).

**EFFECTIVE DATE NOTE:** At 58 FR 18006, April 7, 1993, part 201 was amended by redesignating definitions 31 through 39 as 32 through 40 and adding a new definition 31; Accounts 182.3 and 254 were added under Balance Sheet Accounts; and Accounts 407.3 and 407.4 were added under Income Accounts. The added text contains information collection and recordkeeping requirements and will not become effective until approval has been given by the Office of Management and Budget.

**NOTE:** Order 141, 12 FR 8504, Dec. 19, 1947, provides in part as follows:

*Prescribing a system of accounts for natural gas companies under the Natural Gas Act.* The Federal Power Commission acting pursuant to authority granted by the Natural Gas Act (58 Stat. 821, as amended; 15 U.S.C. and Sup. 717 et seq.), particularly sections 8(a), 10(a) and 16 thereof, and finding such action necessary and appropriate for carrying out the provisions of said Act, ordered that:

(a) The accompanying system of accounts, entitled "Uniform System of Accounts Prescribed for Natural Gas Companies Subject to the Provisions of the Natural Gas Act," and the rules and regulations contained therein, be adopted;

(b) Said system of accounts and said rules and regulations contained therein be and the same are hereby prescribed and promulgated as the system of accounts and rules and regulations of the Commission to be kept and observed by natural gas companies subject to the jurisdiction of the Commission, to the extent and in the manner set forth therein;

(c) Said system of accounts and rules and regulations therein contained as to all natural gas companies now subject to the jurisdiction of the Commission, became effective on January 1, 1940, and as to any natural gas company which may hereafter become subject to the jurisdiction of the Commission,

they shall become effective as of the date when such natural gas company becomes subject to the jurisdiction of the Commission.

#### Uniform System of Accounts Prescribed for Natural Gas Companies Subject to the Provisions of the Natural Gas Act

##### Definitions

When used in this system of accounts:

1. *Accounts* means the accounts prescribed in this system of accounts.

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

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

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

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

B. *Control* (including the terms "controlling," "controlled by," and "under common control with") means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a company, whether such power is exercised through one or more intermediary companies, or alone, or in conjunction with, or pursuant to an agreement, and whether such power is established through a majority or minority

ownership or voting of securities, common directors, officers, or stockholders, voting trusts, holding trusts, associated companies, contract or any other direct or indirect means.

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

7. *Commission*, means the Federal Energy Regulatory Commission.

8. *Continuing plant inventory record* means company plant records for retirement units and mass property that provide, as either a single record, or in separate records readily obtainable by references made in a single record, the following information:

A. For each retirement unit;

(1) The name or description of the unit, or both;

(2) The location of the unit;

(3) The date the unit was placed in service;

(4) The cost of the unit as set forth in Plant Instructions 2 and 3 of this part; and

(5) The plant control account to which the cost of the units is charged; and

B. For each category of mass property;

(1) A general description of the property and quantity;

(2) The quantity placed in service by vintage year;

(3) The average cost as set forth in Plant Instructions 2 and 3 of this part; and

(4) The plant control account to which the costs are charged.

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

10. *Cost of removal* means the cost of demolishing, dismantling, tearing down or otherwise removing gas plant, including the cost of transportation and handling incidental thereto. It does not include the cost of removal

activities associated with asset retirement obligations that are capitalized as part of the tangible long-lived assets that give rise to the obligation. (See General Instruction 24).

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

12. A. *Depletion*, as applied to natural gas producing land and land rights, means the loss in service value incurred in connection with the exhaustion of the natural resource in the course of service.

B. *Depreciation*, as applied to depreciable gas plant, means the loss in service value not restored by current maintenance, incurred in connection with the consumption or prospective retirement of gas plant in the course of service from causes which are known to be in current operation and against which the utility is not protected by insurance. Among the causes to be given consideration are wear and tear, decay, action of the elements, inadequacy, obsolescence, changes in the art, changes in demand and requirements of public authorities, and, in the case of natural gas companies, the exhaustion of natural resources.

13. *Development costs*, when used with respect to hydrocarbons, include all costs incurred in the readying of hydrocarbon deposits for commercial production including developmental well drilling costs.

14. *Discount*, as applied to the securities, issued or assumed by the utility, means the excess of the par (stated value of no-par stocks) or fact value of the securities plus interest or dividends accrued at the date of the sale over the cash value of the consideration received from their sale.

15. *Exploration costs*, include all costs incurred in proving the existence of hydrocarbon deposits including geological, geophysical, lease acquisition (including delay rentals), administrative and general, and exploratory well drilling costs.

16. *Full-cost accounting for exploration and development costs*, means the capitalization of all exploration and development costs incurred on or related to hydrocarbon leases, on properties in the contiguous 48 States and the State of Alaska, acquired after October 7, 1969.

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

18. *Lease, capital* means a lease of property used in utility or non-utility operations, which meets one or more of the criteria stated in General Instruction 19.

19. *Lease, operating* means a lease of property used in utility or non-utility operations, which does not meet any of the criteria stated in General Instruction 19.

20. *Minor items of property* means the associated parts or items of which retirement units are composed.

21. *Natural gas* means either natural gas unmixed, or any mixture of natural and artificial gas.

22. *Natural gas company* means a person engaged in the transportation of natural gas in interstate commerce, or the sale in interstate commerce of such gas for resale.

23. *Net salvage value* means the salvage value of property retired less the cost of removal.

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

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

26. *Original cost*, as applied to gas plant, means the cost of such property to the person first devoting it to public service.

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

28. *Premium*, as applied to securities issued or assumed by the utility, means the excess of the cash value of the consideration received from their sale over the sum of their par (stated value of no-par stocks) or face value and interest or dividends accrued at the date of sale.

29. *Production, transmission, and distribution plant*. For the purposes of this system of accounts:

A. *Production system* shall consist of plant and equipment used in the production of gas. It shall include producing lands and leaseholds, gas rights, other land rights, structures, drilling and clearing equipment, gas wells, well head equipment, separation and other facilities used in the production of natural gas. The production system ends where the gas enters a gathering system, transmission system or distribution system, as applicable, in accordance with the practices in the pricing area where such system is located.

B. *Transmission system* means the land, structures, mains, valves, meters, boosters, regulators, tanks, compressors, and their driving units and appurtenances, and other equipment used primarily for transmitting gas from a production plant, delivery point of purchased gas, gathering system, storage area, or other wholesale source of gas, to one or more distribution areas. The transmission system begins at the outlet side of the valve at the connection to the last equipment in a manufactured gas plant, the connection to

gathering lines or delivery point of purchased gas, and includes the equipment at such connection that is used to bring the gas to transmission pressure, and ends at the outlet side of the equipment which meters or regulates the entry of gas into the distribution system or into a storage area. It does not include storage land, structures or equipment. Pipeline companies, including those companies which measure deliveries of gas to their own distribution systems, shall include city gate and main line industrial measuring and regulating stations in the transmission function.

C. *Distribution system* means the mains which are provided primarily for distributing gas within a distribution area, together with land, structures, valves, regulators, services and measuring devices, including the mains for transportation of gas from production plants or points of receipt located within such distribution area to other points therein. The distribution system owned by companies having no transmission facilities connected to such distribution system begins at the inlet side of the distribution system equipment which meters or regulates the entry of gas into the distribution system and ends with and includes property on the customer's premises. For companies which own both transmission and distribution facilities on a continuous line, the distribution system begins at the outlet side of the equipment which meters or regulates the entry of gas into the distribution system and ends with and includes property on the customer's premises. The distribution system does not include storage land, structures, or equipment.

D. *Distribution area* means a metropolitan area or other urban area comprising one or more adjacent or nearby cities, villages or unincorporated areas, including developed areas contiguous to main highways.

30. *Property retired*, as applied to gas plant, means property which has been removed, sold, abandoned, destroyed, or which for any cause has been withdrawn from service.

31. *Regulatory Assets and Liabilities* are assets and liabilities that result from rate actions of regulatory agencies.

Regulatory assets and liabilities arise from specific revenues, expenses, gains, or losses that would have been included in net income determinations in one period under the general requirements of the Uniform System of Accounts but for it being probable: 1) that such items will be included in a different period(s) for purposes of developing the rates the utility is authorized to charge for its utility services; or 2) in the case of regulatory liabilities, that refunds to customers, not provided for in other accounts, will be required.

32. A. *Replacing or replacement*, when not otherwise indicated in the context, means the construction or installation of gas plant in place of property retired, together with the removal of the property retired.

B. *Research, Development, and Demonstration* (RD&D), means expenditures incurred by natural gas companies either directly or through another person or organization (such as research institute, industry association, foundation, university, engineering company, or similar contractor) in pursuing research, development, and demonstration activities including experiment, design, installation, construction, or operation. This definition includes expenditures for the implementation or development of new and/or existing concepts until technically feasible and commercially feasible operations are verified. Such research, development, and demonstration costs should be reasonably related to the existing or future utility business, broadly defined, of the public utility or licensee or in the environment in which it operates or expects to operate. The term includes, but is not limited to: All such costs incidental to the design, development or implementation of an experimental facility, a plant process, a product, a formula, an invention, a system or similar items, and the improvement of already existing items of a like nature; amounts expended in connection with the proposed development and/or proposed delivery of substitute or synthetic gas supplies (alternate fuel sources for example, an experimental coal gasification plant or an experimental plant synthetically producing gas from liquid hydrocarbons); and the costs of obtaining its own patent, such

as attorney's fees expended in making and perfecting a patent application. The term includes preliminary investigations and detailed planning of specific projects for securing for customers non-conventional pipeline gas supplies that rely on technology that has not been verified previously to be feasible. The term does not include expenditures for efficiency surveys; studies of management, management techniques and organization; consumer surveys, advertising, promotions, or items of a like nature.

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

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

35. *Salvage value* means the amount received for property retired, less any expenses incurred in connection with the sale or in preparing the property for sale; or, if retained, the amount at which the material recoverable is chargeable to Materials and Supplies, or other appropriate account.

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

37. *Service value* means the difference between original cost and net salvage value of gas plant.

38. *Unsuccessful exploration and development costs*, means exploration and development costs related to efforts which do not directly result in the discovery of commercially recoverable hydrocarbon reserves.

39. *Subsidiary company*, means a company which is controlled by the utility through ownership of voting stock. (See "Definitions"—item 5B "Control"). A corporate joint venture in which a corporation is owned by a small group of businesses as a separate and specific business or project for the

mutual benefit of the members of the group is a subsidiary company for the purposes of this system of accounts.

40. *Utility*, as used herein and when not otherwise indicated in the context, means any natural gas company to which this system of accounts is applicable.

#### General Instructions

1. *Applicability*. Each natural gas company must apply the system of accounts prescribed by the Commission.

*Major*—Each natural gas company as defined in the Natural Gas Act, whose combined gas sold for resale and gas transported or stored for a fee exceeds 50 million Mcf at 14.73 psi (60 °F) in each of the three previous calendar years.

*Nonmajor*—Natural gas companies that are not classified as a "major company" (as defined above), and had total gas sales or volume transactions exceeding 200,000 Mcf at 14.73 psi (60 °F) in each of the three previous calendar years.

B. This system applies to both Major and Nonmajor natural gas companies. Provisions have been incorporated into this system for those entities which prior to January 1, 1984, were applying the Commission's Uniform System of Accounts Prescribed for Class C and Class D (part 104 of this chapter) now revoked. The notations "(Nonmajor)" and "(Major)" have been used to indicate those instructions and accounts from the previous systems and classifications, which by definition, are not interchangeable without causing a loss of detail for the *Major* (previous Class A and Class B) or an increase in detail burden for the *Nonmajor* (previous Class C and Class D).

C. The class to which any natural gas company belongs shall originally be determined by its annual gas volume in each of the last three consecutive years, or, in the case of a newly established entity, the projected data shall be the basis. Subsequent changes in classification shall be made when the volume for each of the three immediately preceding years exceeds the upper limit, or is less than the lower limit of the classification previously applicable to the natural gas company.

D. Any utility may, at its option, adopt the system of accounts prescribed by the Commission for any larger class of utilities.

2. *Records.* A. Each utility shall keep its books of account, and all other books, records, and memoranda which support the entries in such books of account so as to be able to furnish readily full information as to any item included in any account. Each entry shall be supported by such detailed information as will permit ready identification, analysis, and verification of all facts relevant thereto.

B. The books and records referred to herein include not only accounting records in a limited technical sense, but all other records, such as minute books, stock books, reports, correspondence, memoranda, etc., which may be useful in developing the history of or facts regarding any transaction.

C. No utility shall destroy any such books or records unless the destruction thereof is permitted by rules and regulations of the Commission.

D. In addition to prescribed accounts, clearing accounts, temporary or experimental accounts, and subdivisions of any accounts, may be kept, provided the integrity of the prescribed accounts is not impaired.

E. All amounts included in the accounts prescribed herein for gas plant and operating expenses shall be just and reasonable and any payments or accruals by the utility in excess of just and reasonable charges shall be included in account 426.5, Other Deductions.

F. The arrangement or sequence of the accounts prescribed herein shall not be controlling as to the arrangement or sequence in report forms which may be prescribed by the Commission.

3. *Numbering system.* A. The account numbering plan used herein consists of a system of three-digit whole numbers as follows:

100-199 Assets and Other Debits.  
200-299 Liabilities and Other Credits.  
300-399 Plant Accounts.  
400-432, 434-435 Income Accounts.  
433, 436-439 Retained Earnings Accounts.  
480-499 Revenue Accounts.  
700-899 Production, Transmission and Distribution Expenses.

900-949 Customer Accounts, Customer Service and Informational, Sales and General and Administrative Expenses.

B. In certain instances, numbers have been skipped in order to allow for possible later expansion or to permit better coordination with the numbering system for other utility departments.

C. The numbers prefixed to account titles are to be considered as part of the titles. Each utility, however, may adopt for its own purposes a different system of account numbers (See also general instruction 2D) provided that the numbers herein prescribed shall appear in the descriptive headings of the ledger accounts and in the various sources of original entry; however, if a utility uses a different group of account numbers and it is not practicable to show the prescribed account numbers in the various sources of original entry, such reference to the prescribed account numbers may be omitted from the various sources of original entry. Moreover, each utility using different account numbers for its own purposes shall keep readily available a list of such account numbers which it uses and a reconciliation of such account numbers with the account numbers provided herein. It is intended that the utility's records shall be so kept as to permit ready analysis by prescribed accounts (by direct reference to sources of original entry to the extent practicable) and to permit preparation of financial and operating statements directly from such records at the end of each accounting period according to the prescribed accounts.

4. *Accounting period.* Each utility shall keep its books on a monthly basis so that for each month all transactions applicable thereto, as nearly as may be ascertained, shall be entered in the books of the utility. Amounts applicable or assignable to specific utility departments shall be so segregated monthly. Each utility shall close its books at the end of each calendar year unless otherwise authorized by the Commission.

5. *Submittal of questions.* To maintain uniformity of accounting, utilities shall submit questions of doubtful interpretation to the Commission for consideration and decision.

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

7. *Extraordinary items.* It is the intent that net income shall reflect all items of profit and loss during the period with the exception of prior period adjustments as described in paragraph 7.1 and long-term debt as described in paragraph 17 below. Those items related to the effects of events and transactions which have occurred during the current period and which are of unusual nature and infrequent occurrence shall be considered extraordinary items. Accordingly, they will be events and transactions of significant effect which are abnormal and significantly different from the ordinary and typical activities of the company, and which would not reasonably be expected to recur in the foreseeable future. (In determining significance, items should be considered individually and not in the aggregate. However, the effects of a series of related transactions arising from a single specific and identifiable event or plan of action should be considered in the aggregate.) To be considered as extraordinary under the above guidelines, an item should be more than approximately 5 percent of income, computed before extraordinary items. Commission approval must be obtained to treat an item of less than 5 percent, as extraordinary. (See accounts 434 and 435.)

7.1 *Prior period items.* A. Items of profit and loss related to the following shall be accounted for as prior period adjustments and excluded from the determination of net income for the current year.

- (1) Correction of an error in the financial statements of a prior year.
- (2) Adjustments that result from realization of income tax benefits of pre-

acquisition operating loss carryforwards of purchased subsidiaries.

B. All other items of profit and loss recognized during the year shall be included in the determination of net income for that year.

8. *Unaudited items.* Whenever a financial statement is required by the Commission, if it is known that a transaction has occurred which affects the accounts but the amount involved in the transaction and its effect upon the accounts cannot be determined with absolute accuracy, the amount shall be estimated and such estimated amount included in the proper accounts. The utility is not required to anticipate minor items which would not appreciably affect the accounts.

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

10. *Payroll distribution.* Underlying accounting data shall be maintained so that the distribution of the cost of labor charged direct to the various accounts will be readily available. Such underlying data shall permit a reasonably accurate distribution to be made of the cost of labor charged initially to clearing accounts so that the total labor cost may be classified among construction, cost of removal, gas operating functions (manufactured gas production, natural gas production and gathering, products extraction, underground storage, transmission, distribution, etc.), and nonutility operations.

11. *Accounting to be on accrual basis.* A. The utility is required to keep its accounts on the accrual basis. This requires the inclusion in its accounts of all known transactions of appreciable amount which affect the accounts. If bills covering such transactions have not been received or rendered, the

amounts shall be estimated and appropriate adjustments made when the bills are received.

B. When payments are made in advance for items such as insurance, rents, taxes or interest, the amount applicable to future periods shall be charged to account 165, Prepayments, and spread over the periods to which applicable by credits to account 165, and charges to the accounts appropriate for the expenditure.

12. *Records for each plant.* A. Separate records shall be maintained by gas plant accounts of the book cost of each plant owned, including additions by the utility to plant leased from others, and of the cost of operating and maintaining each plant owned or operated. The term "plant," as here used, means each manufactured gas production plant, the wells and gathering lines of each distinct production area, each system of interconnected transmission mains, each system of wells and lines of an underground storage project, each large purification or dehydration plant, each compressor station, other than a distribution compressor station, and each products extraction plant.

B. A natural gas company may, with the approval of the Commission, group certain of its systems of gathering lines and wells, small compressor stations, systems of underground storage lines and wells, and systems of interconnected transmission mains for the purpose of complying with the portion of this instruction requiring a segregation of the cost of operating and maintaining each plant.

NOTE A: Where manufactured gas is produced by two or more processes at one location, each process shall be accounted for separately.

NOTE B: Each natural gas company shall maintain operating or accounting records for each well showing (a) acreage on which drilled, (b) dates of drilling period, (c) cost of drilling, (d) depth of well, (e) particulars and depth of each stratum drilled through, (f) geological formation from which gas is obtained, (g) initial rock pressure and open flow capacity, (h) sizes of casing used and the lengths of each size, (i) total cost of well as recorded in gas plant accounts, (j) date well abandoned, for wells once productive, (k) date transferred to underground storage plant, for wells converted to storage use, and (l) date drilling discontinued, for wells determined to be nonproductive. The foregoing

data, as appropriate, shall also be maintained for each subsequent change in the depth of each well.

13. *Accounting for other departments.* If the utility also operates other utility departments, such as electric, water, etc., it shall keep such accounts for the other departments as may be prescribed by proper authority and in the absence of prescribed accounts, it shall keep such accounts as are proper or necessary to reflect the results of operating each such department. It is not intended that proprietary and similar accounts which apply to the utility as a whole shall be departmentalized.

14. *Transactions with associated companies.* Each utility shall keep its accounts and records so as to be able to furnish accurately and expeditiously statements of all transactions with associated companies. The statements may be required to show the general nature of the transactions, the amounts involved therein and the amounts included in each account prescribed herein with respect to such transactions. Transactions with associated companies shall be recorded in the appropriate accounts for transactions of the same nature. Nothing herein contained, however, shall be construed as restraining the utility from subdividing accounts for the purpose of recording separately transactions with associated companies.

15. *Contingent assets and liabilities.* Contingent assets represent a possible source of value to the utility contingent upon the fulfillment of conditions regarded as uncertain. Contingent liabilities include items which may under certain conditions become obligations of the utility but which are neither direct nor assumed liabilities at the date of the balance sheet. The utility shall be prepared to give a complete statement of significant contingent assets and liabilities (including cumulative dividends on preference stock) in its annual report and at such other times as may be requested by the Commission.

16. [Reserved]

17. *Long-term debt: Premium, discount and expense, and gain or loss on reacquisition—* A. *Premium, discount and expense.* A separate premium, discount



and expense account shall be maintained for each class and series of long-term debt (including receivers' certificates) issued or assumed by the utility. The premium will be recorded in account 225, Unamortized Premium on Long-Term Debt, the discount will be recorded in account 226, Unamortized Discount on Long-Term Debt—Debit, and the expense of issuance shall be recorded in account 181, Unamortized Debt Expense.

The premium, discount and expense shall be amortized over the life of the respective issues under a plan which will distribute the amounts equitably over the life of the securities. The amortization shall be on a monthly basis, and amounts thereof relating to discount and expense shall be charged to account 428, Amortization of Debt Discount and Expense. The amounts relating to premium shall be credited to account 429, Amortization of Premium on Debt—Credit.

B. *Reacquisition, without refunding.* When long-term debt is reacquired or redeemed without being converted into another form of long-term debt and when the transaction is not in connection with a refunding operation (primarily redemptions for sinking fund purposes), the difference between the amount paid upon reacquisition and the face value; plus any unamortized premium less any related unamortized debt expense and reacquisition costs; or less any unamortized discount, related debt expense and reacquisition costs applicable to the debt redeemed, retired and canceled, shall be included in account 189, Unamortized Loss on Reacquired Debt, or account 257, Unamortized Gain on Reacquired Debt, as appropriate. The utility shall amortize the recorded amounts equally on a monthly basis over the remaining life of the respective security issues (old original debt). The amounts so amortized shall be charged to account 428.1, Amortization of Loss on Reacquired Debt, or credited to account 429.1, Amortization of Gain on Reacquired Debt—Credit, as appropriate.

C. *Reacquisition, with refunding.* When the redemption of one issue or series of bonds or other long-term obligations is financed by another issue or series before the maturity date of the first

issue, the difference between the amount paid upon refunding and the face value; plus any unamortized premium less related debt expense or less any unamortized discount and related debt expense, applicable to the debt refunded, shall be included in account 189, Unamortized Loss on Reacquired Debt, or account 257, Unamortized Gain on Reacquired Debt, as appropriate. The utility may elect to account for such amounts as follows:

(1) Write them off immediately when the amounts are insignificant.

(2) Amortize them by equal monthly amounts over the remainder of the original life of the issue retired, or

(3) Amortize them by equal monthly amounts over the life of the new issue.

Once an election is made, it shall be applied on a consistent basis. The amounts in (1), (2), or (3) above shall be charged to account 428.1, Amortization of Loss on Reacquired Debt, or credited to account 429.1, Amortization of Gain on Reacquired Debt—Credit, as appropriate.

D. Under methods (2) and (3) above, the increase or reduction in current income taxes resulting from the reacquisition should be apportioned over the remainder of the original life of the issue retired or over the life of the new issue, as appropriate, as directed more specifically in paragraphs E and F below.

E. When the utility recognizes the loss in the year of reacquisition as a tax deduction, account 410.1, Provision for Deferred Income Taxes, Utility Operating Income, shall be debited and account 283, Accumulated Deferred Income Taxes—Other, shall be credited with the amount of the related tax effect, such amount to be allocated to the periods affected in accordance with the provisions of account 283.

F. When the utility chooses to recognize the gain in the year of reacquisition as a taxable gain, account 411.1, Provision for Deferred Income Taxes—Credit, Utility Operating Income, shall be credited and account 190, Accumulated Deferred Income Taxes, shall be debited with the amount of the related tax effect, such amount to be allocated to the periods affected in accordance with the provisions of account 190.

G. When the utility chooses to use the optional privilege of deferring the tax on the gain attributable to the reacquisition of debt by reducing the depreciable basis of utility property for tax purposes, pursuant to Section 108 of the Internal Revenue Code, the related tax effects shall be deferred as the income is recognized for accounting purposes, and the deferred amounts shall be amortized over the life of the associated property on a vintage year basis. Account 410.1, Provision for Deferred Income Taxes, Utility Operating Income, shall be debited, and account 282, Accumulated Deferred Income Taxes—Other Property, shall be credited with an amount equal to the estimated income tax effect applicable to the portion of the income, attributable to reacquired debt, recognized for accounting purposes during the period. Account 282 shall be debited and account 411.1, Provision for Deferred Income Taxes—Credit, Utility Operating Income, shall be credited with an amount equal to the estimated income tax effects, during the life of the property, attributable to the reduction in the depreciable basis for tax purposes.

H. The tax effects relating to gain or loss shall be allocated as above to utility operations except in cases where a portion of the debt reacquired is directly applicable to nonutility operations. In that event, the related portion of the tax effects shall be allocated to nonutility operations. Where it can be established that reacquired debt is generally applicable to both utility and nonutility operations, the tax effects shall be allocated between utility and nonutility operations based on the ratio of net investment in utility plant to net investment in non-utility plant.

I. Premium, discount, or expense on debt shall not be included as an element in the cost of construction or acquisition of property (tangible or intangible), except under the provisions of account 432, Allowance for Borrowed Funds Used During Construction—Credit.

J. *Alternate method.* Where a regulatory authority or a group of regulatory authorities having prime rate jurisdiction over the utility specifically disallows the rate principle of

amortizing gains or losses on reacquisition of long-term debt without refunding, and does not apply the gain or loss to reduce interest charges in computing the allowed rate of return for rate purposes, then the following alternate method may be used to account for gains or losses relating to reacquisition of long-term debt, with or without refunding.

(1) The difference between the amount paid upon reacquisition of any long-term debt and the face value, adjusted for unamortized discount, expenses or premium, as the case may be, applicable to the debt redeemed shall be recognized currently in income and recorded in account 421, Miscellaneous Nonoperating Income, or account 426.5, Other Deductions.

(2) When this alternate method of accounting is used, the utility shall include a footnote to each financial statement, prepared for public use, explaining why this method is being used along with the treatment given for ratemaking purposes.

18. *Comprehensive interperiod income tax allocation.* A. Where there are timing differences between the periods in which transactions affect taxable income and the periods in which they enter into the determination of pretax accounting income, the income tax effects of such transactions are to be recognized in the periods in which the differences between book accounting income and taxable income arise and in the periods in which the differences reverse using the deferred tax method. In general, comprehensive interperiod tax allocation should be followed whenever transactions enter into the determination of pretax accounting income for the period even though some transactions may affect the determination of taxes payable in a different period, as further qualified below.

B. Utilities are not required to utilize comprehensive interperiod income tax allocation until the deferred income taxes are included as an expense in the rate level by the regulatory authority having rate jurisdiction over the utility. Where comprehensive interperiod tax allocation accounting is not practiced the utility shall include as a note to each financial statement, prepared for public use, a footnote explanation

setting forth the utility's accounting policies with respect to interperiod tax allocation and describing the treatment for ratemaking purposes of the tax timing differences by regulatory authorities having rate jurisdiction.

C. Should the utility be subject to more than one agency having rate jurisdiction, its accounts shall appropriately reflect the ratemaking treatment (deferral or flow through) of each jurisdiction.

D. Once comprehensive interperiod tax allocation has been initiated either in whole or in part it shall be practiced on a consistent basis and shall not be changed or discontinued without prior Commission approval.

E. Tax effects deferred currently will be recorded as deferred debits or deferred credits in accounts 190, Accumulated Deferred Income Taxes, 281, Accumulated Deferred Income Taxes—Accelerated Amortization Property, 282, Accumulated Deferred Income Taxes—Other Property, and 283, Accumulated Deferred Income Taxes—Other, as appropriate. The resulting amounts recorded in these accounts shall be disposed of as prescribed in this system of accounts or as otherwise authorized by the Commission.

19. *Criteria for classifying leases.* A. If at its inception a lease meets one or more of the following criteria, the lease shall be classified as a capital lease. Otherwise, it shall be classified as an operating lease.

(1) The lease transfers ownership of the property to the lessee by the end of the lease term.

(2) The lease contains a bargain purchase option.

(3) The lease term is equal to 75 percent or more of the estimated economic life of the leased property. However, if the beginning of the lease term falls within the last 25 percent of the total estimated economic life of the lease property, including earlier years of use, this criterion shall not be used for purposes of classifying the lease.

(4) the present value at the beginning of the lease term of the minimum lease payments, excluding that portion of the payments representing executory costs such as insurance, maintenance, and taxes to be paid by the lessor, including any profit thereon, equals or

exceeds 90 percent of the excess of the fair value of the leased property to the lessor at the inception of the lease over any related investment tax credit retained by the lessor and expected to be realized by the lessor. However, if the beginning of the lease term falls within the last 25 percent of the total estimated economic life of the lease property, including earlier years of use, this criterion shall not be used for purposes of classifying the lease. The lessee utility shall compute the present value of the minimum lease payments using his incremental borrowing rate, unless (a) it is practicable for the utility to learn the implicit rate computed by the lessor, and (b) the implicit rate computed by the lessor is less than the lessee's incremental borrowing rate. If both of those conditions are met, the lessee shall use the implicit rate.

B. If at any time the lessee and lessor agree to change the provisions of the lease, other than by renewing the lease or extending its term, in a manner that would have resulted in a different classification of the lease under the criteria in paragraph A had the changed terms been in effect at the inception of the lease, the revised agreement shall be considered as a new agreement over its term, and the criteria in paragraph A shall be applied for purposes of classifying the lease. Likewise, any action that extends the lease beyond the expiration of the existing lease term, such as the exercise of a lease renewal option other than those already included in the lease term, shall be considered as a new agreement, and shall be classified according to the above provisions. Changes in estimates (for example, changes in estimates of the economic life or of the residual value of the leased property) or changes in circumstances (for example, default by the lessee), shall not give rise to a new classification of a lease for accounting purposes.

20. *Accounting for leases.* A. All leases shall be classified as either capital or operating leases. The accounting for capitalized leases is effective January 1, 1984, except for the retroactive classification of certain leases which, in accordance with FASB No. 71, will not be required to be capitalized until after a three year transition period. For the

purpose of reporting to the FERC, the transition period shall be deemed to end December 31, 1986.

B. The utility shall record a capital lease as an asset in account 101.1, Property under Capital Leases (or account 121, Non-utility Property, if appropriate), and an obligation in account 227, Obligations under Capital Leases—Noncurrent, or account 243, Obligations under Capital Leases—Current, at an amount equal to the present value at the beginning of the lease term of minimum lease payments during the lease term, excluding that portion of the payments representing executory costs such as insurance, maintenance, and taxes to be paid by the lessor, together with any profit thereon. However, if the amount so determined exceeds the fair value of the leased property at the inception of the lease, the amount recorded as the asset and obligation shall be the fair value.

C. The utility, as a lessee, shall recognize an asset retirement obligation (See General Instruction 24) arising from the plant under a capital lease unless the obligation is recorded as an asset and liability under a capital lease. The utility shall record the asset retirement cost by debiting account 101.1, Property under capital leases, or account 121, Nonutility property, as appropriate, and crediting the liability for the asset retirement obligation in account 230, Asset retirement obligations. Asset retirement costs recorded in account 101.1 or account 121 shall be amortized by charging rent expense (See Operating Expense Instruction 3) or account 421, Miscellaneous nonoperating income, as appropriate, and crediting a separate subaccount of the account in which the asset retirement costs are recorded. Charges for the periodic accretion of the liability in account 230, Asset retirement obligations, shall be recorded by a charge to account 411.10, Accretion expense, for gas utility plant, and account 421, Miscellaneous nonoperating income, for nonutility plant and a credit to account 230, Asset retirement obligations.

D. Rental payments on all leases shall be charged to rent expense, fuel expense, construction work in progress,

or other appropriate accounts as they become payable.

E. For a capital lease, for each period during the lease term, the amounts recorded for the asset and obligation shall be reduced by an amount equal to the portion of each lease payment which would have been allocated to the reduction of the obligation, if the payment had been treated as a payment on an installment obligation (liability) and allocated between interest expense and a reduction of the obligation so as to produce a constant periodic rate of interest on the remaining balance.

21. *Gas well records.* Each utility with natural gas operations shall maintain operating or accounting records for each well showing: (a) Acreage on which drilled, (b) dates of drilling period, (c) cost of drilling, (d) depth of well, (e) particulars and depth of each stratum drilled through, (f) geological formation from which gas is obtained, (g) initial rock pressure and open flow capacity, (h) sizes of casing used and lengths of each size, (i) total cost of well as recorded in gas plant accounts, (j) date well abandoned, for wells once productive, (k) date transferred to underground storage plant, for wells converted to storage use, and (l) date drilling discontinued, for wells determined to be nonproductive. The foregoing data, as appropriate, shall also be maintained for each subsequent change in the depth of each well.

22. *Accounting for other comprehensive income.*

A. Utilities shall record items of other comprehensive income in account 219, accumulated other comprehensive income. Amounts included in this account shall be maintained by each category of other comprehensive income. Examples of categories of other comprehensive income include, foreign currency items, minimum pension liability adjustments, unrealized gains and losses on available-for-sale type securities and cash flow hedge amounts. Supporting records shall be maintained for account 219 so that the company can readily identify the cumulative amount of other comprehensive income for each item included in this account.

B. When an item of other comprehensive income enters into the determination of net income in the current or subsequent periods, a reclassification adjustment shall be recorded in account 219 to avoid double counting of that amount.

C. When it is probable that an item of other comprehensive income will be included in the development of cost of service rates in subsequent periods, that amount of unrealized losses or gains shall be recorded in accounts 182.3 or 254 as appropriate.

23. *Accounting for derivative instruments and hedging activities.*

A. Utilities shall recognize derivative instruments as either assets or liabilities in the financial statements and measure those instruments at fair value, except those falling within recognized exceptions, the most common of which being the normal purchases and sales scope exception. Normal purchases or sales are contracts that provide for the purchase or sale of goods that will be delivered in quantities expected to be used or sold by the utility over a reasonable period in the normal course of business. A derivative instrument is a financial instrument or other contract with all three of the following characteristics:

(1) It has one or more underlyings and a notional amount or payment provision. Those terms determine the amount of the settlement or settlements, and, in some cases, whether or not a settlement is required.

(2) It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have similar response to changes in market factors.

(3) Its terms require or permit net settlement, can readily be settled net by a means outside the contract, or provides for delivery of an asset that puts the recipient in a position not substantially different from net settlement.

B. The accounting for the changes in the fair value of derivative instruments depends upon its intended use and designation. Changes in the fair value of derivative instruments not designated as fair value or cash flow hedges will be recorded in account 175, derivative in-

strument assets, or account 244, derivative instrument liabilities, as appropriate, with the gains recorded in account 421, miscellaneous nonoperating income, and losses recorded in account 426.4, other deductions.

C. A derivative instrument may be specifically designated as a fair value or cash flow hedge. A hedge may be used to manage risk to price, interest rates, or foreign currency transactions. Utilities shall maintain documentation of the hedge relationship at the inception of the hedge that details the risk management objective and strategy for undertaking the hedge, the nature of the risk being hedged, and how hedge effectiveness will be determined.

D. If the utility designates the derivative instrument as a fair value hedge against exposure to changes in the fair value of a recognized asset, liability, or a firm commitment, it will record the change in fair value of the derivative instrument to account 176, derivative instrument assets—hedges, or account 245, derivative instrument liabilities—hedges, as appropriate, with a corresponding adjustment to the sub-account of the item being hedged. The ineffective portion of the hedge transaction shall be reflected in the same income or expense account that will be used when the hedged item enters into the determination of net income. In the case of a fair value hedge of a firm commitment a new asset or liability is created. As a result of the hedge relationship, the new asset or liability will become part of the carrying amount of the item being hedged.

E. If the utility designates the derivative instrument as a cash flow hedge against exposure to variable cash flows of a probable forecasted transaction, it shall record changes in the fair value of the derivative instrument in account 176, derivative instrument assets—hedges, or account 245, derivative instrument liabilities—hedges, as appropriate, with a corresponding amount in account 219, accumulated other comprehensive income, for the effective portion of the hedge. The ineffective portion of the hedge transaction shall be reflected in the same income or expense account that will be used when

the hedged item enters into the determination of net income. Amounts recorded in other comprehensive income shall be reclassified into earnings in the same period or periods that the hedged forecasted item enters into the determination of net income.

**24. Accounting for asset retirement obligations.**

A. An *asset retirement obligation* represents a liability for the legal obligation associated with the retirement of a tangible long-lived asset that a utility is required to settle as a result of an existing or enacted law, statute, ordinance, or written or oral contract or by legal construction of a contract under the doctrine of promissory estoppel. An *asset retirement cost* represents the amount capitalized when the liability is recognized for the long-lived asset that gives rise to the legal obligation. The amount recognized for the liability and an associated asset retirement cost shall be stated at the fair value of the asset retirement obligation in the period in which the obligation is incurred.

B. The utility shall initially record a liability for an asset retirement obligation in account 230, Asset retirement obligations, and charge the associated asset retirement costs to gas utility plant and nonutility plant, as appropriate, related to the plant that gives rise to the legal obligation. The asset retirement cost shall be depreciated over the useful life of the related asset that gives rise to the obligations. For periods subsequent to the initial recording of the asset retirement obligation, a utility shall recognize the period to period changes of the asset retirement obligation that result from the passage of time due to the accretion of the liability and any subsequent measurement changes to the initial liability for the legal obligation recorded in account 230, Asset retirement obligations, as follows:

(1) The utility shall record the accretion of the liability by debiting account 411.10, Accretion expense, for gas utility plant, account 413, Expenses of gas plant leased to others, for gas plants leased to others, and account 421, Miscellaneous nonoperating income, for nonutility plant and cred-

iting account 230, Asset retirement obligations; and

(2) The utility shall recognize any subsequent measurement changes of the liability initially recorded in account 230, Asset retirement obligations, for each specific asset retirement obligation as an adjustment of that liability in account 230 with the corresponding adjustment to gas utility plant, gas plant leased to others, and nonutility plant, as appropriate. The utility shall on a timely basis monitor any measurement changes of the asset retirement obligations.

C. Gains or losses resulting from the settlement of asset retirement obligations associated with utility plant resulting from the difference between the amount of the liability for the asset retirement obligation included in account 230, Asset retirement obligations, and the actual amount paid to settle the obligation shall be accounted for as follows:

(1) Gains shall be credited to account 411.6, Gains from disposition of utility plant, and;

(2) Losses shall be charged to account 411.7, Losses from disposition of utility plant.

D. Gains or losses on the settlement of the asset retirement obligations associated with nonutility plant resulting from the difference between the amount of the liability for the asset retirement obligation in account 230, Asset retirement obligations, and the amount paid to settle the obligation, shall be accounted for as follows:

(1) Gains shall be credited to account 421, Miscellaneous nonoperating income, and;

(2) Losses shall be charged to account 426.5, Other deductions.

E. Separate subsidiary records shall be maintained for each asset retirement obligation showing the initial liability and associated asset retirement cost, any incremental amounts of the liability incurred in subsequent reporting periods for additional layers of the original liability and related asset retirement cost, the accretion of the liability, the subsequent measurement changes to the asset retirement obligation, the depreciation and amortization of the asset retirement costs and related accumulated depreciation, and

the settlement date and actual amount paid to settle the obligation. For purposes of analyses a utility shall maintain supporting documentation so as to be able to furnish accurately and expeditiously with respect to each asset retirement obligation the full details of the identity and nature of the legal obligation, the year incurred, the identity of the plant giving rise to the obligation, the full particulars relating to each component and supporting computations related to the measurement of the asset retirement obligation.

#### Gas Plant Instructions

1. *Classification of gas plant at the effective date of the system of accounts.*

A. The gas plant accounts provided herein are generally the same as those contained in the prior system of accounts except for some changes in classification in the general equipment 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 gas plant accounts (301 to 399, inclusive) shall be stated on the basis of cost to the utility 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 gas plant after giving effect to any accumulated provision for depreciation, depletion, or amortization shall be recorded in account 114, Gas Plant Acquisition Adjustments. The original cost of gas plant shall be de-

termined by analysis of the utility's records or those of the predecessor or vendor companies with respect to gas plant previously acquired as operating units or systems and the differences between the original cost so determined, less accumulated provisions for depreciation, depletion and amortization, and the cost to the utility, with necessary adjustments for retirements from the date of acquisition, shall be entered in account 114, Gas Plant Acquisition Adjustments. Any difference between the cost of gas plant and its book cost, when not properly includable in other accounts, shall be recorded in account 116, Other Gas Plant Adjustments.

D. Plant acquired by lease which qualifies as capital lease property under General Instruction 19. *Criteria for Classifying Leases*, shall be recorded in Account 101.1, Property under Capital Leases.

2. *Gas plant to be recorded at cost.* A. All amounts included in the accounts for gas 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 gas plant shall be included in the accounts at the cost incurred by the utility, except for property acquired by lease which qualifies as capital lease property under General Instruction 19. *Criteria for Classifying Leases*, and is recorded in Account 101.1, Property under Capital Leases. Where the term "cost" is used in the detailed plant accounts, it shall have the meaning stated in this paragraph.

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, definition 8.) 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 gas plant accounts for interest, insurance, or

other expenditures occasioned solely by such form of payment.

D. The gas plant accounts shall not include the cost or other value of gas plant contributed to the company. Contributions in the form of money or its equivalent toward the construction of gas plant shall be credited to the accounts charged with the cost of such construction. Plant constructed from contributions of cash or its equivalent shall be shown as a reduction to gross plant constructed when assembling cost data in work orders for posting to plant ledger of accounts. The accumulated gross costs of plant accumulated in the work order shall be recorded as a debit in the plant ledger of accounts along with the related amount of contributions concurrently being recorded as a credit.

3. *Components of construction cost.* A. The cost of construction properly includable in the gas 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, \$500 or less) or of short life, including small portable tools and implements, shall not be charged to utility 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 item 5 following.)

(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 item 3, above.) 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, defalcation of employees and agents, and the non-performance of contractual obligations of others. It does not include workmen's compensation or similar insurance on employees included as "labor" in item 2, above.

(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, item 7, and in injuries and damages, item 8.

(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.

(17) "Allowance for funds used during construction" includes the net cost for the period of construction of borrowed funds used for construction purposes and a reasonable rate on other funds when so used, not to exceed without prior approval of the Commission allowances computed in accordance with the formula prescribed in paragraph (a) below, except when such other funds are used for exploration and development or leases acquired after October 7, 1969, no allowance on such other funds shall be included in these accounts. No allowance for funds used during construction charges shall be included in these accounts upon expenditures for construction projects which have been abandoned.

(a) The formula and elements for the computation of the allowance for funds used during construction shall be:

$$A_i = s \left( \frac{S}{W} \right) + d \left( \frac{D}{D+P+C} \right) \left( 1 - \frac{S}{W} \right)$$

$$A_e = \left[ 1 - \frac{S}{W} \right] \left[ p \left( \frac{P}{D+P+C} \right) + c \left( \frac{C}{D+P+C} \right) \right]$$

$A_i$  = Gross allowance for borrowed funds used during construction rate.

$A_e$  = Allowance for other funds used during construction rate.

*S*=Average short-term debt.  
*s*=Short-term debt interest rate.  
*D*=Long-term debt.  
*d*=Long-term debt interest rate.  
*P*=Preferred stock.  
*p*=Preferred stock cost rate.  
*C*=Common equity.  
*c*=Common equity cost rate.  
*W*=Average balance in construction work in progress less asset retirement costs (See General Instruction 24) related to plant under construction.

(b) The rates shall be determined annually. The balances for long-term debt, preferred stock and common equity shall be the actual book balances as of the end of the prior year. The cost rates for long-term debt and preferred stock shall be the weighted average cost determined in the manner indicated in subpart D of part 154 of the Commission's Regulations Under the Natural Gas Act. The cost rate for common equity shall be the rate granted common equity in the last rate proceeding before the ratemaking body having primary rate jurisdiction. If such cost rate is not available, the average rate actually earned during the preceding three years shall be used. The short-term debt balances and related cost and the average balance for construction work in progress shall be estimated for the current year with appropriate adjustments as actual data becomes available.

NOTE: 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 the property placed in operation, or ready for service, shall be treated as "Gas Utility Plant" and allowance for funds used during construction thereon as a charge to construction shall cease. Allowance for funds used during construction on that part of the cost of the plant which is incomplete may be continued as a charge to construction until such time as it is placed in operation or is ready for service, except as limited in item 17, above.

(18) "Earnings and expenses during construction" includes (a) all revenues derived during the construction period from property which is included in the cost of a project under construction and (b) all expenses which are attributable to the revenues received.

(19) "Training costs". When it is necessary that employees be trained to operate or maintain plant facilities that

are being constructed and such facilities are not conventional in nature or are new to the company's operations, these costs may be capitalized as a component of construction cost. Once plant is placed in service, the capitalization of training costs shall cease, and subsequent training costs shall be expensed. (See Operating Expense Instruction 4.)

(20) "Line pack gas." Line pack includes the first cost of that quantity of gas introduced into the utility's system necessary to bring the system up to its designed operating capacity or increases therein and which must be maintained in the system in order to sustain such design operating capacity.

(21) LNG "heel" is the first cost of that minimum quantity of liquefied natural gas necessary to be retained in holding tanks and other facilities for purposes of temperature and/or pressure maintenance.

(22) "Studies" includes the costs of studies such as operational, safety or environmental studies relative to plant under construction. Studies mandated by regulatory bodies relative to facilities in service, shall be charged to Account 183.2, Other Preliminary Survey and Investigation Charges.

(23) "Asset retirement costs." The costs recognized as a result of asset retirement obligations incurred during the construction and testing of utility plant shall constitute a component of construction costs.

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 pay roll 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 record 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 bases of distribution of such costs.

5. *Gas plant purchased or sold.* A. When gas 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 gas plant, shall be charged to account 102, Gas 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, Gas Plant Purchased or Sold, and concurrently charged to the appropriate gas plant in service accounts and to account 104, Gas Plant Leased to Others, account 105, Gas Plant Held for Future Use, 105.1, Production Properties Held for Future Use, and account 107, Construction Work in Progress—Gas, as appropriate.

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

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

(4) The amount remaining in account 102, Gas Plant Purchased or Sold, shall

then be closed to account 114, Gas Plant Acquisition Adjustments.

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 a 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 gas 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 gas 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, Gas Plant Acquisition Adjustments. The amounts (estimated if not known) carried with respect thereto in the accounts for accumulated provision for depreciation, depletion, and amortization and in account 252, Customer Advances for Construction, shall be charged to such accounts and the contra entries made to account 102, Gas Plant Purchased or Sold. Unless otherwise ordered by the Commission, the difference, if any, between (a) the net amount of debits and credits and (b) 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 account 421.2, Loss on Disposition of Property. (See

account 102, Gas 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 of 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.

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 gas 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 404.3, Amortization of Other Limited-Term Gas 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. The provisions of this paragraph are applicable to property leased under either capital leases or operating leases.

B. If 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 the rent is included, either directly or by amortization thereof.

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, rights-of-way, natural gas rights, and other like interests in land. Do not include in the accounts for land and land rights and rights-of-way costs incurred in connection with first clearing and grading of 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 improvement 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, cord wood, sand, gravel, other resources or other property acquired with the rights-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, Gas Plant Held for Future Use, account 105.1, Production Properties 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 each land right, or gas right (except rights-of-way for distribution mains), 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 gas operations but for a purpose differing from that for which the land is chiefly employed; for example, a small storehouse on production plant land.

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 411.6, Gains from Disposition of Utility Plant or 411.7, Losses from Disposition of Utility Plant when such property has been recorded in account 105, Gas Plant Held for Future Use, 105.1, Production Properties Held for Future Use, otherwise to account 421.1, Gain on Disposition of Property or 421.2, Loss on Disposition of Property, as appropriate, unless a reserve therefor 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 utility 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 gas 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, Gas Plant Held for Future Use or, account 121, Nonutility Property, as appropriate. Regarding land and land rights held for the production of natural gas, account 101, Gas Plant in Service, shall include (1) the cost of lands owned in fee upon which producing natural gas wells are located on lands owned in fee which are being drained through the operation by the utility of wells on the other land, and (2) the first cost of lands held under lease upon which the utility pays royalties for the natural gas obtained therefrom. The cost of all other land and land rights held for the production of natural gas under a plant for such use shall be included in account 105, Gas Plant Held for Future Use, or 105.1, Production Properties Held for Future Use, as appropriate.

NOTE: In addition to the accounting records prescribed herein, supplemental records of land and land rights held for future use shall be kept in such manner as to permit the segregation within a reasonable time of the land and land rights constituting (1) productive but nonproducing fields, (2) unproven or undeveloped fields, and (3) storage fields, and to show the following data with respect to each natural gas lease, regardless of the accounting treatment accorded the lease costs; (a) name of lessor, (b) location of leasehold and number or other identification assigned thereto, (c) date and period of lease agreement, (d) first cost of lease including details of the elements of such cost, (e) annual rental provisions, (f) date and cost of drilling, (g) date gas determined to exist, (h) date of completion of first well drilled by the utility in each pool of gas, (i) royalty provisions, (j) amortization and depletion provisions, and (k) date of abandonment of lease.

H. Provision shall be made for amortizing amounts carried in the accounts for limited-term interests in land, so as to apportion equitably the cost of each interest over the life thereof. For the purposes of amortization of natural gas rights, separate interests in land which comprise an interest in a production area may be grouped to form a depletion unit. (See account 111, Accumulated Provision for Amortization and Depletion of Gas Utility Plant, account 404.1, Amortization and Depletion of Producing Natural Gas Land and Land Rights, account 404.3, Amortization of Other Limited-Term Gas Plant, and account 797, Abandonment, leases.)

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. [Reserved]
4. Condemnation proceedings, including court and counsel costs.
5. Consents and abutting damages, payment for.
6. Conveyancers' and notaries' fees.
7. Fees, commissions, and salaries to brokers, agents, and others in connection with the acquisition of the land or land rights.
8. [Reserved]
9. Leases, cost of voiding upon purchase to secure possession of land.
10. 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.
11. Retaining walls unless identified with structures.
12. Special assessments levied by public authorities for public improvements on the basis of benefits 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.
13. 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.
14. Taxes assumed, accrued to date of transfer of title.
15. Title, examining, clearing, insuring, and registering in connection with the acquisition and defending against claims relating to the period prior to the acquisition.
16. Appraisals prior to closing title.
17. Cost of dealing with distributees or legatees residing outside of the state or county, such as recording power of attorney, recording will or exemplification of will, recording satisfaction of state tax.
18. Filing satisfaction of mortgage.
19. Documentary stamps.
20. Photographs of property at acquisition.
21. Fees and expenses incurred in the acquisition of water rights, and grants.
22. 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.
23. Sidewalks and curbs constructed by the utility on public property.
24. Labor and expenses in connection with securing rights of way, where performed by company employees and company agents.

8. *Structures and improvements.* A. The accounts for structures and improvements shall include the cost 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 may be considered a part of the facility in connection with which constructed or operated and the cost thereof accounted for accordingly when the nature of the structure and facility indicates the correctness of such accounting.

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. 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: (a) 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; (b) 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.

F. 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.

G. 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 cofferdam during construction, and test borings.
16. Fences and fence curbs (not including protective fences insulating 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. Holders—Relief.
23. Intrasite communication system, poles, pole fixtures, wires and cables.
24. Landscaping, lawns, shrubbery, etc.
25. Leases, voiding upon purchase to secure possession of structures.
26. Leased property, expenditures on.
27. Lighting fixtures and outside lighting system.
28. Mailchutes when part of a building.
29. Marquee, permanently attached to building.
30. Painting, first coat.
31. Permanent paving, concrete, brick, flagstone, asphalt, etc. within the property lines.
32. Partitions, including movable.
33. Permits and privileges.
34. Platforms, railings and gratings when constructed as a part of a structure.
35. Power boards for services to a building.
36. Refrigerating systems for general use.
37. Retaining walls except when identified with land.
38. Roadways, railroads, bridges, and trestles, intrasite, except railroads provided for in equipment accounts.
39. Roofs.
40. Scales, connected to and forming a part of a structure.
41. Screens.
42. Sewer systems, for general use.
43. Sidewalks, culverts, curbs and streets constructed by the utility on its property.
44. Sprinkling systems.
45. Sump pumps and pits.
46. Stacks—brick, steel, or concrete, when set on foundation forming part of general foundation and steelwork of a building.
47. Steel inspection during construction.
48. Storage facilities constituting a part of a building.
49. Storm doors and windows.
50. Subways, areaways, and tunnels, directly connected to and forming part of a structure.
51. Tanks, constructed as part of a building or as a distinct structural unit.
52. Temporary heating during construction (net cost).
53. Temporary water connection during construction (net cost).
54. Temporary shanties and other facilities used during construction (net cost).
55. Topographical maps.
56. Tunnels, intake and discharge, when constructed as part of a structure, including sluice gates, and those constructed to house mains.
57. Vaults constructed as part of a building.
58. Watchmen's sheds and clock systems (net cost when used during construction only).
59. Water basins or reservoirs.
60. Water front improvements.
61. Water meters and supply system for a building or for general company purposes.
62. Water supply piping, hydrants and wells.

- 63. Wharves.
- 64. Window shades and ventilators.
- 65. Yard drainage system.
- 66. Yard lighting system.
- 67. 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.

9. *Equipment.* A. The cost of equipment chargeable to the gas 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, \$500 or less) or short life, unless the correctness of the accounting therefor as gas 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 production, 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 thirty 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 gas plant account.

10. *Additions and retirements of gas plant.*

A. For the purpose of avoiding undue refinement in accounting for additions to and retirements and replacements of gas plant, all property shall be considered as consisting of (1) retirement units and (2) minor items of property. Each utility shall maintain a written property units listing for use in accounting for additions and retirements of gas plant and apply the listing consistently.

B. The addition and retirement of retirement units shall be accounted for as follows:

(1) When a retirement unit is added to gas plant, the cost thereof shall be added to the appropriate gas plant account, except that when units are acquired in the acquisition of any gas plant constituting an operating system, they shall be accounted for as provided in gas plant instruction 5.

(2) When a retirement unit is retired from gas plant, with or without replacement, the book cost thereof shall be credited to the gas plant account in which it is included, determined in the manner set forth in paragraph D, below. If the retirement unit is of a depreciable class, the book cost of the unit retired and credited to gas 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.

C. The addition and retirement of minor items of property shall be accounted for as follows:

(1) When a minor item of property which did not previously exist is added to plant, the cost thereof shall be accounted for in the same manner as for the addition of a retirement unit, as set forth in paragraph B(1), above, if a substantial addition results, otherwise the charge shall be to the appropriate maintenance expense account.

(2) When a minor item of property is retired and not replaced, the book cost thereof shall be credited to the gas 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 gas plant account.

D. The book cost of gas plant retired shall be the amount at which such property is included in the gas 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. Utilities must fur-

nish the particulars of such estimates to the Commission, if requested. 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, depletion 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 411.6, Gains from Disposition of Utility Plant or 411.7, Losses from Disposition of Utility Plant when the property has been recorded in account 105, Gas Plant Held for Future Use account 105.1, Production Properties Held for Future Use, otherwise to accounts 421.1, Gain on Disposition of Property or 421.2, Loss on Disposition of Property, as appropriate. If the land is not used in utility service but is retained by the utility, the book cost shall be charged to account 105, Gas Plant Held for Future Use, or account 121, Nonutility Property as appropriate.

F. The book cost less net salvage of depreciable gas plant retired shall be charged in its entirety to account 108, Accumulated Provision for Depreciation of Gas 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.

G. The accounting for the retirement of amounts included in account 302, Franchises and Consents, and account 303, Miscellaneous Intangible Plant, and the item 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 and Depletion of Gas Utility Plant, account 404.3, Amortization of Other Limited-Term Gas Plant, and account 405, Amortization of Other Gas Plant.

11. *Work order and property record system required.* A. Each utility shall

record all construction and retirements of gas plant by means of work orders or job orders. Separate work orders may be opened for additions to and retirements of gas 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 gas plant, the total cost thereof, the source or sources of costs, and the gas 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 are classified so as to show the number and cost of the various record units or retirement units.

12. *Transfers of property.* When property is transferred from one gas plant account to another, from one utility department to another (such as from gas to electric), from one operating division or area to another, to or from account 101, Gas Plant in Service, 104, Gas Plant Leased to Others, 105, Gas Plant Held for Future Use, 105.1, Production Properties held for Future Use, and 121, Nonutility Property, 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, depletion, or amortization shall be transferred in accordance with the segregation of such accounts.

NOTE: Amounts included in account 111, Accumulated Provision for Amortization and Depletion of Gas Utility Plant, shall not be related to a particular natural gas lease, and therefore, shall not be transferred under the provisions of this instruction.

13. *Common utility plant.* A. If the utility is engaged in more than one utility service such as gas, electric, and water, 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, with the approval of the Commission, 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, Other Utility Plant, and if applicable in part to gas department, shall be segregated and accounted for in subaccounts as gas plant is accounted for in accounts 101 to 107, inclusive, and gas plant adjustments in account 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, for 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 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.

14. *Employee villages and living quarters.* Where employee villages or living quarters are provided for operators and attendants of a functional installation such as a compressor station or gasoline plant, the structures and improvements shall be classified in the related

functional structures and improvements account. The furnishings of such residential and recreational facilities shall be classified in the equipment account of the related function.

15. *Fees for applications filed with the Commission.* A. Fees for applications involving construction of property shall be accounted for as follows:

(1) All fees paid prior to the final disposition of the certificate application shall be charged to account 186, Miscellaneous Deferred Debits.

(2) If the certificate is granted and accepted, the amounts recorded in account 186 shall be cleared to account 107, Construction Work in Progress—Gas, and subsequently cleared to the appropriate plant accounts.

(3) If the certificate requested is not granted or is not accepted by the applicant, the fees recorded in account 186 shall be cleared to account 928, Regulatory Commission Expenses.

(4) All amounts paid after the Commission has granted the certificate shall be recorded in account 107, Construction Work in Progress—Gas, and subsequently cleared to the appropriate plant accounts.

B. All amounts paid related to certificate applications involving the acquisitions of facilities including those acquired by merger or pooling of interests shall be charged to account 928, Regulatory Commission Expenses.

C. All other fees for applications not involving construction or acquisition of facilities shall be charged to account 928, Regulatory Commission Expenses.

#### Operating Expense Instructions

1. *Supervision and engineering.* The supervision and engineering includible in the operating expense accounts shall consist of the pay and expenses of superintendents, engineers, clerks, other employees and consultants engaged in supervising and directing the operation and maintenance of each utility function. Wherever allocations are necessary in order to arrive at the amount to be included in any account the method and basis of allocation shall be reflected by underlying records.

#### ITEMS

*Labor:*

1. Special tests to determine efficiency of equipment operation.

2. Preparing or reviewing budgets, estimates, and drawings relating to operation or maintenance for departmental approval.

3. Preparing instructions for operations and maintenance activities.

4. Reviewing and analyzing operating results.

5. Establishing organizational setup of departments and executing changes therein.

6. Formulating and reviewing routines of departments and executing changes therein.

7. General training and instruction of employees by supervisors whose pay is chargeable hereto. Specific instruction and training in a particular type of work is chargeable to the appropriate functional account. (See Gas Plant Instruction 3(19).)

8. Secretarial work for supervisory personnel, but not general clerical and stenographic work chargeable to other accounts.

#### *Expenses:*

9. Consultants' fees and expenses.

10. Meals, traveling and incidental expenses.

2. *Maintenance.* A. The cost of maintenance chargeable to the various operating expense and clearing accounts, includes labor, materials, overheads and other expenses incurred in maintenance work. A list of work operations applicable generally to utility plant is included hereunder. Other work operations applicable to specific classes of plant are listed in functional maintenance expense accounts.

B. Materials recovered in connection with the maintenance of property shall be credited to the same account to which the maintenance cost was charged.

C. If the book cost of any property is carried in account 102, Gas Plant Purchased or Sold, the cost of maintaining such property shall be charged to the accounts for maintenance of property of the same class and use, the book cost of which is carried in other gas plant in service accounts. Maintenance of property leased from others shall be treated as provided in operating expense instruction 3.

#### ITEMS

1. Direct field supervision of maintenance.

2. Inspecting, testing, and reporting on condition of plant specifically to determine the need for repairs, replacements, rearrangements and changes and inspecting and testing the adequacy of repairs which have been made.

3. Work performed specifically for the purpose of preventing failure, restoring serviceability or maintaining life of plant.

4. Rearranging and changing the location of plant not retired.

5. Repairing for reuse materials recovered from plant.

6. Testing for, locating and clearing trouble.

7. Net cost of installing, maintaining, and removing temporary facilities to prevent interruptions in service.

8. Replacing or adding minor items of plant which do not constitute a retirement unit. (See gas plant instruction 10.)

3. *Rents.* A. The rent expense accounts provided under the several functional groups of expense accounts shall include all rents, including taxes paid by the lessee on leased property, for property used in utility operations, except (1) minor amounts paid for occasional or infrequent use of any property or equipment and all amounts paid for use of equipment that, if owned, would be includible in plant accounts 391 to 398, inclusive, which shall be treated as an expense item and included in the appropriate functional account and (2) rents which are chargeable to clearing accounts, and distributed therefrom to the appropriate account. If rents cover property used for more than one function, such as production and transmission, or by more than one department, the rents shall be apportioned to the appropriate rent expense or clearing accounts of each department on an actual, or, if necessary, an estimated basis.

B. When a portion of property or equipment rented from others for use in connection with utility operations is subleased, the revenue derived from such subleasing shall be credited to the rent revenue account in operating revenues: *Provided, however,* That in case the rent was charged to a clearing account, amounts received from subleasing the property shall be credited to such clearing account.

C. The cost, when incurred by the lessee, of operating and maintaining leased property, shall be charged to the accounts appropriate for the expense if the property were owned.

D. The cost incurred by the lessee of additions and replacements to gas plant leased from other shall be ac-

counted for as provided in gas plant instruction 6.

4. *Training costs.* When it is necessary that employees be trained to specifically operate or maintain plant facilities that are being constructed, the related costs shall be accounted for as a current operating and maintenance expense. These expenses shall be charged to the appropriate functional accounts currently as they are incurred. However, when the training costs involved relate to facilities which are not conventional in nature, or are new to the company's operations, then see Gas Plant Instruction 3(19) for accounting.

#### Balance Sheet Chart of Accounts

##### ASSETS AND OTHER DEBITS

##### 1. UTILITY PLANT

- 101 Gas plant in service.
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- 152 Fuel stock expenses undistributed.
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LIABILITIES AND OTHER CREDIT

5. PROPRIETARY CAPITAL

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- 205 Preferred stock subscribed.
- 206 Preferred stock liability for conversion.
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- 208 Donations received from stockholders.
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- 211 Miscellaneous paid-in capital.
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- 215 Appropriated retained earnings.
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- 221 Bonds.
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- 223 Advances from associated companies.
- 224 Other long-term debt.
- 225 Unamortized premium on long-term debt.
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- 227 Obligations under capital leases—noncurrent.
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- 228.2 Accumulated provision for injuries and damages.
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- 228.4 Accumulated miscellaneous operating provisions.
- 229 Accumulated provision for rate refunds.

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- 231 Notes payable.
- 232 Accounts payable.
- 233 Notes payable to associated companies.
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- 235 Customer deposits.
- 236 Taxes accrued.
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- 238 Dividends declared.
- 239 Matured long-term debt.
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- 242 Miscellaneous current and accrued liabilities.
- 243 Obligations under capital leases—current.

9. DEFERRED CREDITS

- 252 Customer advances for construction.
- 253 Other deferred credits.
- 254 Other regulatory liabilities.
- 255 Accumulated deferred investment tax credits.
- 256 Deferred gains from disposition of utility plant.

- 257 Unamortized gain on reacquired debt.
- 281 Accumulated deferred income taxes—Accelerated amortization property.
- 282 Accumulated deferred income taxes—Other property.
- 283 Accumulated deferred income taxes—Other.

#### Balance Sheet Accounts

##### 101 Gas plant in service.

A. This account shall include the original cost of gas plant, included in accounts 301 to 399 prescribed herein, owned and used by the utility in its gas operations, and having an expectation of life in service of more than one year from date of installation. Including such property owned by the utility but held by nominees. (See also account 106 for unclassified construction costs of completed plant actually in service.)

B. The cost of additions to and betterments of property leased from others, which are includible in this account, shall be recorded in subdivisions separate and distinct from those relating to owned property. (See gas plant instruction 6.)

##### 101.1 Property under capital leases.

A. This account shall include the amount recorded under capital leases for plant leased from others and used by the utility in its utility operations.

B. The gas property included in this account shall be classified separately according to the detailed accounts (301 to 399) prescribed for gas plant in service.

C. Records shall be maintained with respect to each capital lease reflecting: (1) Name of lessor, (2) basic details of lease, (3) terminal date, (4) original cost fair market value of property leased, (5) future minimum lease payments, (6) executory costs, (7) present value of minimum lease payments, (8) the amounts representing interest and the interest rate used, and (9) expenses paid. Records shall also be maintained for plant under a lease, to identify the asset retirement obligation and cost originally recognized for each lease and the periodic charges and credits made to the asset retirement obligations and asset retirement costs.

##### 102 Gas plant purchased or sold.

A. This account shall be charged with the cost of gas plant acquired as an operating unit or system by purchase, merger, consolidation, liquidation, or otherwise, and shall be credited with the selling price of like property transferred to others pending the distribution to appropriate accounts in accordance with gas plant instruction 5.

B. Within six months from the date of acquisition or sale of property recorded herein, the utility shall file with the Commission the proposed journal entries to clear from this account the amounts recorded herein.

##### 103 Experimental gas plant unclassified.

A. This account shall include the cost of gas plant which was constructed as a research, development, and demonstration project under the provisions of paragraph C, Account 107, Construction Work in Progress—Gas, and due to the nature of the plant it is desirous to operate it for a period of time in an experimental status.

B. Amounts in this account shall be transferred to Account 101, Gas Plant in Service, or Account 121, Nonutility Property, as appropriate, when the project is no longer considered as experimental. Prior to transfer to account 101 the subject plant must be certified by the Commission for use as gas plant in service.

C. The depreciation on plant in this account shall be charged to account 403, Depreciation expense, and account 403.1, Depreciation expense for asset retirement costs, as appropriate, and credited to account 108, Accumulated provision for depreciation of gas utility plant. The amounts herein shall be depreciated over a period which corresponds to the estimated useful life of the relevant project considering the characteristics involved. However, when projects are transferred to account 101, Gas plant in service, a new depreciation rate based on the remaining service life and undepreciated amounts, will be established.

D. Records shall be maintained with respect to each unit of experiment so that full details may be obtained as to the cost, depreciation, and the experimental status.

E. Should it be determined that experimental plants recorded in this account will fail to satisfactorily perform its function, the costs thereof shall be accounted for as directed or authorized by the Commission.

#### 104 Gas plant leased to others.

A. This account shall include the original cost of gas plant owned by the utility but leased to others as operating units or systems, where the lessee has exclusive possession.

B. The property included in this account shall be classified according to the detailed accounts (301 to 399) prescribed for gas plant in service and this account shall be maintained in such detail as though the property were used by the owner in its utility operations.

#### 105 Gas plant held for future use.

A. This account shall include the original cost of gas plant (except land and land rights) owned and held for future use in gas service under a definite plan for such use, to include: (1) Property acquired (except land and land rights) but never used by the utility in gas service, but held for such service in the future under a definite plan, and (2) property (except land and land rights) previously used by the utility in gas service, but retired from such service and held pending its reuse in the future, under a definite plan, in gas service. This includes production properties relating to leases acquired on or before October 7, 1969.

B. This account shall also include the original cost of land and land rights owned and held for future use in gas service relating to leases acquired on or before October 7, 1969, under a plan for such use, to include land and land rights: (1) Acquired but never used by the utility in gas service, but held for such service in the future under a plan, and (2) previously held by the utility in gas service, but retired from such service and held pending its reuse in the future under a plan, in gas service. (See Gas Plant Instruction 7.)

C. In the event that property recorded in this account shall no longer be needed or appropriate for future utility operations, the company shall request Commission approval of journal entries to remove such property

from this account when the gain realized from the sale or other disposition of the property is \$100,000 or more, prior to their being recorded. Such filings shall include the description and original cost of individual properties removed from this account, the accounts charged upon removal, and any associated gains realized upon disposition of such property.

D. Gains or losses from the sale of land and land rights or other disposition of such property previously recorded in this account and not placed in utility service shall be recorded directly in accounts 411.6 or 411.7, as appropriate, except when determined to be significant by the Commission. Upon such a determination, the amounts shall be transferred to account 256, Deferred Gains from Disposition of Utility Plant, or account 187, Deferred Losses from Disposition of Utility Plant, and amortized to accounts 411.6, Gains from Disposition of Utility Plant, or 411.7, Losses from Disposition of Utility Plant, as appropriate.

E. The property included in this account shall be classified according to the detail accounts (301 to 399) prescribed for gas plant in service and the account shall be maintained in such detail as though the property were in service.

NOTE A: Materials and supplies, meters and house regulators held in reserve, and normal spare capacity of plant in service shall not be included in this account.

NOTE B: Include in this account natural gas wells shut in after construction which have not been connected with the line; also, natural gas wells which have been connected with the line but which are shut in for any reason except seasonal excess capacity or governmental proration requirements or for repairs, provided that the related production leases were acquired on or before October 7, 1969.

NOTE C (NONMAJOR ONLY): The loss on abandonment of natural gas leases acquired after October 7, 1969, shall be charged to Account 338, Unsuccessful Exploration and Development Costs.

#### 105.1 Production properties held for future use.

A. This account shall include the cost of production properties (except land and land rights) relating to leases acquired on or after October 8, 1969,

held under a definite plan for future use to insure a future supply of natural gas for use in pipeline operations, to include: (1) Production property (except land and land rights) acquired but never used by the utility in gas service, but held for such service in the future under a definite plan, and (2) production property (except land and land rights) previously used by the utility in gas service, but retired from such service and held pending its reuse in the future, under a definite plan, in gas service.

B. This account shall also include the original cost of land and land rights held under a plan for future use to insure a future supply of natural gas for use in pipeline operations, relating to leases acquired on or after October 8, 1969, to include land and land rights: (1) Acquired but never used by the utility in gas service, but held for service in the future under a plan, and (2) previously used by the utility in gas service, but retired from such service and held pending its reuse in the future under a plan, in gas service. (See Gas Plant Instruction 7.)

C. In the event that property recorded in this account shall no longer be needed or appropriate for future utility operations, the company shall request Commission approval of journal entries to remove such property from this account when the gain realized from the sale or other disposition of the property is \$100,000 or more, prior to their being recorded. Such filings shall include the description and original cost of individual properties removed from this account, the accounts charged upon removal, and any associated gains realized upon disposition of such property.

D. Gains or losses from the sale of land and land rights or other disposition of such property previously recorded in this account and not placed in utility service shall be recorded directly in accounts 411.6 or 411.7, as appropriate, except when determined to be significant by the Commission. Upon such determination, the amounts shall be transferred to account 256, Deferred Gains from Sale of Utility Plant, or account 187, Deferred Losses from Sale of Utility Plant, and amortized to accounts 411.6, Gains from Disposition

of Utility Plant or 411.7, Losses from Disposition of Utility Plant, as appropriate.

E. The property included in this account shall be classified according to the detailed accounts prescribed for natural gas production and gathering plant in service and such classification shall be maintained in the same detail as though the property were in service.

NOTE: Unsuccessful exploration and development costs incurred on leases acquired after October 7, 1969, shall be charged to account 338, Unsuccessful Exploration and Development Costs.

#### **106 Completed construction not classified—Gas.**

At the end of the year or such other date as a balance sheet may be required by the Commission, this account shall include the total of the balances of work orders for gas plant which have been completed and placed in service but which work orders have not been classified for transfer to the detailed gas plant accounts.

NOTE: For the purpose of reporting to the Commission the classification of gas plant in service by accounts is required, the utility shall also report the balance in this account tentatively classified as accurately as practicable according to prescribed account classifications. The purpose of this provision is to avoid any significant omissions in reported amounts of gas plant in service.

#### **107 Construction work in progress—Gas.**

A. This account shall include the total of the balances of work orders for gas plant in process of construction.

B. Work orders shall be cleared from this account as soon as practicable after completion of the job. Further, if a project, such as a gas production plant, a compressor station, or a transmission line, is designed to consist of two or more units which may be placed in service at different dates, any expenditures which are common to and which will be used in the operation of the project as a whole shall be included in gas plant in service upon the completion and the readiness for service of the first unit. Any expenditures which are identified exclusively with units of property not yet in service shall be included in this account.



C. Expenditures on research, development, and demonstration projects for construction of utility facilities are to be included in a separate subdivision in this account. Records must be maintained to show separately each project along with complete detail of the nature and purpose of the research, development, and demonstration project together with the related costs.

NOTE A: This account shall include certificate application fees paid to the Federal Energy Regulatory Commission as provided for in gas plant instruction 15.

NOTE B: Unsuccessful exploration and development costs incurred on leases acquired after October 7, 1969, shall be transferred to account 338, Unsuccessful Exploration and Development Costs.

#### 108 Accumulated provision for depreciation of gas utility plant.

A. This account shall be credited with the following:

(1) Amounts charged to account 403, Depreciation Expense, or to clearing accounts for current depreciation expense for gas plant in service.

(2) Amounts charged to account 403.1, Depreciation expense for asset retirement costs, for current depreciation expense related to asset retirement costs in gas plant in service in a separate subaccount.

(3) Amounts charged to account 421, Miscellaneous Nonoperating Income, for depreciation expense on property included in account 105, Gas Plant Held for Future Use, or 105.1, Production Properties Held for Future Use. Include also, the balance of accumulated provision for depreciation on property when transferred to account 105 or 105.1, from other property accounts. Normally, account 108 will not be used for current depreciation provisions because, as provided herein, the service life during which depreciation is computed commences with the date property is includible in gas plant in service; however, if special circumstances indicate the propriety of current accruals for depreciation, such charges shall be made to account 421, Miscellaneous Nonoperating Income.

(4) Amounts charged to account 413, Expenses of Gas Plant Leased to Others, for gas plant included in account 104, Gas Plant Leased to Others.

(5) Amounts charged to account 416, Costs and Expenses of Merchandising, Jobbing and Contract Work, or to clearing accounts for current depreciation expense.

(6) Amounts of depreciation applicable to gas properties acquired as operating units or systems. (See gas plant instruction 5.)

(7) Amounts charged to account 182.1, Extraordinary Property Losses, when authorized by the Commission.

(8) Amounts of depreciation applicable to gas plant donated to the utility. (The utility shall maintain separate subaccounts for depreciation applicable to gas plant in service, gas plant leased to others and gas plant held for future use.)

B. At the time of retirement of depreciable gas utility plant, this account shall be charged with the book cost of the property retired and the cost of removal and shall be credited with the salvage value and any other amounts recovered, such as insurance. When retirements, cost of removal and salvage are entered originally in retirement work orders, the net total of such work orders may be included in a separate subaccount hereunder. Upon completion of the work order, the proper distribution to subdivision of this account shall be made as provided in the following paragraph.

C. For general ledger and balance sheet purposes, this account shall be regarded and treated as a single composite provision for depreciation. For purposes of analysis, however, each utility shall maintain subsidiary records in which this account is segregating according to the following functional classification for gas plant:

(1) Production—manufactured gas, (2) production and gathering—natural gas, (3) products extraction—natural gas, (4) underground gas storage, (5) other storage, (6) base load LNG terminaling and processing plant, (7) transmission, (8) distribution, and (9) general. These subsidiary records shall reflect the current credits and debits to this account in sufficient detail to show separately for each such functional classification (a) the amount of provision for depreciation, (b) the book cost of property retired, (c) cost of removal, (d) salvage,

and (e) other items, including recoveries from insurance. Separate subsidiary records shall be maintained for the amount of accrued cost of removal other than legal obligations for the retirement of plant recorded in account 108, Accumulated provision for depreciation of gas utility plant.

D. When transfers of plant are made from one gas plant account to another, or from or to another utility department, or from or to nonutility property accounts, the accounting for the related accumulated provision for depreciation shall be as provided in gas plant instruction 12.

E. The utility is restricted in its use of the provision for depreciation to the purposes set forth above. It shall not transfer any portion of this account to retained earnings or make any other use thereof without authorization by the Commission.

#### 109 [Reserved]

#### 111 Accumulated provision for amortization and depletion of gas utility plant.

A. This account shall be credited with the following:

(1) Amounts charged to account 404.1, Amortization and Depletion of Producing Natural Gas Land and Land Rights, for current amortization and depletion of such land and land rights.

(2) Amounts charged to account 404.2, Amortization of Underground Storage Land and Land Rights, for current amortization.

(3) Amounts charged to account 404.3, Amortization of Other Limited-Term Gas Plant, for the current amortization of limited-term gas plant.

(4) Amounts charged to account 421, Miscellaneous Nonoperating Income, for amortization expense on property included in account 105, Gas Plant Held for Future Use, or 105.1, Production Properties Held for Future Use. Include also, the balance of accumulated provision for amortization on property when transferred to account 105 or 105.1 from other property accounts.

NOTE: See also paragraph A(2), of account 108, Accumulated Provision for Depreciation of Gas Utility Plant.

(5) Amounts charged to account 405, Amortization of Other Gas Plant.

(6) Amounts charged to account 413, Expenses of Gas Plant Leased to Others, for current amortization thereof.

(7) Amounts charged to account 797, Abandoned Leases, to provide for the abandonment of nonproductive natural gas leases.

(8) Amounts charged to account 425, Miscellaneous Amortization, for the amortization of intangible or other gas plant which does not have a definite or terminable life and is not subject to charges for depreciation expense, with Commission approval.

(The utility shall maintain sub-accounts of this account for the amortization applicable to producing natural gas land and land rights, other gas plant in service, gas plant leased to others, abandonment of leases and gas plant held for future use.)

B. When any property to which this account applies is sold, relinquished, or otherwise retired from service, this account shall be charged with the amount previously credited in respect to such property. The book cost of the property so retired less the amount chargeable to this account and less the net proceeds realized at retirement shall be included in account 421.1, Gain on Disposition of Property, or account 421.2, Loss on Disposition of Property, as appropriate.

C. For general ledger and balance sheet purposes, this account shall be regarded and treated as a single composite provision for amortization.

For purposes of analysis, however, each utility shall maintain subsidiary records in which this account is segregating according to the following functional classification for gas plant:

(1) Production—manufactured gas, (2) production and gathering—natural gas, (3) products extraction—natural gas, (4) underground gas storage, (5) other storage, (6) base load LNG terminaling and processing plant, (7) transmission, (8) distribution, and (9) general. These subsidiary records shall reflect the current credits and debits to this account in sufficient detail to show separately for each such functional classification (a) the amount of provision for amortization, (b) the book cost of property retired, (c) cost of removal, (d) salvage, and (e) other items, including recoveries from insurance. Records shall be

maintained so as to show separately the balance applicable to each item of land and land rights which is being amortized or depleted except that natural gas land and land rights which comprise an interest in a production area may be grouped to form a unit for amortization and depletion and the accumulated provision applicable thereto need not be segregated to show the amount related to each gas right included therein. Records shall also be maintained so as to show separately the balance applicable to each underground gas storage project.

D. The utility is restricted in its use of the accumulated provision for amortization to the purposes set forth above. It shall not transfer any portion of this account to retained earnings or make any other use thereof without authorization by the Commission.

#### 112-113 [Reserved]

#### 114 Gas plant acquisition adjustments.

A. This account shall include the difference between (a) the cost to the accounting utility of gas plant acquired as an operating unit or system by purchase, merger, consolidation, liquidation, or otherwise, and (b) the original cost, estimated, if not known, of such property, less the amount or amounts credited by the accounting utility at the time of acquisition to accumulated provisions for depreciation, depletion, and amortization and contributions in aid of construction with respect to such property.

B. With respect to acquisitions after the effective date of this system of accounts, this account shall be subdivided so as to show the amounts included herein for each property acquisition and to gas plant in service, gas plant held for future use and gas plant leased to others. (See gas plant instruction 5.)

C. Debit amounts recorded in this account related to plant and land acquisition may be amortized to account 425, Miscellaneous Amortization, over a period not longer than the estimated remaining life of the properties to which such amounts relate. Amounts related to the acquisition of land only may be amortized to account 425 over a period of not more than 15 years. Should a

utility wish to account for debit amounts in this account in any other manner, it shall petition the Commission for authority to do so. Credit amounts recorded in this account shall be accounted for as directed by the Commission.

#### 115 Accumulated provision for amortization of gas plant acquisition adjustments.

This account shall be credited or debited with amounts which are includible in account 406, Amortization of Gas Plant Acquisition Adjustments or account 425, Miscellaneous Amortization, for the purpose of providing for the extinguishment of amounts in account 114, Gas Plant Acquisition Adjustments, in instances where the amortization of account 114 is not being made by direct write-off of the account.

#### 116 Other gas plant adjustments.

A. This account shall include the difference between the original cost, estimated if not known, and the book cost of gas plant to the extent that such difference is not properly includible in account 114 Gas Plant Acquisition Adjustments. (See gas plant instruction 1C.)

B. Amounts included in this account shall be classified in such manner as to show the origin of each amount and shall be disposed of as the Commission may approve or direct.

NOTE: The provisions of this account shall not be construed as approving or authorizing the recording of appreciation of gas plant.

#### Special Instructions to Accounts 117.1, 117.2 and 117.3

The investment in and use of system gas included in Account 117.1, Gas Stored—Base Gas, and Account 117.2, System Balancing Gas, may be accounted for using either the "fixed asset" method or an "inventory" method as set forth below. The cost of stored gas included in Account 117.3 must be accounted for using an inventory method.

(a) *Inventory Method*—Gas stored during the year must be priced at cost according to generally accepted methods of cost determination consistently applied from year to year. Transmission

expenses for facilities of the utility used in moving the gas to the storage area and expenses of storage facilities cannot be included in the inventory of gas except as may be authorized or directed by the Commission.

Withdrawals of gas must be priced using the first-in-first-out, last-in-first-out, or weighted average cost method, provided the method adopted by the utility is used consistently from year to year and appropriate inventory records are maintained. Approval of the Commission must be obtained for any other pricing method, or change in the pricing method adopted by the utility.

Adjustments for inventory losses related to gas held in underground reservoirs due to cumulative inaccuracies of gas measurements, or from other causes, must be charged to Account 823, Gas Losses. Losses of system gas not associated with underground reservoirs must be charged to Account 813, Other Gas Supply Expenses.

(b) *Fixed Asset Method*—When replacement of the gas is made, the amount carried in Account 117.4 for such volumes must be cleared with a contra entry to Account 808.2, Gas Delivered to Storage—Credit. Any difference between the utility's cost of replacement gas volumes and the amount cleared from Account 117.4 must be recognized as a gain in Account 495, Other gas revenues, or as a loss in Account 813, Other gas supply expenses, with contra entries to Account 808.2.

Adjustments for inventory losses related to gas held in underground reservoirs due to cumulative inaccuracies of gas measurements, or from other causes, must be charged to Account 823, Gas Losses. Losses of system gas not associated with underground reservoirs must be charged to Account 813, Other Gas Supply Expenses. Gas losses must be priced at the market price of gas available to the utility in the month the loss is recognized.

Gas owned by the utility and injected into its system will be deemed to satisfy any encroachment on system gas first before any other use.

#### **117.1 Gas stored-base gas.**

This account is to include the cost of recoverable gas volumes that are nec-

essary, in addition to those volumes for which cost are properly includable in Account 101, Gas plant in service, to maintain pressure and deliverability requirements for each storage facility. Nonrecoverable gas volumes used for this purpose are to be recorded in Account 352.3, Nonrecoverable natural gas. For utilities using the fixed asset method of accounting, the cost of base gas applicable to each gas storage facility shall not be changed from the amount initially recorded except to reflect changes in volumes designated as base gas. If an inventory method is used to account for gas included herein, the utility may, at its election, price withdrawals in accordance with the instructions to Account 117.4.

#### **117.2 System balancing gas.**

This account is to be used to record the cost of system gas designated as available for transmission load balancing (including no-notice transportation) and other uses associated with maintaining efficient transmission operations other than gas properly recordable in Account 117.1 or the plant accounts. Detailed records must be kept separately identifying volumes and unit prices of system gas held in underground storage facilities and held in pipelines.

For utilities using fixed asset accounting, the cost initially recorded herein cannot be changed except for adjustments to volumes designated as system gas. Encroachments upon system gas must be accounted for in accordance with the instructions to Account 117.4, Gas owed to system gas.

#### **117.3 Gas stored in reservoirs and pipelines—noncurrent.**

This account is to include the cost of stored gas owned by the utility and available for sale or other purposes. Gas included in this account must be accounted for using an inventory method in accordance with the Special Instructions to Accounts 117.1, 117.2, and 117.3 above.

#### **117.4 Gas owed to system gas.**

This account is to be used to record encroachments of system gas under the fixed asset method. This account may also be used to record encroachments

of base gas for utilities electing to use an inventory method of accounting for system gas. Utilities may revalue cumulative net imbalances, net all transactions, and record one monthly entry with one month-end price for valuation purposes.

**118 Other utility plant.**

This account shall include the balance in accounts for utility plant, other than gas plant, such as electric, railway, etc.

**119 Accumulated provision for depreciation and amortization of other utility plant.**

This account shall include the accumulated provision for depreciation and amortization applicable to utility property other than gas plant.

**121 Nonutility property.**

A. This account shall include the book cost of land, structures, equipment or other tangible or intangible property owned by the utility, but not used in utility service and not properly includible in account 105, Gas Plant Held for Future Use. This account shall also include, where applicable, amounts recorded for asset retirement costs associated with nonutility plant.

B. This account shall also include the amount recorded under capital leases for property leased from others and used by the utility in its nonutility operations. Records shall be maintained with respect to each lease reflecting: (1) name of lessor, (2) basic details of lease, (3) terminal date, (4) original cost or fair market value of property leased, (5) future minimum lease payments, (6) executory costs, (7) present value of minimum lease payments, (8) the amount representing interest and the interest rate used, and (9) expenses paid.

C. This account shall be subdivided so as to show the amount of property used in operations which are nonutility in character but nevertheless constitute a distinct operating activity of the company (such as operation of an ice department where such activity is not classed as a utility) and the amount of miscellaneous property not used in operations. The records in support of each subaccount shall be main-

tained so as to show an appropriate classification of the property.

NOTE: In the event of the subsequent sale or other disposition of property included in this account which had been previously recorded in account 105, Gas Plant Held for Future Use, or account 105.1, Production Properties Held for Future Use, such property costs shall be accounted for in accordance with paragraph C of accounts 105 and 105.1, respectively.

**122 Accumulated provision for depreciation and amortization of non-utility property.**

This account shall include the accumulated provision for depreciation and amortization applicable to nonutility property.

**123 Investment in associated companies.**

A. This account shall include the book cost of investments in securities issued or assumed by associated companies and investment advances to such companies, including interest accrued thereon when such interest is not subject to current settlement, provided that the investment does not relate to a subsidiary company. (If the investment relates to a subsidiary company it shall be included in account entry to the recording of amortization of discount or premium on interest bearing investments. Include herein the offsetting 123.1, Investment in Subsidiary Companies.) (See account 419, Interest and Dividend Income.)

B. This account shall be maintained in such manner as to show the investment in securities of, and advances to, each associated company together with full particulars regarding any of such investments that are pledged.

NOTE A: Securities and advances of associated companies owned and pledged shall be included in this account, but such securities, if held in special deposits or in special funds, shall be included in the appropriate deposit or fund account. A complete record of securities pledged shall be maintained.

NOTE B: Securities of associated companies held as temporary cash investments are includible in account 136, Temporary Cash Investments.

NOTE C: Balances in open accounts with associated companies, which are subject to current settlement, are includible in account 146, Accounts Receivable from Associated Companies.

NOTE D: The utility may write down the cost of any security in recognition of a decline in the value thereof. Securities shall be written off or written down to a nominal value if there be no reasonable prospect of substantial value. Fluctuations in market value shall not be recorded but a permanent impairment in the value of securities shall be recognized in the accounts. When securities are written off or written down, the amount of the adjustment shall be charged to account 426.5, Other Deductions, or to an appropriate account for accumulated provisions for loss in value established as a separate subdivision of this account.

#### **123.1 Investment in subsidiary companies.**

A. This account shall include the cost of investments in securities issued or assumed by subsidiary companies and investment advances to such companies, including interest accrued thereon when such interest is not subject to current settlement plus the equity in undistributed earnings or losses of such subsidiary companies since acquisition. This account shall be credited with any dividends declared by such subsidiaries.

B. This account shall be maintained in such a manner as to show separately for each subsidiary: The cost of such investments in the securities of the subsidiary at the time of acquisition; the amount of equity in the subsidiary's undistributed net earnings or net losses since acquisition; advances or loans to such subsidiary; and full particulars regarding any such investments that are pledged.

#### **124 Other investments.**

A. This account shall include the book cost of investments in securities issued or assumed by nonassociated companies, investment advances to such companies, and any investments not accounted for elsewhere. This account shall also include unrealized holding gains and losses on trading and available-for-sale types of security investments. Include also the offsetting entry to the recording of amortization of discount or premium on interest bearing investments. (See account 419, interest and dividend income.)

B. The cost of capital stock of the utility reacquired by it under a definite plan for resale pursuant to authorization by the Board of Directors may, if

permitted by statutes, be included in a separate subdivision of this account. (See also account 210, Gain on Resale or Cancellation of Reacquired Capital Stock, and account 217, Reacquired Capital Stock.)

C. The records shall be maintained in such manner as to show the amount of each investment and the investment advances to each person.

NOTE A: Securities owned and pledged shall be included in this account, but securities held in special deposits or in special funds shall be included in appropriate deposit or fund accounts. A complete record of securities pledged shall be maintained.

NOTE B: Securities held as temporary cash investments shall not be included in this account.

NOTE C: See Note D of account 123.

#### **125 Sinking funds.**

This account shall include the amount of cash and book cost of investments held in sinking funds. This account shall also include unrealized holding gains and losses on trading and available-for-sale types of security investments. A separate account, with appropriate title, shall be kept for each sinking fund. Transfers from this account to special deposit accounts may be made as necessary for the purpose of paying matured sinking-fund obligations, or obligations called for redemption but not presented, or the interest thereon.

#### **126 Depreciation fund.**

This account shall include the amount of cash and book cost of investments which have been segregated in a special fund for the purpose of identifying such assets with the accumulated provisions for depreciation. This account shall also include unrealized holding gains and losses on trading and available-for-sale types of security investments.

#### **128 Other special funds.**

This account shall include the amount of cash and book cost of investments which have been segregated in special funds for insurance, employee pensions, savings, relief, hospital, and other purposes not provided for elsewhere. This account shall also include unrealized holding gains and

losses on trading and available-for-sale types of security investments. A separate account with appropriate title, shall be kept for each fund.

NOTE: Amounts deposited with a trustee under the terms of an irrevocable trust agreement for pensions or other employee benefits shall not be included in this account.

**SPECIAL INSTRUCTIONS FOR CURRENT AND ACCRUED ASSETS**

Current and accrued assets are cash, those assets which are readily convertible into cash or are held for current use in operations or construction, current claims against others, payment of which is reasonably assured, and amounts accruing to the utility which are subject to current settlement, except such items for which accounts other than those designated as current and accrued assets are provided. There shall not be included in the group of accounts designated as current and accrued assets any item, the amount or collectibility of which is not reasonably assured, unless an adequate provision for possible loss has been made therefor. Items of current character but of doubtful value may be written down and for record purposes carried in these accounts at nominal value.

**131 Cash.**

This account shall include the amount of current cash funds except working funds.

**132 Interest special deposits.**

This account shall include special deposits with fiscal agents or others for the payment of interest.

**133 Dividend special deposits.**

This account shall include special deposits with fiscal agents or others for the payment of dividends.

**134 Other special deposits.**

This account shall include deposits with fiscal agents or others for special purposes other than the payment of interest and dividends. Such special deposits may include cash deposited with federal, state, or municipal authorities as a guaranty for the fulfillment of obligations; cash deposited with trustees to be held until mortgaged property sold, destroyed, or otherwise disposed of is replaced; cash realized from the sale of the accounting utility's securities and deposited with trustees to be

held until invested in property of the utility, etc. Entries to this account shall specify the purpose for which the deposit is made.

NOTE: Assets available for general corporate purposes shall not be included in this account. Further, deposits for more than one year, which are not offset by current liabilities, shall not be charged to this account but to account 128, Other Special Funds.

**135 Working funds.**

This account shall include cash advanced to officers, agents, employees, and others as petty cash or working funds.

**136 Temporary cash investments.**

A. This account shall include the book cost of investments, such as demand and time loans, bankers' acceptances, United States Treasury certificates, marketable securities, and other similar investments, acquired for the purpose of temporarily investing cash.

B. This account shall be so maintained as to show separately temporary cash investments in securities of associated companies and of others. Records shall be kept of any pledged investments.

**141 Notes receivable.**

This account shall include the book cost, not includible elsewhere, of all collectible obligations in the form of notes receivable and similar evidences (except interest coupons) of money due on demand or within one year from the date of issue, except, however, notes receivable from associated companies. (See account 136, Temporary Cash Investments, and account 145, Notes Receivable from Associated Companies.)

NOTE: The face amount of notes receivable discounted, sold, or transferred without releasing the utility from liability as endorser thereon, shall be credited to a separate subdivision of this account and appropriate disclosure shall be made in financial statements of any contingent liability arising from such transactions.

**142 Customer accounts receivable.**

A. This account shall include amounts due from customers for utility service, and for merchandising, jobbing, and contract work. This account

shall not include amounts due from associated companies.

B. This account shall be maintained so as to permit ready segregation of the amounts due for merchandising, jobbing, and contract work.

**143 Other accounts receivable.**

A. This account shall include amounts due the utility upon open accounts, other than amounts due from associated companies and from customers for utility services and merchandising, jobbing, and contract work.

B. This account shall be maintained so as to show separately amounts due on subscriptions to capital stock and from officers and employees, but the account shall not include amounts advanced to officers or others as working funds. (See account 135, Working Funds.)

**144 Accumulated provision for uncollectible accounts—Cr.**

A. This account shall be credited with amounts provided for losses on accounts receivable which may become uncollectible, and also with collections on accounts previously charged hereto. Concurrent charges shall be made to account 904, Uncollectible Accounts, for amounts applicable to utility operations, and to corresponding accounts for other operations. Records shall be maintained so as to show the write-offs of accounts receivable for each utility department.

B. This account shall be subdivided to show the provision applicable to the following classes of accounts receivable:

Utility Customers.  
Merchandising, Jobbing and Contract Work.  
Officers and Employees.  
Others.

NOTE A: Accretions to this account shall not be made in excess of a reasonable provision against losses of the character provided for.

NOTE B: If provisions for uncollectible notes receivable or for uncollectible receivables from associated companies are necessary, separate subaccounts therefor shall be established under the account in which the receivable is carried.

**145 Notes receivable from associated companies.**

**146 Accounts receivable from associated companies.**

A. These accounts shall include notes and drafts upon which associated companies are liable, and which mature and are expected to be paid in full not later than one year from date of issue, together with any interest thereon, and debit balances subject to current settlement in open accounts with associated companies. Items which do not bear a specified due date but which have been carried for more than twelve months and items which are not paid within twelve months from due date shall be transferred to account 123, Investment in Associated Companies.

B. A natural gas company participating in a cash management program must maintain supporting documentation for all deposits into, borrowings from, interest income from, and interest expense to such program. Cash management programs include all agreements in which funds in excess of the daily needs of the natural gas company along with the excess funds of the natural gas company's parent, affiliated and subsidiary companies are concentrated, consolidated, or otherwise made available for use by other entities within the corporate group. The written documentation must include the following information:

(1) For deposits with and withdrawals from the cash management program: the date of the deposit or withdrawal, the amount of the deposit or withdrawal, and the maturity date, if any, of the deposit;

(2) For borrowings from a cash management program: the date of the borrowing, the amount of the borrowing, and the maturity date, if any, of the borrowing;

(3) The security, if any, provided by the cash management program for repayment of deposits into the cash management program and the security required, if any, by the cash management program in support of borrowings from the program; and

(4) The monthly balance of the cash management program.

C. The natural gas company must maintain current and up-to-date copies



of the documents authorizing the establishment of the cash management program including the following:

(1) The duties and responsibilities of the administrator and the natural gas companies in the cash management program;

(2) The restrictions on deposits or borrowings by natural gas companies in the cash management program;

(3) The interest rate, including the method used to determine the interest earning rates and interest borrowing rates for deposits into and borrowings from the program; and

(4) The method used to allocate interest income and expenses among natural gas companies in the program.

NOTE A: On the balance sheet, accounts receivable from an associated company may be set off against accounts payable to the same company.

NOTE B: The face amount of notes receivable discounted, sold or transferred without releasing the utility from liability as endorser thereon, shall be credited to a separate subdivision of this account and appropriate disclosure shall be made in financial statements of any contingent liability arising from such transactions.

#### 151 Fuel stock.

This account shall include the book cost of fuel on hand.

##### ITEMS

1. Invoice price of fuel less any cash or other discounts.
2. Freight, switching, demurrage and other transportation charges, not including, however, any charges for unloading from the shipping medium.
3. Excise taxes, purchasing agents' commissions, insurance and other expenses directly assignable to cost of fuel.

#### 152 Fuel stock expenses undistributed.

A. This account may include the cost of labor and of supplies used and expenses incurred in unloading fuel from the shipping medium and in the handling thereof prior to its use, if such expenses are sufficiently significant in amount to warrant being treated as a part of the cost of fuel inventory rather than being charged direct to expense as incurred.

B. Amounts included herein shall be charged to expense as the fuel is used to the end that the balance herein,

shall not exceed the expenses attributable to the inventory of fuel on hand.

##### ITEMS

##### Labor:

1. Procuring and handling of fuel.
2. All routine fuel analyses.
3. Unloading from shipping facility and putting in storage.
4. Moving of fuel in storage and transferring from one station to another.
5. Handling from storage or shipping facility to first bunker, hopper, bucket, tank or holder of boiler house structure.
6. Operation of mechanical equipment, such as locomotives, trucks, cars, boats, barges, cranes, etc.

##### Supplies and Expenses:

7. Tools, lubricants and other supplies.
8. Operating supplies for mechanical equipment.
9. Transportation and other expenses in moving fuel.
10. Stores expenses applicable to fuel.

#### 153 Residuals and extracted products.

This account shall include the book cost of residuals or extracted products produced in the manufacture of gas or in natural gas products extraction operations including like products purchased for resale.

#### 154 Plant materials and operating supplies.

A. This account shall include the cost of materials purchased primarily for use in the utility business for construction, operation and maintenance purposes. This account shall include also the book cost of materials recovered in connection with construction, maintenance or the retirement of property, such materials being credited to construction, maintenance or accumulated depreciation provision, respectively, and included herein as follows:

(1) Reusable materials consisting of large individual items shall be included in this account at original cost, estimated if not known. The cost of repairing such items shall be charged to the maintenance account appropriate for the previous use.

(2) Reusable materials consisting of relatively small items, the identity of which (from the date of original installation to the final abandonment or sale thereof) cannot be ascertained without undue refinement in accounting, shall be included in this account at current

prices new for such items. The cost of repairing such items shall be charged to the appropriate expense account as indicated by previous use.

(3) Scrap and nonusable materials included in this account shall be carried at the estimated net amount realizable therefrom. The difference between the amounts realized for scrap and nonusable materials sold and the net amount at which the materials were carried in this account, as far as practicable, shall be adjusted to the accounts credited when the materials were charged to this account.

B. Materials and supplies issued shall be credited hereto and charged to the appropriate construction, operating expense, or other account on the basis of a unit price determined by the use of cumulative average, first-in-first out, or such other method of inventory accounting as conforms with accepted accounting standards consistently applied.

#### ITEMS

1. Invoice price of materials less cash or other discounts.
2. Freight, switching or other transportation charges when practicable to include as part of the cost of particular materials to which they relate.
3. Customs duties and excise taxes.
4. Costs of inspection and special tests prior to acceptance.
5. Insurance and other directly assignable charges.

NOTE: Where expenses applicable to materials purchased cannot be directly assigned to particular purchases, they shall be charged to account 163, Stores expenses Undistributed.

#### 155 Merchandise.

This account shall include the book cost of materials and supplies, and appliances and equipment held primarily for merchandising, jobbing, and contract work. The principles prescribed in accounting for utility materials and supplies shall be observed in respect to items carried in this account.

#### 156 Other materials and supplies.

This account shall include the book cost of materials and supplies held primarily for nonutility purposes. The principles prescribed in accounting for utility materials and supplies shall be

observed in respect to items carried in this account.

#### 163 Stores expense undistributed.

A. This account shall include the cost of supervision, labor and expenses incurred in the operation of general storerooms, including purchasing, storage, handling and distribution of materials and supplies.

B. This account shall be cleared by adding to the cost of materials and supplies issued a suitable loading charge which will distribute the expense equitably over stores issues. The balance in the account at the close of the year shall not exceed the amount of stores expenses reasonably attributable to the inventory of materials and supplies exclusive of fuel, as any amount applicable to fuel cost should be included in account 152, Fuel Stock Expenses Undistributed.

#### ITEMS

##### Labor:

1. Inspecting and testing materials and supplies when not assignable to specific items.
2. Unloading from shipping facility and putting in storage.
3. Supervision of purchasing and stores department to extent assignable to materials handled through stores.
4. Getting materials from stock and in readiness to go out.
5. Inventorying stock received or stock on hand by stores employees but not including inventories by general department employees as part of internal or general audits.
6. Purchasing department activities in checking material needs, investigating sources of supply, analyzing prices, preparing and placing orders, and related activities to extent applicable to materials handled through stores. (Optional. Purchasing department expenses may be included in administrative and general expenses.)
7. Maintaining stores equipment.
8. Cleaning and tidying storerooms and stores offices.
9. Keeping stock records, including recording and posting of material receipts and issues and maintaining inventory record of stock.
10. Collecting and handling scrap materials in stores.

##### Supplies and Expenses:

11. Adjustments of inventories of materials and supplies but not including large differences which can readily be assigned to important classes of materials and equitably distributed among the accounts to which

such classes of materials have been charged since the previous inventory.

12. Cash and other discounts not practically assignable to specific materials.

13. Freight, express, etc., when not assignable to specific items.

14. Heat, light and power for storerooms and store offices.

15. Brooms, brushes, sweeping compounds and other supplies used in cleaning and tidying storerooms and stores offices.

16. Injuries and damages.

17. Insurance on materials and supplies and on stores equipment.

18. Losses due to breakage, leakage, evaporation, fire or other causes, less credits for amounts received from insurance, transportation companies or others in compensation of such losses.

19. Postage, printing, stationery and office supplies.

20. Rent of storage space and facilities.

21. Communication service.

22. Excise and other similar taxes not assignable to specific materials.

23. Transportation expense on inward movement of stores and on transfer between storerooms but not including charges on materials recovered from retirements which shall be accounted for as part of cost of removal.

NOTE: A physical inventory of each class of materials and supplies shall be made at least every two years.

#### 164.1 Gas stored—current.

This account shall be debited with such amounts as are credited to Account 117.2, System balancing gas, (for utilities using an inventory method of accounting for system gas) and Account 117.3, Gas Stored in Reservoirs and Pipelines-Noncurrent, to reflect classification for balance sheet purposes of such portion of the inventory of gas stored as represents a current asset according to conventional rules for classification of current assets.

NOTE: It shall not be considered conformity to conventional rules of current asset classification if the amount included in this account exceeds an amount equal to the cost of estimated withdrawals of gas from storage within the 24-month period from date of the balance sheet, or if the amount represents a volume of gas which, in fact, could not be withdrawn from storage without impairing pressure levels needed for normal operating purposes.

#### 164.2 Liquefied natural gas stored.

A. This account shall include the cost of liquefied natural gas stored in above or below ground facilities.

B. Natural gas purchased in a liquefied form shall be priced at the cost of such gas to the utility. Natural gas liquefied by the utility shall be priced according to generally accepted methods of cost determination consistently applied from year to year. Transmission expenses for facilities to the utility used in moving the gas to the storage facilities shall not be included in the inventory of gas except as may be authorized by the Commission.

C. Amounts debited to this account for natural gas placed in stored shall be credited to account 808.2, Gas Delivered to Storage—Credit. Amounts credited to this account for gas withdrawn from storage shall be debited to account 808.1, Gas Withdrawn from Storage—Debit.

D. Withdrawals of gas may be priced according to the first-in-first-out, last-in-first-out, or weighted average cost method provided the method adopted by the utility is used consistently from year to year and inventory records are maintained in accordance therewith. Commission approval must be obtained for any other pricing method or for any change in the pricing method adopted by the utility. Separate records shall be maintained for each storage project of the Dth of gas delivered to storage and remaining in storage.

E. Adjustments for inventory losses shall be charged to account 842.3, Gas Losses.

#### 164.3 Liquefied natural gas held for processing.

A. This account shall include the cost of base load liquefied natural gas available for vaporization and injection into the utility's natural gas system.

B. Natural gas purchased in a liquefied form shall be priced at the cost of such gas to the utility.

C. Amounts debited to this account for liquefied natural gas purchased for processing shall be credited to account 809.2, Deliveries of Natural Gas for Processing—Credit. Amounts credited for liquefied natural gas processed

shall be debited to account 809.1, Withdrawals of Liquefied Natural Gas Held for Processing—Debit.

D. Withdrawals of gas held for vaporization may be priced according to the first-in-first-out, last-in-first-out or weighted average cost method provided the method adopted by the utility is used consistently from year to year and inventory records are maintained in accordance therewith. Commission approval must be obtained for any other pricing method or for any change from the pricing method adopted by the utility. Separate records shall be maintained for Dth of gas purchased for processing, processed, and remaining for processing.

E. Adjustments for inventory losses shall be charged to account 846.1, Gas Losses.

#### 165 Prepayments.

A. This account shall include payments for undelivered gas and other prepayments of rents, taxes, insurance, interest, and like disbursements made prior to the period to which they apply. Prepayments for gas are those amounts paid to a seller of gas under "take or pay" provisions of a gas purchase contract for a sale certificated by the Commission where future makeup of the gas not taken in the current period is provided for by the contract.

B. As the periods covered by such prepayments expire, credit this account and charge the proper operating expense or other appropriate account with the amount applicable to the period.

C. This account shall be kept or supported in such a manner as to disclose the amount of each class of prepayments.

#### 166 Advances for gas exploration, development and production.

A. This account shall include all advances made for gas (whether called "advances," "contributions" or otherwise) to independent producers, affiliated or associated companies, or others operating within the lower 48 states and Alaska; for exploration, development or production (but not to include lease acquisition) of natural gas. Under each agreement with payee, such payments must be made prior to initial

gas deliveries, or if the agreement provides for advances on a well by well basis, each incremental payment must be made prior to deliveries from an incremental well, or prior to Federal and/or State authorization, as appropriate. All agreements executed after June 17, 1975, (issuance date of Order No. 529) shall specify that (1) the pipeline shall have first call on any gas produced, attributable to the advance payment, under a long-term contract which is for a minimum initial term computed as the lesser of fifteen years or the life of the reserve in the field, and (2) the selling price of the gas committed by producers whose sales are subject to price regulation shall be governed by and limited to the area rate or national rate or, under appropriate showing of special circumstance, such other rate as may be authorized by the Commission under the provisions of optional pricing and special relief. As a determination of the initial rate, the time of first delivery in interstate commerce to the purchaser shall govern. Non-current advances not to be repaid within a two-year period shall be reclassified and transferred to account 124, Other Investments, for balance sheet purposes. This transfer is for reporting purposes only and has no effect on accounting and ratemaking.

B. When a pipeline obtains a working interest as a result of funds advanced to producers, such amounts shall be included in appropriate production accounts for formal contractual agreements executed prior to the date of issuance of Order No. 499. When an associated company obtains a working interest as a result of funds advanced from a pipeline company, the pipeline shall include such amounts in Account 123, Investment in Associated Companies, or Account 146, Accounts receivable from Associated Companies, as appropriate, for formal contractual commitments made during the period on or after November 10, 1971 (effective date of Order 441) but prior to December 29, 1972, the date of issuance of Order No. 465.

C. Outstanding advances shall be fully reduced within 5 years, or as otherwise authorized by the Commission, from the date gas deliveries commence

or the date it is determined that recovery will be in other than gas. This account shall be credited with advances not fully recovered within the five-year period, and the unrecovered portion charged directly to Account 426.5, Other Deductions. A sufficient portion of all gas taken should be credited to the related outstanding advance so as to eliminate the advance within the 5-year period or as otherwise authorized by the Commission upon request by the pipeline company. The reduction of the outstanding advance should not be dependent on a buyer purchasing more than 100 percent of the minimum take or pay quantity provided in the contract. In those instances where the five-year recovery period has lapsed, but recovery of the advance continues beyond the five-year period, the unrecovered advances shall be removed from this account and transferred to Account 167, Other Advances for Gas.

D. Where recovery is by gas, the recovered advance shall be credited to this account and charged to the appropriate gas purchase account.

E. When an advance which is or has been included in this account and in rate base results in a source of proven reserves of natural gas, gas deliveries commence but no gas flows to the pipeline company making such advance, the amount of the advance shall be removed from this account (and from rate base) and recorded in account 167, Other Advances for Gas. Any revenues collected as a result of the advance being included in rate base shall be refunded by the pipeline company to its customers, together with interest, per annum, at the rate established by Order No. 513, issued October 10, 1974, or as subsequently revised by Commission Order, from the date of payment until refunded, within 12 months after the removal of the advance from this account, unless otherwise directed by the Commission. Where there is partial recovery of the advance by gas, in this situation, the amount of the advance transferred from this account to account 167 and the amount of revenues refunded, with interest, shall be appropriately apportioned.

F. However, if 5 years elapses from the time the advance has been included in this account and during such time

no gas deliveries have commenced or no determination has been made that the recovery will be in economic consideration other than gas, the pipeline shall at the end of the 5-year period, transfer the advance from this account to Account 167, and cease rate base treatment thereof, unless otherwise directed by the Commission.

G. Whenever as a result of an advance included in this account, a pipeline receives any amount in excess of a full recovery of the advance, e.g. interest income, such amount must be credited to Account 813, Other Gas Supply Expenses, or as otherwise directed by the Commission. If the income or return is received in other than money, it shall be included at the market value of the assets received.

H. If the recipient of an advance is unable to repay it in full, through no fault of the pipeline or contractual provisions, in gas or other assets, the unpaid or nonrecoverable portion must be credited to this account at the time such amount is recognized as nonrecoverable. Nonrecoverable advances significant in amount must be eliminated within 5 years from the date of determination as nonrecoverable by either a charge to account 435, Extraordinary Deductions, or when authorized by the Commission, by a transfer to account 186, Miscellaneous Deferred Debts, and amortization to account 813, Other Gas Supply Expenses. Nonrecoverable advances insignificant in amount should be charged directly to account 813 in the year recognized as nonrecoverable, when authorized by the Commission.

I. No transfers shall be made to or from this account to any other accounts, unless otherwise provided herein, except as specifically authorized by the Commission upon request by the pipeline company.

J. Three copies of any agreement concerning advances will be filed with the Secretary within 30 days of the initial related entry in account 166.

NOTE A: This account may include advances for exploration (including lease acquisition costs) made according to the provisions of Order Nos. 410 and 410-A, for which a contractual commitment was made prior to November 10, 1971, (issue date of Order No. 441). All advances made pursuant to contractual commitments made prior to November

10, 1971, (issue date of Order No. 441) shall be subject to the provisions of Order Nos. 410 and 410-A.

**NOTE B:** This account shall not include advances for exploration (including lease acquisition costs) in accordance with Order No. 441, for which a contractual commitment was made on or after November 10, 1971 (issue date of Order No. 441), but prior to December 29, 1972 (issue date of Order No. 465). All advances made pursuant to contractual commitments made on or after November 10, 1971, but prior to December 29, 1972 (issue date of Order No. 465) shall be subject to the provisions of Order No. 441.

**NOTE C:** This account shall not include advances for lease acquisition costs but may include advances for exploration where such advances are pursuant to contractual commitments made on or after December 29, 1972 (issue date of Order No. 465).

**NOTE D:** All advances made pursuant to contractual commitments made on or after December 29, 1972 (issue date of Order No. 465) but prior to the date of issuance of Order No. 499, shall be subject to the provisions of Order No. 465.

**NOTE E:** All advances made pursuant to contractual commitments made on or after December 28, 1973 (issue date of Order No. 499), but prior to the date of issuance of Order No. 529, shall be subject to the provisions of Order No. 499.

**NOTE F:** This account shall not include advances expended for delay rentals, non-productive well drilling or abandoned leases where such advances are related to lease acquisition, except in accordance with Note A and Note B to this account.

**NOTE G:** To keep the Commission informed when an advance is nonrecoverable by any means the company must submit the full details including copies of Federal and State plugging and abandonment reports involved as soon as such fact becomes known.

#### **167 Other advances for gas.**

This account shall include all advances not properly includible in Account 166, exclusive of amounts advanced where a working interest is obtained.

#### **171 Interest and dividends receivable.**

This account shall include the amount of interest on bonds, mortgages, notes, commercial paper, loans, open accounts, deposits, etc., the payment of which is reasonably assured, and the amount of dividends declared or guaranteed on stocks owned.

**NOTE A:** Interest which is not subject to current settlement shall not be included herein but in the account in which is carried

the principal on which the interest is accrued.

**NOTE B:** Interest and dividends receivable from associated companies shall be included in account 146. Accounts Receivable from Associated Companies.

#### **172 Rents receivable.**

This account shall include rents receivable or accrued on property rented or leased by the utility to others.

**NOTE:** Rents receivable from associated companies shall be included in account 146. Accounts Receivable From Associated Companies.

#### **173 Accrued utility revenues.**

At the option of the utility, the estimated amount accrued for service rendered, but not billed at the end of any accounting period, may be included herein. In case accruals are made for unbilled revenues, they shall be made likewise for unbilled expenses, such as for the purchase of gas.

#### **174 Miscellaneous current and accrued assets.**

A. This account shall include the book cost of all other current and accrued assets, appropriately designated and supported so as to show the nature of each asset included herein.

B. The utility is to include in a separate subaccount amounts receivable for gas in unbalanced transactions where gas is delivered to another party in exchange, load balancing, or no-notice transportation transactions. (See Account 806.) If the amount receivable is settled by other than gas, Account 495, Other Gas Revenues must be credited or Account 813, Other Gas Supply Expenses, charged for the difference between the amount of the consideration received and the recorded amount of the receivable settled. Records are to be maintained so that there is readily available for each party entering gas exchange, load balancing, or no-notice transportation transactions, the quantity and cost of gas delivered, and the amount and basis of consideration received, if other than gas.

#### **175 Derivative instrument assets.**

This account shall include the amounts paid for derivative instruments, and the change in the fair value

of all derivative instrument assets not designated as cash flow or fair value hedges. Account 421, miscellaneous nonoperating income, will be credited or debited as appropriate with the corresponding amount of the change in the fair value of the derivative instrument.

**176 Derivative instrument assets—Hedges.**

A. This account shall include the amounts paid for derivative instruments, and the change in the fair value of derivative instrument assets designated by the utility as cash flow or fair value hedges.

B. When a utility designates a derivative instrument asset as a cash flow hedge it will record the change in the fair value of the derivative instrument in this account with a concurrent charge to account 219, accumulated other comprehensive income, with the effective portion of the derivative gain or loss. The ineffective portion of the cash flow hedge shall be charged to the same income or expense account that will be used when the hedged item enters into the determination of net income.

C. When a utility designates a derivative instrument asset as a fair value hedge it shall record the change in the fair value of the derivative instrument in this account with a concurrent charge to a subaccount of the asset or liability that carries the item being hedged. The ineffective portion of the fair value hedge shall be charged to the same income or expense account that will be used when the hedged item enters into the determination of net income.

**181 Unamortized debt expense.**

This account shall include expenses related to the issuance or assumption of debt securities. Amounts recorded in this account shall be amortized over the life of each respective issue under a plan which will distribute the amount equitably over the life of the security. The amortization shall be on a monthly basis, and the amounts thereof shall be charged to account 428, Amortization of Debt Discount and Expense. Any unamortized amounts outstanding at the time that the related debt is pre-

maturely reacquired shall be accounted for as indicated in General Instruction 17.

**182.1 Extraordinary property losses.**

A. When authorized or directed by the Commission, this account shall include extraordinary losses, which could not reasonably have been anticipated and which are not covered by insurance or other provisions, such as unforeseen damages to property.

B. Application to the Commission for permission to use this account shall be accompanied by a statement giving a complete explanation with respect to the items which it is proposed to include herein, the period over which, and the accounts to which it is proposed to write off the charges, and other pertinent information.

**182.2 Unrecovered plant and regulatory study costs.**

A. This account shall include: (1) Nonrecurring costs of studies and analyses mandated by regulatory bodies related to plants in service, transferred from account 183.2, Other Preliminary Survey and Investigation Charges, and not resulting in construction; and (2) when authorized by the Commission, significant unrecovered costs of plant facilities where construction has been cancelled or which have been prematurely retired.

B. This account shall be credited and account 407.1, Amortization of Property Losses, Unrecovered Plant and Regulatory Study Costs, shall be debited, over the period specified by the Commission.

C. Any additional costs incurred, relative to the cancellation or premature retirement, may be included in this account and amortized over the remaining period of the original amortization period. Should any gains of recoveries be realized relative to the cancelled or prematurely retired plant, such amounts shall be used to reduce the unamortized amount of the costs recorded herein.

D. In the event that the recovery of costs included herein is disallowed in rate proceedings, the disallowed costs shall be charged to account 426.5, Other

Deductions, or account 435, Extraordinary deductions, in the year of such disallowance.

### 182.3 Other regulatory assets.

A. This account shall include the amounts of regulatory-created assets, not includible in other accounts, resulting from the ratemaking actions of regulatory agencies. (See Definition No. 31.)

B. The amounts included in this account are to be established by those charges which would have been included in net income, or accumulated other comprehensive income, determinations in the current period under the general requirements of the Uniform System of Accounts but for it being probable that such items will be included in a different period(s) for purposes of developing rates that the utility is authorized to charge for its utility services. When specific identification of the particular source of a regulatory asset cannot be made, such as in plant phase-ins, rate moderation plans, or rate levelization plans, account 407.4, regulatory credits, shall be credited. The amounts recorded in this account are generally to be charged, concurrently with the recovery of the amounts in rates, to the same account that would have been charged if included in income when incurred, except all regulatory assets established through the use of account 407.4 shall be charged to account 407.3, Regulatory debits, concurrent with the recovery in rates.

C. If rate recovery of all or part of an amount included in this account is disallowed, the disallowed amount shall be charged to Account 426.5, Other Deductions, or Account 435, Extraordinary Deductions, in the year of the disallowance.

D. The records supporting the entries to this account shall be kept so that the utility can furnish full information as to the nature and amount of each regulatory asset included in this account, including justification for inclusion of such amounts in this account.

### 183.1 Preliminary natural gas survey and investigation charges.

A. This account shall be charged with all expenditures for preliminary sur-

veys, plans, investigations, etc. made for the purpose of determining the feasibility of acquiring land and land rights to provide a future supply of natural gas. If such land or land rights are acquired, this account shall be credited and the appropriate gas plant account (see gas plant instruction 7-G) charged with the amount of the expenditures relating to such acquisition. If a project is abandoned involving a natural gas lease acquired before October 8, 1969, the expenditures related thereto shall be charged to account 798, Other Exploration. If a project is abandoned involving a lease acquired after October 7, 1969, the expenditures related thereto shall be charged to account 338, Unsuccessful Exploration and Development Costs.

B. The records supporting the entries to this account shall be so kept that the utility can furnish, for each investigation, complete information as to the identification and location of territory investigated, the number or other identification assigned to the land tract or leasehold acquired, and the nature and respective amounts of the charges.

NOTE: The amount of preliminary survey and investigation charges transferred to gas plant shall not exceed the expenditures which may reasonably be determined to contribute directly and immediately and without duplication to gas plant.

### 183.2 Other preliminary survey and investigation charges.

A. This account shall be charged with all expenditures for preliminary surveys, plans, investigations, etc., made for the purpose of determining the feasibility of utility projects under contemplation, other than the acquisition of land and land rights to provide a future supply of natural gas. If construction results, this account shall be credited and the appropriate utility plant account charged. If the work is abandoned, the charge shall be made to account 426.5, Other Deductions, or the appropriate operating expense account.

B. This account shall also include costs of studies and analyses mandated by regulatory bodies related to plant in service. If construction results from such studies, this account shall be credited and the appropriate utility



plant account charged with an equitable portion of such study costs directly attributable to new construction. The portion of such study costs not attributable to new construction or the entire cost if construction does not result shall be charged to account 182.2, Unrecovered Plant and Regulatory Study Costs, or the appropriate operating expense account. The costs of such studies relative to plant under construction shall be included directly in account 107, Construction Work in Progress—Gas.

C. The records supporting the entries to this account shall be so kept that the utility can furnish complete information as to the nature and the purpose of the survey, plans, or investigations and the nature and amounts of the several charges.

NOTE: The amount of preliminary survey and investigation charges transferred to utility plant shall not exceed the expenditures which may reasonably be determined to contribute directly and immediately and without duplication to utility plant.

#### **184 Clearing accounts.**

This caption shall include undistributed balances in clearing accounts at the date of the balance sheet. Balances in clearing accounts shall be substantially cleared not later than the end of the calendar year unless items held therein relate to a future period.

#### **185 Temporary facilities.**

This account shall include amounts shown by work orders for plant installed for temporary use in utility service for periods of less than one year. Such work orders shall be charged with the cost of temporary facilities and credited with payments received from customers and net salvage realized on removal of the temporary facilities. Any net credit or debit resulting shall be cleared to account 488, Miscellaneous Service Revenues.

#### **186 Miscellaneous deferred debits.**

A. This account shall include all debits not elsewhere provided for, such as miscellaneous work in progress, construction certificate application fees paid prior to final disposition of the application as provided for in gas plant instruction 15A, and unusual or ex-

traordinary expenses not included in other accounts which are in process of amortization, and items the final disposition of which is uncertain.

B. The records supporting the entries to this account shall be so kept that the utility can furnish full information as to each deferred debit included herein.

#### **187 Deferred losses from disposition of utility plant.**

This account shall include losses from the sale or other disposition of property previously recorded in account 105, Gas Plant Held for Future Use and account 105.1, Production Properties Held for Future Use, under the provisions of paragraphs B, C, and D thereof, where such losses are significant and are to be amortized over a period of 5 years, unless otherwise authorized by the Commission. The amortization of the amounts in this account shall be made by debits to account 411.7, Losses from Disposition of Utility Plant. Subdivision of this account shall be maintained so that amounts relating to account 105, Gas Plant Held for Future Use and account 105.1, Production Properties Held for Future Use, can be readily identifiable. (See accounts 105, Gas Plant Held for Future Use and 105.1, Production Properties Held for Future Use.)

#### **188 Research, development, and demonstration expenditures.**

A. This account shall be charged with the cost of all expenditures coming within the meaning of Research, Development, and Demonstration (R.D. & D.) of this Uniform Systems of Accounts (see definition 28.B), except those expenditures properly chargeable to Account 107, Construction Work in Progress—Gas.

B. Costs that are minor or of a general or recurring nature shall be transferred from this account to the appropriate operating expense function or if such costs are common to the overall operations or cannot be feasibly allocated to the various operating accounts, then such costs shall be recorded in account 930.2, Miscellaneous General Expenses.

C. In certain instances a company may incur large and significant research, development, and demonstration expenditures which are non-recurring and which would distort the annual research, development, and demonstration charges for the period. In such a case the portion of such amounts that cause the distortion may be amortized to the appropriate operating expense account over a period not to exceed five years unless otherwise authorized by the Commission.

D. The entries in this account must be so maintained as to show separately each project along with complete detail of the nature and purpose of the research, development, and demonstration project together with the related costs.

**189 Unamortized loss on reacquired debt.**

This account shall include the losses on long-term debt reacquired or redeemed. The amounts in this account shall be amortized in accordance with General Instruction 17.

**190 Accumulated deferred income taxes.**

A. This account shall be debited and account 411.1, Provision for Deferred Income Taxes—Credit, Utility Operating Income, or account 411.2, Provision for Deferred Income Taxes—Credit, Other Income and Deductions, as appropriate, shall be credited with an amount equal to that by which income taxes payable for the year are higher because of the inclusion of certain items in income for tax purposes, which items for general accounting purposes will not be fully reflected in the utility's determination of annual net income until subsequent years.

B. This account shall be credited and account 410.1, Provision for Deferred Income Taxes, Utility Operating Income, or account 410.2, Provision for Deferred Income Taxes, Other Income and Deductions, as appropriate, shall be debited with an amount equal to that by which income taxes payable for the year are lower because of prior payment of taxes as provided by paragraph A above, because of difference in timing for tax purposes of particular items of income or income deductions from

that recognized by the utility for general accounting purposes. Such credit to this account and debit to account 410.1 or 410.2 shall, in general, represent the effect on taxes payable in the current year of the smaller amount of book income recognized, or the larger deduction permitted, for tax purposes as compared to the amount recognized in the utility's current accounts with respect to the item or class of items for which deferred tax concept of accounting is affected.

C. Vintage year records with respect to entries to this account, as described above, and the account balance shall be so maintained as to show the factor of calculation with respect to each annual amount of the item or class of items for which deferred tax accounting by the utility is utilized.

D. The utility is restricted in its use of this account to the purpose set forth above. It shall not make use of the balance in this account or any portion thereof except as provided in the text of this account, without prior approval of the Commission. Any remaining deferred tax account balance with respect to an amount for any prior year's tax deferral, the amortization of which or other recognition in the utility's income accounts has been completed, or other disposition made, shall be debited to account 410.1, Provision for Deferred Income Taxes, Utility Operating Income, or account 410.2, Provision for Deferred Income Taxes, Other Income and Deductions, as appropriate, or otherwise disposed of as the Commission may authorize or direct. (See General Instruction 18.)

**191 Unrecovered purchased gas costs.**

A. This account shall include purchase gas costs related to Commission approved purchased gas adjustment clauses when such costs are not included in the utility's rate schedule on file with the Commission. This account shall also include such other costs as authorized by the Commission.

B. This account shall be debited or credited, as appropriate, each month for increases or decreases in purchased gas costs with contra entries to Account 805.1, Purchased Gas Cost Adjustments.

C. After a change in a rate schedule recognizing the increases or decreases in purchased gas costs recorded in this account is approved by the Commission, this account shall be debited or credited, as appropriate, with contra entries to expense Account 805.1, Purchased Gas Cost Adjustments, so that the balance accumulated in this account will be amortized on an appropriate basis over a succeeding 6-month period or over such other periods that the Commission may have authorized. Any over or under applied debits or credits to this account shall be carried forward to the succeeding period of amortization.

D. Separate subaccounts shall be maintained for the amounts relating to the period in which the increase or decrease is accumulated and for the amortization of purchase gas increases or decreases, as applicable, so as to keep each period separate.

**201 Common stock issued.**

**202 Common stock subscribed.**

**203 Common stock liability for conversion.**

**204 Preferred stock issued.**

A. These accounts shall include the par value or the stated value of stock without par value if such stock has a stated value, and, if not, the cash value of the consideration received for such nonpar stock, of each class of capital stock actually issued, including the par or stated value of such capital stock in account 124, Other Investments and account 217, Reacquired Capital Stock.

B. When the actual cash value of the consideration received is more or less than the par or stated value of any stock having a par or stated value, the difference shall be credited or debited, as the case may be, to the premium or discount account for the particular class and series.

C. When capital stock is retired, these accounts shall be charged with the amount at which such stock is carried herein.

D. A separate ledger account, with a descriptive title, shall be maintained for each class and series of stock. The supporting records shall show the

shares nominally issued, actually issued, and nominally outstanding.

NOTE: When a levy or assessment, except a call for payment on subscriptions, is made against holders of capital stock, the amount collected upon such levy or assessment shall be credited to account 207, Premium on Capital Stock; provided, however, that the credit shall be made to account 213, Discount on Capital Stock, to the extent of any remaining balance of discount on the issue of stock.

**205 Preferred stock subscribed.**

A. These accounts shall include the amount of legally enforceable subscriptions to capital stock of the utility. They shall be credited with the par or stated value of the stock subscribed, exclusive of accrued dividends, if any. Concurrently, a debit shall be made to subscriptions to capital stock, included as a Other Accounts Receivable, for the agreed price and any discount or premium shall be debited or credited to the appropriate discount or premium account. When properly executed stock certificates have been issued representing the shares subscribed, this account separate subdivision of account 143, shall be debited, and the appropriate capital stock account credited, with the par or stated value of such stock.

B. The records shall be kept in such manner as to show the amount of subscriptions to each class and series of stock.

**206 Preferred stock liability for conversion.**

A. These accounts shall include the par value or stated value, as appropriate, of capital stock which the utility has agreed to exchange for outstanding securities of other companies in connection with the acquisition of properties of such companies under terms which allow the holders of the securities of the other companies to surrender such securities and receive in return therefor capital stock of the accounting utility.

B. When the securities of the other companies have been surrendered and capital stock issued in accordance with the terms of the exchange, these accounts shall be charged and accounts

201, Common Stock Issued, or 204, Preferred Stock Issued, as the case may be, shall be credited.

C. The records shall be kept so as to show separately the stocks of each class and series for which a conversion liability exists.

**207 Premium on capital stock.**

A. This account shall include, in a separate subdivision for each class and series of stock, the excess of the actual cash value of the consideration received on original issues of capital stock over the par or stated value and accrued dividends of such stock, together with assessments against stockholders representing payments required in excess of par or stated values.

B. Premium on capital stock shall not be set off against expenses. Further, a premium received on an issue of a certain class or series of stock shall not be set off against expenses of another issue of the same class or series.

C. When capital stock which has been actually issued is retired, the amount in this account applicable to the shares retired shall be transferred to account 210, Gain on Resale or Cancellation of Reacquired Capital Stock.

**208 Donations received from stockholders.**

This account shall include the balance of credits for donations received from stockholders consisting of capital stock of the utility, cancellation or reduction of debt of the utility, and the cash value of other assets received as a donation.

**209 Reduction in par or stated value of capital stock.**

This account shall include the balance of credits arising from a reduction in the par or stated value of capital stock.

**210 Gain on resale or cancellation of reacquired capital stock.**

This account shall include the balance of credits arising from the resale or cancellation of reacquired capital stock. (See account 217, Reacquired Capital Stock.)

**211 Miscellaneous paid-in capital.**

This account shall include the balance of all other credits for paid-in capital which are not properly includible in the foregoing accounts. This account may include all commissions and expenses incurred in connection with the issuance of capital stock.

NOTE: Amounts included in capital surplus at the effective date of this system of accounts which cannot be classified as to the source thereof shall be included in this account.

**212 Installments received on capital stock.**

A. This account shall include in a separate subdivision for each class and series of capital stock the amount of installments received on capital stock on a partial or installment payment plan from subscribers who are not bound by legally enforceable subscription contracts.

B. As subscriptions are paid in full and certificates issued, this account shall be charged and the appropriate capital stock account credited with the par or stated value of such stock. Any discount or premium on an original issue shall be included in the appropriate discount or premium account.

**213 Discount on capital stock.**

A. This account shall include in a separate subdivision for each class and series of capital stock all discount on the original issuance and sale of capital stock, including additional capital stock of a particular class or series as well as first issues.

B. When capital stock which has been actually issued is retired, the amount in this account applicable to the shares retired shall be written off to account 210, Gain on Resale or Cancellation of Reacquired Capital Stock, provided, however, that the amount shall be charged to account 439, Adjustments to Retained Earnings, to the extent that it exceeds the balance in account 210.

**214 Capital stock expense.**

A. This account shall include in a separate subdivision for each class and series of stock all commissions and expenses incurred in connection with the original issuance and sale of capital stock, including additional capital

stock of a particular class or series as well as first issues. Expenses applicable to capital stock shall not be deducted from premium on capital stock.

B. When capital stock which has been actually issued by the utility is retired, the amount in this account applicable to the shares retired shall be written off to account 210, Gain on Resale or Cancellation of Reacquired Capital Stock, provided, however, that the amount shall be charged to account 439, Adjustments to Retained Earnings, to the extent that it exceeds the balance in account 210.

NOTE A: Expenses in connection with the reacquisition or resale of the utility's capital stock shall not be included herein.

NOTE B: The utility may write off capital stock expense in whole or in part by charges to account 211, Miscellaneous Paid-In Capital.

#### **215 Appropriated retained earnings.**

This account shall include the amount of earned surplus which has been appropriated or set aside for specific purposes. Separate subaccounts shall be maintained under such titles as will designate the purpose for which each appropriation was made.

#### **216 Unappropriated retained earnings.**

This account shall include the balances, either debit or credit, of unappropriated retained earnings arising from earnings of the utility. This account shall not include any amounts representing the undistributed earnings of subsidiary companies.

##### **216.1 Unappropriated undistributed subsidiary earnings.**

This account shall include the balances, either debit or credit, of undistributed retained earnings of subsidiary companies since their acquisition. When dividends are received from subsidiary companies and the balances have been included in this account, this account shall be debited and account 216, Unappropriated Retained Earnings, credited.

#### **217 Reacquired capital stock.**

A. This account shall include in a separate subdivision for each class and series of capital stock, the cost of capital stock actually issued by the utility

and reacquired by it and not retired or canceled, except, however, stock which is held by trustees in sinking or other funds.

B. When reacquired capital stock is retired or canceled, the difference between its cost, including commissions and expenses paid in connection with the reacquisition, and its par or stated value plus any premium and less any discount and expenses applicable to the shares retired, shall be debited or credited, as appropriate, to account 210, Gain on Resale or Cancellation of Reacquired Capital Stock, provided, however, that debits shall be charged to account 439, Adjustments to Retained Earnings, to the extent that they exceed the balance in account 210.

C. When reacquired capital stock is resold by the utility, the difference between the amount received on the resale of the stock, less expenses incurred in the resale, and the cost of the stock included in this account shall be accounted for as outlined in paragraph B.

NOTE A: See account 124. Other Investments, for permissive accounting treatment of stock reacquired under a definite plan for resale.

NOTE B: The accounting for reacquired stock shall be as prescribed herein unless otherwise specifically required by statute.

#### **219 Accumulated other comprehensive income.**

A. This account shall include revenues, expenses, gains, and losses that are properly includable in other comprehensive income during the period. Examples of other comprehensive income include foreign currency items, minimum pension liability adjustments, unrealized gains and losses on certain investments in debt and equity securities, and cash flow hedges. Records supporting the entries to this account shall be maintained so that the utility can furnish the amount of other comprehensive income for each item included in this account.

B. This account shall also be debited or credited, as appropriate, with amounts of accumulated other comprehensive income that have been included in the determination of net income during the period and in accumulated other comprehensive income in

prior periods. Separate records for each category of items will be maintained to identify the amount of the reclassification adjustments from accumulated other comprehensive income to earnings made during the period.

#### **221 Bonds.**

This account shall include in a separate subdivision for each class and series of bonds the face value of the actually issued and unmatured bonds which have not been retired or canceled; also the face value of such bonds issued by others the payment of which has been assumed by the utility.

#### **222 Recquired bonds.**

A. This account shall include the face value of bonds actually issued or assumed by the utility and reacquired by it and not retired, or canceled. The account for reacquired debt shall not include securities which are held by trustee in sinking or other funds.

B. When bonds are reacquired, the difference between face value, adjusted for unamortized discount, expenses or premium, and the amount paid upon reacquisition, shall be included in account 189, Unamortized Loss on Reacquired Debt, or account 257, Unamortized Gain on Reacquired Debt, as appropriate. (See General Instruction 17.)

#### **223 Advances from associated companies.**

A. This account shall include the face value of notes payable to associated companies and the amount of open book accounts representing advances from associated companies. It does not include notes and open accounts representing indebtedness subject to current settlement which are includible in account 233, Notes Payable to Associated Companies, or account 234, Accounts Payable to Associated Companies.

B. The records supporting the entries to this account shall be so kept that the utility can furnish complete information concerning each note and open account.

#### **224 Other long-term debt.**

A. This account shall include, until maturity, all long-term debt not other-

wise provided for. This covers such items as receivers' certificates, real estate mortgages executed or assumed, assessments for public improvements, notes and unsecured certificates of indebtedness not owned by associated companies, receipts outstanding for long-term debt, and other obligations maturing more than one year from date of issue or assumption.

B. Separate accounts shall be maintained for each class of obligation, and records shall be maintained to show for each class all details as to date of obligation, date of maturity, interest dates and rates, security for the obligation, etc.

NOTE: Miscellaneous long-term debt reacquired shall be accounted for in accordance with the procedure set forth in account 222, Reacquired Bonds.

#### **225 Unamortized premium on long-term debt.**

A. This account shall include the excess of the cash value of consideration received over the face value upon the issuance or assumption of long-term debt securities.

B. Amounts recorded in this account shall be amortized over the life of each respective issue under a plan which will distribute the amount equitably over the life of the security. The amortization shall be on a monthly basis, with the amounts thereof to be credited to account 429, Amortization of Premium on Debt—Credit. (See General Instruction 17.)

#### **226 Unamortized discount on long-term debt—Debit.**

A. This account shall include the excess of the face value of long-term debt securities over the cash value of consideration received therefor, related to the issue or assumption of all types and classes of debt.

B. Amounts recorded in this account shall be amortized over the life of the respective issues under a plan which will distribute the amount equitably over the life of the securities. The amortization shall be on a monthly basis, with the amounts thereof charged to account 428, Amortization of Debt Discount and Expense. (See General Instruction 17.)

## SPECIAL INSTRUCTIONS FOR CURRENT AND ACCRUED LIABILITIES

Current and accrued liabilities are those obligations which have either matured or which become due within one year from the date thereof; except, however, bonds, receivers' certificates and similar obligations which shall be classified as long-term debt until date of maturity; accrued taxes, such as income taxes, which shall be classified as accrued liabilities even though payable more than one year from date; compensation awards, which shall be classified as current liabilities regardless of date due; and minor amounts payable in installments which may be classified as current liabilities. If a liability is due more than one year from date of issuance or assumption by the utility, it shall be credited to a long-term debt account appropriate for the transaction, except, however, the current liabilities previously mentioned.

**227 Obligations under capital leases—noncurrent.**

This account shall include the portion not due within one year, of the obligations recorded for the amounts applicable to leased property recorded as assets in account 101.1, Property under Capital Leases, or account 121, Non-utility property.

## SPECIAL INSTRUCTIONS TO ACCOUNTS 228.1 THROUGH 228.4

No amounts shall be credited to these accounts unless authorized by a regulatory authority or authorities to be collected in a utility's rate levels.

**228.1 Accumulated provision for property insurance.**

A. This account shall include amounts reserved by the utility for losses through accident, fire, flood, or other hazards to its own property or property leased from others, not covered by insurance. The amounts charged to account 924, Property Insurance, or other appropriate accounts to cover such risks shall be credited to this account. A schedule of risks covered shall be maintained, giving a description of the property involved, the character of the risks covered and the rates used.

B. Charges shall be made to this account for losses covered, not to exceed the account balance. Details of these charges shall be maintained according to the year the casualty occurred which gave rise to the loss.

**228.2 Accumulated provision for injuries and damages.**

A. This account shall be credited with amounts charged to account 925, Injuries and Damages, or other appropriate accounts, to meet the probable liability, not covered by insurance, for deaths or injuries to employees and others, and for damages to property neither owned nor held under lease by the utility.

B. When liability for any injury or damage is admitted by the utility either voluntarily or because of the decision of a court or other lawful authority, such as a workmens' compensation board, the admitted liability shall be charged to this account and credited to the appropriate current liability account. Details of these charges shall be maintained according to the year the casualty occurred which gave rise to the loss.

NOTE: Recoveries or reimbursements for losses charged to this account shall be credited hereto; the cost of repairs to property of others if provided for herein shall be charged to this account.

**228.3 Accumulated provision for pensions and benefits.**

A. This account shall include provisions made by the utility and amounts contributed by employees for pensions, accident and death benefits, savings, relief, hospital and other provident purposes, where the funds are included in the assets of the utility either in general or in segregated fund accounts.

B. Amounts paid by the utility for the purposes for which this liability is established shall be charged hereto.

C. A separate account shall be kept for each kind of provision included herein.

NOTE: If employee pension or benefit plan funds are not included among the assets of the utility but are held by outside trustees, payments into such funds, or accruals therefor, shall not be included in this account.

**228.4 Accumulated miscellaneous operating provisions.**

A. This account shall include all operating provisions which are not provided for elsewhere.

B. This account shall be maintained in such manner as to show the amount

of each separate provision and the nature and amounts of the debits and credits thereto.

NOTE: This account includes only provisions as may be created for operating purposes and does not include any reservations of income the credits for which should be carried in account 215, Appropriated Retained Earnings.

**229 Accumulated provision for rate refunds.**

A. This account shall be credited with amounts charged to Account 496, Provision for Rate Refunds, to provide for estimated refunds where the utility is collecting amounts in rates subject to refund.

B. When a refund of any amount recorded in this account is ordered by a regulatory authority, such amount shall be charged hereto and credited to Account 242, Miscellaneous Current and Accrued Liabilities.

C. Records supporting the entries to this account shall be kept so as to identify each amount recorded by the respective rate filing docket number.

**230 Asset retirement obligations.**

A. This account shall include the amount of liabilities for the recognition of asset retirement obligations related to gas utility plant and non-utility plant that gives rise to the obligations. This account shall be credited for the amount of the liabilities for asset retirement obligations with amounts charged to the appropriate gas utility plant accounts or nonutility plant accounts to record the related asset retirement costs.

B. This account shall also include the period to period changes for the accretion of the liabilities in account 230, Asset retirement obligations. The utility shall charge the accretion expense to account 411.10, Accretion expense, for gas utility plant, account 413, Expenses of gas plant leased to others, for gas plant leased to others, or account 421, Miscellaneous nonoperating income, for nonutility plant, as appropriate, and credit account 230, Asset retirement obligations.

C. This account shall be debited with amounts paid to settle the asset retirement obligations recorded herein.

D. The utility shall clear from this account any gains or losses resulting from the settlement of asset retirement obligations in accordance with the instructions prescribed in General Instruction 24.

**231 Notes payable.**

This account shall include the face value of all notes, drafts, acceptances, or other similar evidences of indebtedness, payable on demand or within a time not exceeding one year from date of issue, to other than associated companies.

**232 Accounts payable.**

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

**233 Notes payable to associated companies.**

**234 Accounts payable to associated companies.**

These accounts shall include amounts owing to associated companies on notes, drafts, acceptances, or other similar evidences of indebtedness, and open accounts payable on demand or not more than one year from date of issue or creation.

NOTE: Exclude from these accounts notes and accounts which are includible in account 223, Advances from Associated Companies.

**235 Customer deposits.**

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

**236 Taxes accrued.**

A. This account shall be credited with the amount of taxes accrued during the accounting period, corresponding debits being made to the appropriate accounts for tax charges. Such credits may be based upon estimates, but from time to time during the year as the facts become known, the amount of the periodic credits shall be adjusted so as to include as nearly as can be determined in each year the taxes applicable thereto. Any amount representing a prepayment of taxes applicable to the period subsequent to the



date of the balance sheet, shall be shown under account 165, Prepayments.

B. If accruals for taxes are found to be insufficient or excessive, correction therefor shall be made through current tax accruals.

C. Accruals for taxes shall be based upon the net amounts payable after credit for any discounts, and shall not include any amounts for interest on tax deficiencies or refunds. Interest received on refunds shall be credited to account 419, Interest and Dividend Income, and interest paid on deficiencies shall be charged to account 431, Other Interest Expense.

D. The records supporting the entries to this account shall be kept so as to show for each class of taxes, the amount accrued, the basis for the accrual, the accounts to which charged, and the amount of tax paid.

#### **237 Interest accrued.**

This account shall include the amount of interest accrued but not matured on all liabilities of the utility not including, however, interest which is added to the principal of the debt on which incurred. Supporting records shall be maintained so as to show the amount of interest accrued on each obligation.

#### **238 Dividends declared.**

This account shall include the amount of dividends which have been declared but not paid. Dividends shall be credited to this account when they become a liability.

#### **239 Matured long-term debt.**

This account shall include the amount of long-term debt (including any obligation for premiums) matured and unpaid, without specific agreement for extension of the time of payment and bonds called for redemption but not presented.

#### **240 Matured interest.**

This account shall include the amount of matured interest on long-term debt or other obligations of the utility at the date of the balance sheet unless such interest is added to the principal of the debt on which incurred.

#### **241 Tax collections payable.**

This account shall include the amount of taxes collected by the utility through payroll deductions or otherwise pending transmittal of such taxes to the proper taxing authority.

NOTE: Do not include liability for taxes assessed directly against the utility which are accounted for as part of the utility's own tax expense.

#### **242 Miscellaneous current and accrued liabilities.**

A. This account shall include the amount of all other current and accrued liabilities not provided for elsewhere appropriately designated and supported as to show the nature of each liability.

B. The utility is to include in a separate subaccount amounts payable for gas in unbalanced transactions where gas is received from another party in exchange, load balancing, or no-notice transportation transactions. (See Account 806.) If the amount payable is settled by other than gas, Account 495, Other Gas Revenues, must be credited or Account 813, Other gas supply expenses, charged for the difference between the amount of the consideration paid and the recorded amount of the payable settled. Records are to be maintained so that there is readily available for each party entering gas exchange, load balancing, or no-notice transportation transactions, the quantity and cost of gas received and the amount and basis of consideration paid if other than gas.

#### **243 Obligations under capital leases—current.**

This account shall include the portion due within one year, of the obligations recorded for the amounts applicable to leased property recorded as assets in account 101.1, Property under Capital Leases, or account 121, Non-Utility Property.

#### **244 Derivative instrument liabilities.**

This account shall include the change in the fair value of all derivative instrument liabilities not designated as cash flow or fair value hedges. Account 426.5, other deductions, shall be debited or credited as

appropriate with the corresponding amount of the change in the fair value of the derivative instrument.

**245 Derivative instrument liabilities—Hedges.**

A. This account shall include the change in the fair value of derivative instrument liabilities designated by the utility as cash flow or fair value hedges.

B. A utility shall record the change in the fair value of a derivative liability related to a cash flow hedge in this account, with a concurrent charge to account 219, accumulated other comprehensive income, with the effective portion of the derivative gain or loss. The ineffective portion of the cash flow hedge shall be charged to the same income or expense account that will be charged when the hedged item enters into the determination of net income.

C. A utility shall record the change in the fair value of a derivative instrument liability related to a fair value hedge in this account, with a concurrent charge to a subaccount of the asset or liability that carries the item being hedged. The ineffective portion of the fair value hedge shall be charged to the same income or expense account that will be charged when the hedged item enters into the determination of net income.

**252 Customer advances for construction.**

This account shall include advances by customers for construction which are to be refunded either wholly or in part. When a customer is refunded the entire amount to which he is entitled, according to the agreement or rule under which the advance was made, the balance, if any, remaining in this account shall be credited to the respective plant account.

**253 Other deferred credits.**

This account shall include advance billings and receipts and other deferred credit items, not provided for elsewhere, including amounts which cannot be entirely cleared or disposed of until additional information has been received.

**254 Other regulatory liabilities.**

A. This account shall include the amounts of regulatory liabilities, not includible in other accounts, imposed on the utility by the ratemaking actions of regulatory agencies. (See Definition No. 30.)

B. The amounts included in this account are to be established by those credits which would have been included in net income, or accumulated other comprehensive income, determinations in the current period under the general requirements of the Uniform System of Accounts but for it being probable that: Such items will be included in a different period(s) for purposes of developing the rates that the utility is authorized to charge for its utility services; or refunds to customers, not provided for in other accounts, will be required. When specific identification of the particular source of the regulatory liability cannot be made or when the liability arises from revenues collected pursuant to tariffs on file at a regulatory agency, account 407.3, regulatory debits, shall be debited. The amounts recorded in this account generally are to be credited to the same account that would have been credited if included in income when earned except: All regulatory liabilities established through the use of account 407.3 shall be credited to account 407.4, regulatory credits; and in the case of refunds, a cash account or other appropriate account should be credited when the obligation is satisfied.

C. If it is later determined that the amounts recorded in this account will not be returned to customers through rates or refunds, such amounts shall be credited to Account 421, Miscellaneous Nonoperating Income, or Account 434, Extraordinary Income, as appropriate, in the year such determination is made.

D. The records supporting the entries to this account shall be so kept that the utility can furnish full information as to the nature and amount of each regulatory liability included in this account, including justification for inclusion of such amounts in this account.

**255 Accumulated deferred investment tax credits.**

A. This account shall be credited with all investment tax credits deferred by companies which have elected to follow deferral accounting, partial or full, rather than recognizing in the income statement the total benefits of the tax credit as realized. After such election, a company may not transfer amounts from this account, except as authorized herein and in accounts 411.4, Investment Tax Credit Adjustments, Utility Operations, 411.5, Investment Tax Credit Adjustments, Nonutility Operations, and 420, Investment Tax Credits, or with approval of the Commission.

B. Where the company's accounting provides that investment tax credits are to be passed on to customers, this account shall be debited and account 411.4 credited with a proportionate amount determined in relation to the average useful life of gas utility plant to which the tax credits relate to such lesser period of time as allowed by a regulatory agency having rate jurisdiction. If, however, the deferral procedure provides that investment tax credits are not to be passed on to customers the proportionate restorations to income shall be credited to account 420.

C. If any of the investment tax credits to be deferred are related to utility operations other than gas or to non-utility operations, appropriate subdivisions of this account shall be maintained. Contra entries affecting such subdivisions shall be appropriately recorded in accounts 413, Expenses of Gas Plant Leased to Others; or 414, Other Utility Operating Income.

D. 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. Such records are not necessary unless the credits are deferred.

**256 Deferred gains from disposition of utility plant.**

This account shall include gains from the sale or other disposition of property previously recorded in account 105, Gas Plant Held for Future Use and account 105.1, Production Properties

Held for Future Use, under the provisions of paragraphs B, C, and D thereof, where such gains are significant and are to be amortized over a period of 5 years, unless otherwise authorized by the Commission. The amortization of the amounts in this account shall be made by credits to account 411.6, Gains from Disposition of Utility Plant. Subdivision of this account shall be maintained so that amounts relating to account 105, Gas Plant Held for Future Use and account 105.1, Production Properties Held for Future Use, can be readily identifiable. (See accounts 105, Gas Plant Held for Future Use and account 105.1, Production Properties Held for Future Use.)

**257 Unamortized gain on reacquired debt.**

This account shall include the amounts of discount realized upon reacquisition or redemption of long-term debt. The amounts in this account shall be amortized in accordance with General Instruction 17.

## SPECIAL INSTRUCTIONS

*Accumulated Deferred Income Taxes*

A. Before using the deferred tax accounts provided below refer to General Instruction 18, *Comprehensive Interperiod Income Tax Allocation*.

B. The text of these accounts are designed primarily to cover deferrals of Federal income taxes. However, they are also to be used when making deferrals of State and local income taxes. Natural gas companies which, in addition to a gas utility department, have another utility department, electric, water, etc., and nonutility property which have deferred taxes on income with respect thereto shall separately classify such deferrals in the accounts provided below so as to allow ready identification of items relating to each utility department and to Other Income and Deductions.

**281 Accumulated deferred income taxes—Accelerated amortization property.**

A. This account shall include tax deferrals resulting from adoption of the principles of comprehensive interperiod tax allocation described in General Instruction 18 of this system of accounts that relate to property for which the utility has availed itself of the use of accelerated (5-year) amortization of (1)

certified defense facilities as permitted by Section 168 of the Internal Revenue Code and (2) certified pollution control facilities as permitted by Section 169 of the Internal Revenue Code.

B. This account shall be credited and accounts 410.1, Provision for Deferred Income Taxes, Utility Operating Income, or 410.2, Provision for Deferred Income Taxes, Other Income and Deductions, as appropriate, shall be debited with tax effects related to property described in paragraph A above where taxable income is lower than pretax accounting income due to differences between the periods in which revenue and expense transactions affect taxable income and the periods in which they enter into the determination of pretax accounting income.

C. This account shall be debited and accounts 411.1, Provision for Deferred Income Taxes—Credit, Utility Operating Income, or 411.2, Provision for Deferred Income Taxes—Credit, Other Income and Deductions, as appropriate, shall be credited with tax effects related to property described in paragraph A above where taxable income is higher than pretax accounting income due to differences between the periods in which revenue and expense transactions affect taxable income and the periods in which they enter into the determination of pretax accounting income.

D. The utility is restricted in its use of this account to the purposes set forth above. It shall not transfer the balance in this account or any portion thereof to retained earnings or make any use thereof except as provided in the text of this account without prior approval of the Commission. Upon the disposition by sale, exchange, transfer, abandonment or premature retirement of plant on which there is a related balance herein, this account shall be charged with an amount equal to the related income tax expense, if any, arising from such disposition and account 411.1, Provision for Deferred Income Taxes—Credit, Utility Operating Income, or 411.2, Provision for Deferred Income Taxes—Credit, Other Income and Deductions, as appropriate, shall be credited. When the remaining balance, after consideration of any related income tax expense, is less than \$25,000,

this account shall be charged and account 411.1 or 411.2, as appropriate, credited with such balance. If after consideration of any related income tax expense, there is a remaining amount of \$25,000 or more, the Commission shall authorize or direct how such amount shall be accounted for at the time approval for the disposition of accounting is granted. When plant is disposed of by transfer to a wholly owned subsidiary the related balance in this account shall also be transferred. When the disposition relates to retirement of an item or items under a group method of depreciation where there is no tax effect in the year of retirement, no entries are required in this account if it can be determined that the related balances would be necessary to be retained to offset future group item tax deficiencies.

#### **282 Accumulated deferred income taxes—Other property.**

A. This account shall include the tax deferrals resulting from adoption of the principle of comprehensive interperiod income tax allocation described in General Instruction 18 of this system of accounts which are related to all property other than accelerated amortization property.

B. This account shall be credited and accounts 410.1, Provision for Deferred Income Taxes, Utility Operating Income, or 410.2, Provision for Deferred Income Taxes, Other Income and Deductions, as appropriate, shall be debited with tax effects related to property described in paragraph A above where taxable income is lower than pretax accounting income due to differences between the periods in which revenue and expense transactions affect taxable income and the periods in which they enter into the determination of pretax accounting income.

C. This account shall be debited and accounts 411.1, Provision for Deferred Income Taxes—Credit, Utility Operating Income, or 411.2, Provision for Deferred Income Taxes—Credit, Other Income and Deductions, as appropriate, shall be credited with tax effects related to property described in paragraph A above where taxable income is higher than pretax accounting income due to differences between the periods

in which revenue and expense transactions affect taxable income and the periods in which they enter into the determination of pretax accounting income.

D. The utility is restricted in its use of this account to the purposes set forth above. It shall not transfer the balance in this account or any portion thereof to retained earnings or make any use thereof except as provided in the text of this account without prior approval of the Commission. Upon the disposition by sale, exchange, transfer, abandonment or premature retirement of plant on which there is a related balance herein, this account shall be charged with an amount equal to the related income tax expense, if any, arising from such disposition and account 411.1, Income Taxes Deferred in Prior Years—Credit, Utility Operating Income, or 411.2, Income Taxes Deferred in Prior Years—Credit, Other Income and Deductions, shall be credited. When the remaining balance, after consideration of any related tax expenses, is less than \$25,000, this account shall be charged and account 411.1 or 411.2, as appropriate, credited with such balance. If after consideration of any related income tax expense, there is a remaining amount of \$25,000 or more, the Commission shall authorize or direct how such amount shall be accounted for at the time approval for the disposition of accounting is granted. When plant disposed of by transfer to a wholly owned subsidiary, the related balance in this account shall also be transferred. When the disposition relates to retirement of an item or items under a group method of depreciation where there is no tax effect in the year of retirement, no entries are required in this account if it can be determined that the related balance would be necessary to be retained to offset future group item tax deficiencies.

**283 Accumulated deferred income taxes—Other.**

A. This account shall include all credit tax deferrals resulting from the adoption of the principles of comprehensive interperiod income tax allocation described in General Instruction 18 of this system of accounts other than those deferrals which are includ-

ible in Accounts 281, Accumulated Deferred Income Taxes—Accelerated Amortization Property and 282, Accumulated Deferred Income Taxes—Other Property.

B. This account shall be credited and accounts 410.1 Provision for Deferred Income Taxes, Utility Operating Income, or 410.2, Provision for Deferred Income Taxes, Other Income and Deductions, as appropriate, shall be debited with tax effects related to items described in paragraph A above where taxable income is lower than pretax accounting income due to differences between the periods in which revenue and expense transactions affect taxable income and the periods in which they enter into the determination of pretax accounting income.

C. This account shall be debited and accounts 411.1, Provision for Deferred Income Taxes—Credit, Utility Operating Income or 411.2, Provision for Deferred Income Taxes—Credit, Other Income and Deductions, as appropriate shall be credited with tax effects related to items described in paragraph A above where taxable income is higher than pretax accounting income due to differences between the periods in which revenue and expense transactions affect taxable income and the periods in which they enter into the determination of pretax accounting income.

D. Records with respect to entries to this account, as described above, and the account balance, shall be so maintained as to show the factors of calculation with respect to each annual amount of the item or class of items.

E. The utility is restricted in its use of this account to the purposes set forth above. It shall not transfer the balance in the account or any portion thereof to retained earnings or to any other account or make any use thereof except as provided in the text of this account, without prior approval of the Commission. Upon the disposition by sale, exchange, transfer, abandonment or premature retirement of items on which there is a related balance herein, this account shall be charged with an amount equal to the related income tax effect, if any, arising from such disposition and account 411.1, Provision For Deferred Income Taxes—Credit,

Utility Operating Income, or 411.2, Provision For Deferred Income Taxes—Credit, Other Income and Deductions, as appropriate, shall be credited. When the remaining balance, after consideration of any related tax expenses, is less than \$25,000, this account shall be charged and account 411.1 or 411.2, as appropriate, credited with such balance. If after consideration of any related income tax expense, there is a remaining amount of \$25,000 or more, the Commission shall authorize or direct how such amount shall be accounted for at the time approval for the disposition of accounting is granted.

When plant is disposed of by transfer to a wholly owned subsidiary, the related balance in this account shall also be transferred. When the disposition relates to retirement of an item or items under a group method of depreciation where there is no tax effect in the year of retirement, no entries are required in this account if it can be determined that the related balance would be necessary to be retained to offset future group item tax deficiencies.

### Gas Plant Accounts

#### 1. INTANGIBLE PLANT

- 301 Organization.
- 302 Franchises and consents.
- 303 Miscellaneous intangible plant.

#### 2. PRODUCTION PLANT

##### A. MANUFACTURED GAS PRODUCTION PLANT

- 304 Land and land rights.
- 305 Structures and improvements.
- 306 Boiler plant equipment.
- 307 Other power equipment.
- 308 Coke ovens.
- 309 Producer gas equipment.
- 310 Water gas generating equipment.
- 311 Liquefied petroleum gas equipment.
- 312 Oil gas generating equipment.
- 313 Generating equipment—Other processes.
- 314 Coal, coke, and ash handling equipment.
- 315 Catalytic cracking equipment.
- 316 Other reforming equipment.
- 317 Purification equipment.
- 318 Residual refining equipment.
- 319 Gas mixing equipment.
- 320 Other equipment.

##### B. NATURAL GAS PRODUCTION PLANT

###### *B.1. Natural Gas Production and Gathering Plant*

- 325.1 Producing lands.
- 325.2 Producing leaseholds.

- 325.3 Gas rights.
- 325.4 Rights-of-way.
- 325.5 Other land and land rights.
- 326 Gas well structures.
- 327 Field compressor station structures.
- 328 Field measuring and regulating station structures.
- 329 Other structures.
- 330 Producing gas wells—Well construction.
- 331 Producing gas wells—Well equipment.
- 332 Field lines.
- 333 Field compressor station equipment.
- 334 Field measuring and regulating station equipment.
- 335 Drilling and cleaning equipment.
- 336 Purification equipment.
- 337 Other equipment.
- 338 Unsuccessful exploration and development costs.

###### *B.2. Products Extraction Plant*

- 340 Land and land rights.
- 341 Structures and improvements.
- 342 Extraction and refining equipment.
- 343 Pipe lines.
- 344 Extracted product storage equipment.
- 345 Compressor equipment.
- 346 Gas measuring and regulating equipment.
- 347 Other equipment.

### 3. NATURAL GAS STORAGE AND PROCESSING PLANT

#### A. UNDERGROUND STORAGE PLANT

- 350.1 Land.
- 350.2 Rights-of-way.
- 351 Structures and improvements.
- 352 Wells.
- 352.1 Storage leaseholds and rights.
- 352.2 Reservoirs.
- 352.3 Nonrecoverable natural gas.
- 353 Lines.
- 354 Compressor station equipment.
- 355 Measuring and regulating equipment.
- 356 Purification equipment.
- 357 Other equipment.

#### B. OTHER STORAGE PLANT

- 360 Land and land rights.
- 361 Structures and improvements.
- 362 Gas holders.
- 363 Purification equipment.
- 363.1 Liquefaction equipment.
- 363.2 Vaporizing equipment.
- 363.3 Compressor equipment.
- 363.4 Measuring and regulating equipment.
- 363.5 Other equipment.

#### C. BASE LOAD LIQUEFIED NATURAL GAS TERMINALING AND PROCESSING PLANT

- 364.1 Land and land rights .
- 364.2 Structures and improvements.
- 364.3 LNG processing terminal equipment.
- 364.4 LNG transportation equipment.
- 364.5 Measuring and regulating equipment.
- 364.6 Compressor station equipment.

- 364.7 Communication equipment.
- 364.8 Other equipment.

#### 4. TRANSMISSION PLANT

- 365.1 Land and land rights.
- 365.2 Rights-of-way.
- 366 Structures and improvements.
- 367 Mains.
- 368 Compressor station equipment.
- 369 Measuring and regulating station equipment.
- 370 Communication equipment.
- 371 Other equipment.

#### 5. DISTRIBUTION PLANT

- 374 Land and land rights.
- 375 Structures and improvements.
- 376 Mains.
- 377 Compressor station equipment.
- 378 Measuring and regulating station equipment—General.
- 379 Measuring and regulating station equipment—City gate check stations.
- 380 Services.
- 381 Meters.
- 382 Meter installations.
- 383 House regulators.
- 384 House regulatory installations.
- 385 Industrial measuring and regulating station equipment.
- 386 Other property on customers' premises.
- 387 Other equipment.

#### 6. GENERAL PLANT

- 389 Land and land rights.
- 390 Structures and improvements.
- 391 Office furniture and equipment.
- 392 Transportation equipment.
- 393 Stores equipment.
- 394 Tools, shop and garage equipment.
- 395 Laboratory equipment.
- 396 Power operated equipment.
- 397 Communication equipment.
- 398 Miscellaneous equipment.
- 399 Other tangible property.

#### Gas Plant Accounts

##### 301 Organization.

This account shall include all fees paid to Federal or State governments for the privilege of incorporation and expenditures incident to organizing the corporation, partnership, or other enterprises and putting it into readiness to do business.

##### ITEMS

1. Cost of obtaining certificates authorizing an enterprise to engage in the public utility business.
2. Fees and expenses for incorporation.
3. Fees and expenses for mergers or consolidations.

4. Office expenses incident to organizing the utility.

5. Stock and minute books and corporate seal.

NOTE A: This account shall not include any discounts upon securities issued or assumed; nor shall it include any costs incident to negotiating loans, selling bonds or other evidences of debt, or expenses in connection with the authorization, issuance, or sale of capital stock.

NOTE B: Exclude from this account and include in the appropriate expense account the cost of preparing and filing papers in connection with the extension of the term of incorporation unless the first organization costs have been written off. When charges are made to this account for expenses incurred in mergers, consolidations, or reorganizations, amounts previously included herein or in similar accounts in the books of the companies concerned shall be excluded from this account.

##### 302 Franchises and consents.

A. This account shall include amounts paid to the Federal Government, to a State or to a political subdivision thereof in consideration for franchises, consents, or certificates, running in perpetuity or for a specified term of more than 1 year, together with necessary and reasonable expenses incident to procuring such franchises, consents, or certificates of permission and approval, including expenses of organizing and merging separate corporations, where statutes require, solely for the purpose of acquiring franchises.

B. If a franchise, consent, or certificate is acquired by assignment, the charge to this account in respect thereof shall not exceed the amount paid therefor by the utility to the assignor, nor shall it exceed the amount paid by the original grantee, plus the expense of acquisition to such grantee. Any excess of the amount actually paid by the utility over the amount above specified shall be charged to account 426.5, Other Deductions.

C. When any franchise has expired, the book cost thereof shall be credited hereto and charged to account 426.5, Other Deductions, or to account 111, Accumulated Provision for Amortization and Depletion of Gas Utility Plant, as appropriate.

D. Records supporting this account shall be kept so as to show separately

the book cost of each franchise or consent.

NOTE: Annual or other periodic payments under franchises shall not be included herein but in the appropriate operating expense account.

### 303 Miscellaneous intangible plant.

A. This account shall include the cost of patent rights, licenses, privileges, and other intangible property necessary or valuable in the conduct of the utility's gas operations and not specifically chargeable to any other account.

B. When any item included in this account is retired or expires, the book cost thereof shall be credited hereto and charged to account 426.5, Other Deductions, or account 111, Accumulated Provision for Amortization and Depletion of Gas Utility Plant, as appropriate.

C. This account shall be maintained in such a manner that the utility can furnish full information with respect to the amounts included herein.

### 304 Land and land rights.

This account shall include the cost of land and land rights used in connection with manufactured gas production. (See gas plant instruction 7.)

### 305 Structures and improvements.

This account shall include the cost of structures and improvements used in connection with manufactured gas production. (See gas plant instruction 8.)

NOTE: Include relief holders in this account.

### 306 Boiler plant equipment.

This account shall include the cost installed of furnaces, boilers, steam and feed water piping, boiler apparatus, and accessories used in the production of steam at gas production plants.

#### ITEMS

1. Accumulators.
2. Air preheaters, including fans and drives, and ducts not part of building.
3. Ash disposal equipment, including sluiceways not part of a building, pumps and piping, crane, ash bucket conveyor and drives, ash cars, etc.
4. Belt conveyors, including drives.
5. Blast gate valves.
6. Blow-down tanks and piping.

7. Boilers, including valves attached thereto, casings, safety valves, soot blowers, soot hoppers, superheaters, and feed water regulators.

8. Cinder and dust catcher system, including mechanical and electric types.

9. Coal and coke handling equipment, including hoppers, lorries, etc., used wholly for boilers.

10. Combustion control system, including all apparatus installed for the regulation and control of the supply of fuel or air to boilers.

11. Control apparatus.

12. Cranes, hoists, etc., wholly identified with apparatus listed herein.

13. Desuperheaters and reducing valves.

14. Draft apparatus, including forced, induced, and other draft systems, with blowers, fans, and ducts not part of building.

15. Economizers.

16. Emergency lighting systems, not part of building, keep-a-lite systems, etc.

17. Emergency signal systems, in connection with boiler operation.

18. Feed water heaters, including primary and stage.

19. Flues, uptakes, and breeching, whether or not stacks are included in this account.

20. Foundations and settings, specially constructed for and not intended to outlast the apparatus for which provided.

21. Furnaces.

22. Gas firing system, including gas lines, burners, etc., for gas fired boilers.

23. Injectors.

24. Mechanical stoker and feeding systems, clinker grinders, including drives.

25. Meters, gauges, recording instruments, etc.

26. Oil burning equipment, including tanks, heaters, pumps with drives, burner equipment, piping, and conditioning apparatus.

27. Painting, first cost.

28. Panels, control (for operating apparatus listed herein).

29. Piping system, steam header and exhaust header, including accessory pipe hangers, steam traps, etc., make-up water, feed water, drip, blow-off, water pipe lines used for steam plant, and valve control system.

30. Platforms, railings, steps, gratings, etc., appurtenant to apparatus listed herein.

31. Pulverizing equipment.

32. Pumps and driving units, for feed water, heater condensate, condenser water, and drip.

33. Stacks—brick, steel, and concrete, when set on separate foundations independent of substructure or superstructure of building.

34. Steam reheaters.

35. Steelwork, especially constructed for apparatus listed herein.

36. Tanks, including surge, weighing, return, blow-off, feed water storage.



37. Tar burning equipment for utilization of tar as boiler fuel, including tanks, pumps, burner equipment, piping, etc.

38. Waste heat boilers and accessories—stack valve and stack irrespective of location.

39. Water treatment system, including purifiers, settling tanks, filters, chemical mixing and dosing apparatus, etc.

NOTE A: This account shall not include boilers or steam pipes whose primary purpose is the heating of buildings.

NOTE B: When the system for supplying boiler or condenser water is elaborate, as when it includes a dam, reservoir, canal, or pipe line, the cost shall not be charged to this account but to a special subdivision of account 305, Structures and Improvements—Manufactured Gas.

### 307 Other power equipment.

A. This account shall include the cost installed of electric generating and accessory equipment used for supplying electricity in gas production plants.

B. This account shall also include the cost installed of miscellaneous power equipment at gas production plants which is not included in any other account.

#### ITEMS

1. Acid proofing of battery rooms.
2. Air duct runs in battery rooms.
3. Air pump, streamjet.
4. Batteries for control and general station use.
5. Belts, pulleys, hangers, shafts, and countershafts.
6. Cables between generators and switchboards.
7. Cabinets, control.
8. Compartments, including buses, connections, and items permanently attached.
9. Enclosure equipment not an integral part of building.
10. Engines, including steam rotary or reciprocating, steam turbines, and internal combustion engines.
11. Foundations and settings, specially constructed for and not intended to outlast the apparatus for which provided.
12. Generators, a.c. or d.c., including excitation system.
13. Ground connections, for main station ground.
14. Lightning arresters.
15. Motor generators, frequency changers and converters.
16. Overhead power lines, including poles, crossarms, insulators, conductors, etc.
17. Panels, control, including supports and instruments.

18. Piping applicable to apparatus listed herein.

19. Reactors.

20. Rectifiers.

21. Safety equipment, including rubber mats, remote closing devices, glove cabinets.

22. Switchboards, including frames, panels, meters, and instruments.

23. Switching equipment, including oil circuit breakers, disconnecting switches, and connections.

24. Synchronous converters.

25. Transformers, including transformer platforms.

26. Underground conduit system, including manholes and conductors.

NOTE: When any unit of equipment listed herein is wholly used to furnish power to equipment included in another single account, its cost shall be included in such account.

### 308 Coke ovens.

This account shall include the cost installed of coke ovens used for the production of gas.

#### ITEMS

1. Apparatus for placing coal in ovens.
2. Bins, if not part of a building.
3. Cabinets, control.
4. Calorimeters.
5. Cars, quenching.
6. Charging lorry.
7. Clay mixers.
8. Coke guide.
9. Coke and pusher benches.
10. Collecting mains.
11. Control apparatus.
12. Conveyor, flight.
13. Cover lifting machinery.
14. Door handling machine.
15. Door luting machine.
16. Driving units for coke oven machinery.
17. Enclosures for machinery.
18. Engines, when not an integral part of the driven equipment.
19. Firing equipment.
20. Flues, uptakes, and breeching.
21. Foundations.
22. Fuel handling equipment used exclusively for coal to be carbonized in ovens.
23. Fuel systems under ovens.
24. Hot coke wharves.
25. Hot coke cars.
26. Instruments or meters, electrical.
27. Locomotives.
28. Mud mill.
29. Motor control equipment.
30. Ovens.
31. Panel, control.
32. Piping, including ascension pipes, hydraulic main, liquor flushing decanter tank, liquor pump, and return line to hydraulic main.

33. Pushers, including tracks and driving equipment.
34. Quenching station including structure, tank, well, piping, etc.
35. Quenching towers, piping, etc.
36. Regenerator, from bottom of oven floor tile to battery foundation.
37. Reversing machine, with enclosure.
38. Scale, platform.
39. Signal system.
40. Skip hoist.
41. Stacks.
42. Steel and iron work supports, platforms, stairways, etc.
43. Switches and switchboards.

### 309 Producer gas equipment.

This account shall include the cost installed of equipment used for the production of producer gas.

#### ITEMS

1. Ash handling equipment, used exclusively for producers.
2. Blast apparatus, including blowers, driving units, and blast mains.
3. Control apparatus.
4. Coolers and scrubbers.
5. Driving apparatus for producers.
6. Foundations and settings, specially constructed for and not intended to outlast the apparatus for which provided.
7. Fuel handling equipment, used exclusively for producers.
8. Humidifiers.
9. Piping—air, steam (commencing at steam header), water (inside of building), and producer gas (up to outlet of final piece of apparatus in building).
10. Producer boosters, including driving units.
11. Producers.
12. Water separators.

### 310 Water gas generating equipment.

This account shall include the cost installed of equipment used in the generation of water gas.

#### ITEMS

1. Automatic operation equipment.
2. Back-run installations.
3. Blast equipment, including blowers and driving units, piping and supports.
4. Bridge, coal shed to generator house.
5. Carburetors.
6. Charging equipment, fuel.
7. Circulating water pumps.
8. Concrete or brick pits, including cover, not part of building.
9. Control apparatus.
10. Conveyors.
11. Dust collectors.
12. Enclosures for equipment (barriers, fire walls, guards, housings, screens, etc.).

13. Flow meters.
14. Foundations and settings, specially constructed for and not intended to outlast the apparatus for which provided.
15. Fuel handling equipment used exclusively for fuel for this account.
16. Gauges, indicating and recording.
17. Generators.
18. Hot valves.
19. Hydraulic operation equipment.
20. Instruments and meters, electrical.
21. Oil handling and storage apparatus used solely for water gas apparatus (tanks, pumps and oil lines, oil heaters, manholes, valve pits, regulators, strainers, etc.).
22. Oil spray.
23. Operating floors and supports, stairways, etc.
24. Piling under foundations.
25. Piping and valves—steam (commencing at steam header) tar (to decanter) water (inside of building), and gas up to outlet of final pieces of apparatus in building).
26. Pressure regulators.
27. Scales, when used in connection with items in this account.
28. Seal pots.
29. Superheaters and superheater stacks.
30. Tanks, hydraulic pressure.
31. Valve operating mechanisms.
32. Wash boxes.

### 311 Liquefied petroleum gas equipment.

A. This account shall include the cost installed of equipment used for the production of gas from petroleum derivatives, such as propane, butane, or gasoline.

B. Subdivisions of this account shall be maintained for each producing process for which this account is provided. A separate subaccount shall be maintained also for bottling equipment included herein.

#### ITEMS

1. Blowers.
2. Boilers.
3. Calorimixer.
4. Carbureting equipment.
5. Compression equipment.
6. Controller.
7. Control apparatus.
8. Enclosures and protective fences.
9. Foundations and settings, specially constructed for and not intended to outlast the apparatus for which provided.
10. Heat exchanger.
11. Gauges and instruments.
12. Mixing or proportioning equipment.
13. Motors, not an integral part of driven equipment.
14. Odorizing equipment.
15. Oil separator.

16. Piping—steam (commencing at steam header), water (inside of building), oil (from supply tank), and gas (up to outlet of final piece of apparatus in building).

17. Pits.
18. Prime movers.
19. Pumps, including driving units.
20. Regulator.
21. Stairs, platforms, and ladders.
22. Storage equipment, tanks, etc.
23. Superheater.
24. Traps.
25. Valves—regulating and check.
26. Vaporizing equipment.

### 312 Oil gas generating equipment.

This account shall include the cost installed of equipment used for generating oil gas.

#### ITEMS

1. Air blast equipment, including blowers and driving units, piping and supports.
2. Air inlet louvres and filters.
3. Foundations and settings, specially constructed for and not intended to outlast the apparatus for which provided.
4. Generating equipment, including automatic cycle controls, generators, operating floor, superheaters and wash boxes.
5. Instruments and instrument boards, complete with signal lights and thermocouples and including gauge board, pressure gauges, and pyrometers.
6. Meters and regulators, such as, air flow meter, generator oil meter, steam flow meter, and steam regulator.
7. Piping and valves, air, steam (commencing at steam header), water (inside building), and oil gas (up to outlet of final piece of apparatus in building).
8. Pumps, hydraulic and oil.
9. Tanks, hydraulic accumulator, hydraulic return, oil and steam accumulator.

### 313 Generating equipment—Other processes.

This account shall include, with subdivisions for each type of gas produced, the cost installed of generating equipment which is not included in any of the foregoing accounts, such as benches and retorts for the production of coal gas, equipment used for generating acetylene gas, etc.

#### ITEMS

As to coal gas production equipment:

1. Benches.
2. Charging and drawing machines.
3. Control apparatus.
4. Equipment for steaming retorts.
5. Flues, uptakes and breeching, whether or not stacks are included in this account.

6. Foundations.

7. Fuel handling equipment used exclusively for retorts, including weight lorries, tracks, etc., and grinders, breakers, and screens located in retort house.

8. Fuel system under retorts, including built-in producers.

9. Piping, including ascension pipes, hydraulic main, liquor flushing decanter tank, liquor pump, and return line to hydraulic main.

10. Primary atmospheric condensers.

11. Retorts.

12. Stacks—brick, steel, and concrete when set on separate foundations independent of substructure or superstructure of buildings, including lightning arresters.

### 314 Coal, coke, and ash handling equipment.

This account shall include the cost installed of structures or equipment used for the transportation, storage, washing, and treatment of coal, coke, and ashes, when used for general gas plant operations.

#### ITEMS

1. Bins—mixing, refuse, storage, etc.
2. Boom operating mechanism.
3. Breaker equipment.
4. Bridges, bridge track, and machinery.
5. Bucket conveyors and supports.
6. Capstan.
7. Cars.
8. Chutes.
9. Circuit breakers.
10. Coal loaders.
11. Coal preparation machinery, including washing and drying equipment.
12. Conduit, electrical.
13. Conveyors and supports.
14. Crane, caterpillar.
15. Driving apparatus for equipment listed herein.
16. Elevators.
17. Enclosure equipment.
18. Engines, not an integral part of driven equipment.
19. Foundations and settings, specially constructed for and not intended to outlast the apparatus for which provided.
20. Gravity swing unloader.
21. Hoppers.
22. Instruments or meters, electrical.
23. Ladders, fixed.
24. Loading towers and equipment.
25. Locomotives.
26. Motor generators used only for equipment in this account.
27. Panel, control.
28. Pits.
29. Pulverizing equipment.
30. Railroad sidings and yard tracks.
31. Sampling equipment.

32. Scales.
33. Screens.
34. Sheds and fencing.
35. Shuttle boom.
36. Signal system equipment.
37. Silo.
38. Skip hoist.
39. Stairs, railings, etc.
40. Transfer cars and trucks.
41. Trestles.
42. Turntable.
43. Unloaders.
44. Weightometer.

### 315 Catalytic cracking equipment.

This account shall include the cost installed of equipment used for producing gas by the catalytic cracking process.

#### ITEMS

1. Caloric meters.
2. Catalytic furnace, including catalyst and foundation.
3. Combustion air blowers.
4. Compressors, air.
5. Control equipment.
6. Cooling coils, including foundations.
7. Cooling towers, including foundations.
8. Enclosures.
9. Fractionalizing units.
10. Piping and valves.
11. Preheaters.
12. Pressure regulators.
13. Proportioning controls.
14. Tanks.
15. Vaporizers.

### 316 Other reforming equipment.

This account shall include the cost installed of equipment, other than catalytic cracking equipment, used primarily for reforming gas with resultant changes in its chemical composition and calorific value.

#### ITEMS

1. Blast equipment, including blowers and driving units, piping, and supports.
2. Control apparatus.
3. Foundations and settings, specially constructed for and not intended to outlast the apparatus for which provided.
4. Fuel and ash handling equipment, used wholly in reforming gas.
5. Oil gas apparatus, used for reforming gas.
6. Piping—steam (commencing at steam header), water (inside of building), and gas (up to outlet of final piece of apparatus in building).
7. Pumps and driving units.
8. Purifiers for gas to be reformed.
9. Regulators.

10. Water gas generators, used primarily for reforming gas.

### 317 Purification equipment.

This account shall include the cost installed of apparatus used for the removal of impurities from gas and apparatus for conditioning gas, including pumps, wells, and other accessory apparatus.

#### ITEMS

1. Blowers for revivifying.
2. Blowers for activators.
3. Condensers and washer coolers.
4. Control apparatus—conduit, cable, cabinets, switchboards, etc.
5. Crane or cover lifting equipment, not part of the structure.
6. Dehydrators.
7. Engines, not an integral part of driven equipment.
8. Foundations and settings, specially constructed for and not intended to outlast the equipment for which provided.
9. Instruments and meters, electric.
10. Lubricators.
11. Naphthalene and light oil scrubbers.
12. Other accessory equipment such as coolers, spray ponds, pumps, platforms, railings, stairs.
13. Oxide elevators and pits, platforms, tables, and trenches.
14. Piping—air, steam, water, gas, condensate, liquor, tar, etc., from inlet valve of first piece of apparatus to outlet valve of final piece of apparatus (or, in building, from entrance to building to exit from building).
15. Precipitators.
16. Purifiers—iron oxide or liquid, including first filling.
17. Recording gauges and thermometers.
18. Revivifying air ducts.
19. Saturator with auxiliary equipment.
20. Scrubbers.
21. Seal and drip pots.
22. Signal system identified with equipment herein.
23. Sulphur removal apparatus.
24. Tar extractors and Cottrell precipitators.
25. Tar pumps and tanks.
26. Track runs for cranes and hoists.
27. Wash boxes.
28. Water meters, for cooling water.

### 318 Residual refining equipment.

This account shall include the cost installed of apparatus used in refining and handling of residuals except where the apparatus is necessary for the operation of property included in account 317, Purification Equipment.

## ITEMS

1. Ammonia stills, condensers, saturators, etc.
2. Apparatus for removal of residuals from purifier liquids.
3. Coke filter.
4. Coke handling and storage facilities used solely for coke held for sale.
5. Condensers.
6. Control apparatus.
7. Coolers.
8. Decanters.
9. Foundations specially constructed for and not intended to outlast the apparatus for which provided.
10. Gauges.
11. Heating equipment for apparatus included in this account.
12. Instruments.
13. Light oil stills, washers, etc.
14. Piping and pumps.
15. Platforms, stairs, and ladders.
16. Separators.
17. Storage tanks.
18. Supports.
19. Tar dehydrators, stills, etc.

**319 Gas mixing equipment.**

This account shall include the cost installed of equipment used for mixing manufactured and natural gas, or the mixing of other gases incident to delivery of such mixed gases to the distribution system.

## ITEMS

1. Alcohol units.
2. Automatic mixing controls.
3. Btu adjustor.
4. Calorimeter.
5. Calorimixer.
6. Compressor.
7. Gas heater.
8. Gas scrubber (air filter, dust cleaner).
9. Gauges and instruments.
10. Meters.
11. Mixing chambers.
12. Odorizing equipment.
13. Oil pump units.
14. Panel and control equipment.
15. Piping and valves.
16. Regulators, pressure and ratio.
17. Safety alarm equipment.

**320 Other equipment.**

This account shall include the cost installed of equipment used in the production of gas, when not assignable to any of the foregoing accounts.

## ITEMS

1. Cabinet, control.
2. Compressed air system.
3. Fire hose carts.

4. First aid room equipment.
5. Foamite system.
6. Foundations and settings specially constructed for and not intended to outlast the apparatus for which provided.
7. Gasoline pumps.
8. Hand pumps.
9. Machine shop equipment, such as lathes, pipe cutting and threading machines, vise grinders, power saw, shop motors, shafting and belting, drill press, shapers, milling machines, planes, etc.
10. Odorizing equipment.
11. Office furniture and equipment.
12. Oil foggers.
13. Panel, control.
14. Piping—yard, when not includible in other accounts.
15. Pits.
16. Platforms.
17. Portable scaffolds, ladders, etc.
18. Power shovels.
19. Production laboratory equipment.
20. Scales, not associated with other equipment.
21. Special signal equipment.
22. Tractors for general plant use.
23. Works exhauster including driving unit and governor.
24. Works station meters, including gauges, piping and accessories.

## SPECIAL INSTRUCTIONS

*Costs Related to Leases Acquired After October 7, 1969*

The net book value of amounts recorded in the natural gas production accounts incurred on or related to leases acquired after October 7, 1969, shall, in general, not exceed the net realizable value (estimated selling price less estimated costs of extraction, completion, and disposal) of recoverable hydrocarbon reserves discovered on such leases. After initiation of exploration and development on leases acquired after October 7, 1969, the utility must determine after a reasonable period of time, and annually thereafter, whether the net realizable value of such recoverable reserves will be sufficient to absorb the net book value of amounts recorded in the accounts. The recoverable reserves shall be determined and attested to by independent appraisers no less frequently than every 3 years. If the net realizable value of recoverable reserves is not sufficient to absorb the net book value of amounts in the production accounts, the utility shall reduce the net book value of the amounts in the accounts to net realizable value of recoverable reserves. The reduction shall be done by first reducing the unamortized amounts recorded in Account 338, Unsuccessful Exploration and Development Costs, by debiting Account 404.1, Amortization and Depletion of Producing Natural Gas Land and Land Rights (for Nonmajor companies, 403.1, Depreciation and

Depletion Expense). Next, if the net book value related to successful costs exceeds the net realizable value of the recoverable reserves, the production plant accounts shall be written down to such net realizable value by appropriate charges and credits to the expense and valuation accounts.

**321 Asset retirement costs for manufactured gas production plant.**

This account shall include asset retirement costs on plant included in the manufactured gas production plant function.

**325.1 Producing lands.**

This account shall include the cost of lands held in fee on which producing natural gas wells are located, and lands held in fee which are being drained of natural gas through the operation by the utility of wells on other land. (See gas plant instruction 7-G.)

**325.2 Producing leaseholds.**

A. This account shall include the cost of acquiring leaseholds on which the utility pays royalties for natural gas obtained therefrom. (See gas plant instruction 7-G.)

B. Exclude from this account rents paid periodically for rights obtained under leases. Exclude also from this account the cost of leaseholds which terminate in one year or less after they become effective.

**325.3 Gas rights.**

This account shall include the cost of natural gas rights used in producing natural gas, whereby the utility obtains ownership in gas underlying land not owned or leased by the utility. It does not provide for gas rights which are leased and which are properly chargeable to account 325.2, Producing Leaseholds.

**325.4 Rights-of-way.**

This account shall include the cost of all interests in land which terminate more than 1 year after they become effective and on which are located gathering pipelines, telephone pole lines, and like property used in connection with the production of natural gas. (See gas plant instruction 7.)

**325.5 Other land and land rights.**

This account shall include the cost of land and land rights used in connection with the production of natural gas, when not properly assignable to any of the foregoing accounts. (See gas plant instruction 7.)

**326 Gas well structures.**

This account shall include the cost of well structures and improvements used in connection with the housing of permanent bailers and other equipment necessary to keep the wells in operation. (See gas plant instruction 8.)

**327 Field compressor station structures.**

This account shall include the cost of structures and improvements used in connection with the housing of compressor station equipment used to raise the pressure of natural gas before it is conveyed to the terminus of the field lines. (See gas plant instruction 8.)

**328 Field measuring and regulating station structures.**

This account shall include the cost of structures and improvements used in connection with the housing of meters, regulators, and appurtenant appliances for measuring and regulating natural gas before the point where it enters the transmission or distribution system. (See gas plant instruction 8.)

**329 Other structures.**

This account shall include the cost of structures and improvements used in connection with natural gas production and gathering not provided for elsewhere. (See gas plant instruction 8.)

**330 Producing gas wells—Well construction.**

This account shall include the cost of drilling producing gas wells.

ITEMS

1. Clearing well site.
2. Hauling, erecting, dismantling, and removing boilers, portable engines, derricks, rigs, and other equipment and tools used in drilling.
3. Drilling contractors' charges.
4. Drive pipe.
5. Fuel or power.
6. Labor.
7. Rent of drilling equipment.

8. Water used in drilling, obtained either by driving wells, piping from springs or streams, or by purchase.

9. Hauling well equipment.

10. Shooting, fracturing, acidizing.

### 331 Producing gas wells—Well equipment.

This account shall include the cost of equipment in producing gas wells.

#### ITEMS

1. Bailing equipment.
2. Boilers and drives permanently connected.
3. Casing.
4. Derrick.
5. Fence, when solely an enclosure for equipment.
6. Fittings, including shut-in valves, bradenheads and casing heads.
7. Packing.
8. Tank, oil or water, etc.
9. Tubing.

### 332 Field lines.

This account shall include the cost installed of field lines used in conveying natural gas from the wells to the point where it enters the transmission or distribution system.

#### ITEMS

1. Gathering lines, including pipe, valves, fittings, and supports.
2. Cathodic protection equipment.
3. Creek crossings, suspension bridges and other special construction.
4. Line drips and separators.
5. Line pack gas.

### 333 Field compressor station equipment.

This account shall include the cost installed of compressor station equipment and associated appliances used to raise the pressure of natural gas before it is conveyed to the terminus of the field lines.

#### ITEMS

1. Boiler plant, coal handling and ash handling equipment for steam powered compressor station.
2. Compressed air system equipment.
3. Compressor equipment and driving units, including auxiliaries, foundations, guard rails and enclosures, etc.
4. Electric system equipment, including generating equipment and driving units, power wiring, transformers, regulators, battery equipment, switchboard, etc.
5. Fire fighting equipment.

6. Gas lines and equipment, including fuel supply lines, cooling tower and pond and associated equipment, dehydrators, fuel gas mixers, special pipe bends and connections, and associated scrubbers, separators, tanks, gauges and instruments.

7. Laboratory and testing equipment.

8. Lubricating oil system, including centrifuge, filter, tanks, purifier, and lubricating oil piping, etc.

9. Office furniture and fixtures and general equipment such as heating boilers, steel lockers, first-aid equipment, gasoline dispensing equipment, lawn mowers, incinerators, etc.

10. Shop tools and equipment.

11. Water supply and circulation system, including water well, tank, water piping, cooling tower, spray fence, and water treatment equipment, etc., but not including water system equipment solely for domestic and general use.

### 334 Field measuring and regulating station equipment.

This account shall include the cost installed of meters, gauges, and other equipment used in measuring and regulating natural gas collected in field lines before the point where it enters the transmission or distribution system.

#### ITEMS

1. Automatic control equipment.
2. Boilers, heaters, etc.
3. Foundations, pits, etc.
4. Gas cleaners, scrubbers, separators, dehydrators, etc.
5. Gauges and instruments, including piping, fittings, wiring, etc., and panel boards.
6. Headers.
7. Meters, orifice or positive, including piping and connections.
8. Oil fogging equipment.
9. Odorizing equipment.
10. Regulators or governors, including controls and instruments.
11. Structures of a minor nature or portable type.

### 335 Drilling and cleaning equipment.

This account shall include the cost of implements and equipment used in drilling and cleaning natural gas wells.

#### ITEMS

1. Bailers.
2. Bits and other drilling tools.
3. Boilers.
4. Derricks.
5. Drilling cables.
6. Drilling machines.
7. Engines.

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8. Motors.
9. Pulling machines.
10. Pumps.
11. Rigs.
12. Tanks.

**336 Purification equipment.**

This account shall include the cost installed of apparatus used for the removal of impurities from gas and apparatus for conditioning gas.

**ITEMS**

1. Condensers and washer coolers.
2. Dehydrators.
3. Foundations and settings, specially constructed for and not intended to outlast the equipment for which provided.
4. Other accessory equipment, such as coolers, spray ponds, pumps, platforms, railings, stairs.
5. Piping, from inlet valve of first piece of apparatus to outlet valve of final piece of apparatus (or, in building, from entrance to building to exit from building).
6. Scrubbers.
7. Sulphur removal apparatus.
8. Water supply system.

**NOTE:** In general this account shall include all dehydrators located in or adjacent to production areas which are used to remove water and other stray liquids from gas produced by the utility or purchased in or adjacent to production areas. In some instances such dehydrators may be located some distance from the production sources of the gas. Where, however, the utility has no production and gathering facilities with respect to any of the gas passing through the dehydrators, such as at the purchase point at the head of a transmission pipe line company, the dehydrators may be included in account 368, Compressor Station Equipment, or account 367, Mains, whichever is the most practicable and reasonable under the circumstances. Dehydrators which are an adjunct to products extraction operations shall be included in account 342, Extraction and Refining Equipment. Dehydrators used in connection with underground gas storage operations shall be included in account 356, Purification Equipment.

**337 Other equipment.**

This account shall include the cost installed of equipment used in the production and gathering of natural gas, when not assignable to any of the foregoing accounts.

**ITEMS**

1. Calorimeter.
2. Control installation.
3. Crane.

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4. Laboratory equipment.
5. Odorizing unit.
6. Office furniture and equipment.
7. Oil fogger.

**338 Unsuccessful exploration and development costs.**

**A.** This account shall include unsuccessful exploration and development costs incurred on or related to hydrocarbon leases, on properties in the contiguous 48 States and the State of Alaska, acquired after October 7, 1969. It shall also include costs of a preliminary nature incurred in the search for natural gas in such areas after October 7, 1969.

**B.** The costs recorded in this account shall be amortized by debiting account 404.1, Amortization and Depletion of Producing Natural Gas Land and Land Rights, and crediting this account using the unit-of-production or other acceptable method of amortization as hydrocarbons are extracted from producing wells.

**C.** In general, the unamortized costs recorded in this account shall not exceed the net realizable value (estimated selling price less estimated costs of extraction, completion and disposal) of proven hydrocarbon reserves on leases acquired after October 7, 1969. (See "Special Instructions—Costs Related to Leases Acquired After October 7, 1969," above.)

**339 Asset retirement costs for natural gas production and gathering plant.**

This account shall include asset retirement costs on plant included in the natural gas production and gathering plant function.

**340 Land and land rights.**

This account shall include the cost of land and land rights used in connection with the processing of natural gas for removal of gasoline, butane, propane, or other salable products. (See gas plant instruction 7.)

**341 Structures and improvements.**

This account shall include the cost of structures and improvements used in connection with the processing of natural gas for removal of gasoline, butane, propane, or other salable products. (See gas plant instruction 8.)



**342 Extraction and refining equipment.**

This account shall include the cost installed of equipment used for the extraction from natural gas of gasoline, butane, propane, or other salable products and for the refining of such products.

## ITEMS

1. Boiler plant equipment, including boiler, boiler setting, heat exchangers, etc.
2. Compressed air system, including air compressor, air storage tank, etc.
3. Cooling equipment such as coolers, cooling tower and accessories for gas, extracted products, etc.
4. Cranes, trolleys, and hoists.
5. Electrical system, including generator and driving unit, power lines, transformers, switchboard, yard lighting system, etc.
6. Extraction and refining equipment, such as absorbers, reabsorbers, stills, dephlegmators, fractionating towers, stabilizing columns, control apparatus.
7. Foundations and structural supports for equipment items not intended to outlast the equipment for which provided.
8. Fuel regulating and measuring equipment.
9. Gasoline blending equipment including dye pot, educator pumps, lead storage tanks, weighing device, etc.
10. Gauges and instruments.
11. Loading racks and associated other equipment.
12. Lubricating oil system.
13. Pumps of various types, such as boiler feed water pumps, loading and transfer pumps, drip still pumps, oil pumps, skimmer basin pumps, etc.
14. Tanks of various types such as accumulator and dewatering tanks, separator tanks, gasoline feed tanks, compressed air tanks, oil surge tanks, etc., except tanks classifiable as storage equipment, account 344.
15. Water supply system including water well, water tank and supports, water softener or purification apparatus, traveling water screen and drive.
16. Yard piping, gas, water, steam, compressed air, fuel, vapor, extracted products, including headers, valves, etc., but not including off-site lines includible in account 343, Pipe Lines.

**343 Pipe lines.**

This account shall include the cost installed of gas and liquids pipe lines used in connection with the processing of natural gas for the removal of gasoline, butane, propane, or other salable products, exclusive of runs of pipe appropriately includible in other equipment accounts, embracing principally

off-site gas, gasoline gathering, and loading lines not includible as yard piping in account 342, Extraction and Refining Equipment.

## ITEMS

1. Gas lines, off-site, relating solely to extraction operations.
2. Gasoline gathering lines connecting with off-site sources.
3. Gathering line drips.
4. Instruments, indicating and recording.
5. Loading lines connecting with remote off-site loading racks or storage facilities.
6. Pumps and driving units.

**344 Extracted product storage equipment.**

This account shall include the cost installed of storage tanks and associated equipment used in the storing, prior to sale, of gasoline, butane, propane, and other salable products extracted from natural gas.

## ITEMS

1. Foundations.
2. Instruments.
3. Regulators.
4. Storage tanks for partially or fully processed products.
5. Valves.

**345 Compressor equipment.**

This account shall include the cost installed of compressor equipment and associated appliances used in connection with the receipt, processing, and return of natural gas processed for removal of gasoline, butane, propane, or other salable products.

## ITEMS

(See account 333 for items.)

**346 Gas measuring and regulating equipment.**

This account shall include the cost installed of meters, gauges, and other equipment used in measuring or regulating natural gas received and/or returned from processing for removal of gasoline, butane, propane, or other salable products.

## ITEMS

1. Automatic control equipment.
2. Boilers, heaters, etc.
3. Foundations, pits, etc.
4. Gas cleaners, scrubbers, separators, dehydrators, etc.

5. Gauges and instruments, including piping, fittings, wiring, etc., and panel boards.
6. Headers.
7. Meters, orifice or positive, including piping and connections.
8. Oil fogging equipment.
9. Odorizing equipment.
10. Regulators or governors, including controls and instruments.
11. Structures of a minor nature or portable type.

#### 347 Other equipment.

This account shall include the cost installed of equipment used in processing natural gas and refining gasoline, butane, propane, and other salable products extracted from natural gas, when not assignable to any of the foregoing accounts.

#### ITEMS

1. Fire fighting equipment.
2. Laboratory and testing equipment.
3. Miscellaneous equipment, such as first-aid cabinet, gasoline dispensing pump, heating boiler, incinerator, lawn mower, warehouse truck.
4. Office furniture and equipment.
5. Shop tools and equipment.

#### SPECIAL INSTRUCTIONS—ACCOUNTS 350.1 THROUGH 363.5

The above accounts are to be used by the transmission and distribution companies for the classification of storage facilities used for peak shaving operations. The accounts shall be subdivided to classify the peak shaving storage facilities according to the transmission or distribution function, if the utility operates both transmission and distribution systems. Only base load liquefied natural gas terminaling and processing facilities are to be classified in accounts 364.1 through 364.8.

#### 348 Asset retirement costs for products extraction plant.

This account shall include asset retirement costs on plant included in the products extraction plant function.

#### 350.1 Land.

This account shall include the cost of lands held in fee on which underground storage wells are located, and other lands held in fee within an area utilized for the underground storage of gas. (See gas plant instruction 7-G.)

#### 350.2 Rights-of-way.

This account shall include the cost of all interests in land which do not terminate until more than 1 year after they become effective and on which are located underground storage lines, telephone poles lines, and like property used in connection with underground gas storage operations. (See gas plant instruction 7.)

#### 351 Structures and improvements.

A. This account shall include the cost in place of structures and improvements used wholly or predominantly in connection with underground storage of natural gas. (See gas plant instruction 8.)

B. This account shall be subdivided as follows:

- 351.1 Well structures.
- 351.2 Compressor station structures.
- 351.3 Measuring and regulating station structures.
- 351.4 Other structures.

#### 352 Wells.

This account shall include the drilling cost of wells used for injection and withdrawal of gas from underground storage projects, including wells kept open and used for observation.

#### ITEMS

##### Drilling:

1. Clearing well site.
2. Hauling, erecting, dismantling, and removing boilers, portable engines, derricks, rigs, and other equipment and tools used in drilling.
3. Drilling contractors' charges.
4. Drive pipe.
5. Fuel or power.
6. Labor.
7. Rent of drilling equipment.
8. Water used in drilling, obtained either by driving wells, piping from springs or streams, or by purchase.
9. Hauling well equipment.
10. Shooting, fracturing, acidizing.

##### Equipment:

11. Bailing equipment.
12. Boilers and drives permanently connected.
13. Casing.
14. Derrick.
15. Fence, when solely an enclosure for equipment.
16. Fittings, including shut-in valves, bradenheads and casing heads.
17. Packing.
18. Tank, oil or water, etc.

## 19. Tubing.

**352.1 Storage leaseholds and rights.**

A. This account shall include the cost of leaseholds, storage rights, mineral deeds, etc. on lands for the purpose of utilizing subsurface reservoirs for underground gas storage operations. (See gas plant instruction 7-G.)

B. Exclude from this account rents or other charges paid periodically for use of subsurface reservoirs for underground gas storage purposes.

NOTE: Items such as buildings, wells, lines, equipment and recoverable gas used in storage operations acquired with land or storage leaseholds and rights are to be classified in the appropriate accounts.

**352.2 Reservoirs.**

This account shall include costs to prepare underground reservoirs for the storage of natural gas.

## ITEMS

1. Geological, geophysical and seismic costs.
2. Plugging abandoned wells.
3. Fuel and power.
4. Drilling and equipping fresh water wells, disposal wells, and solution wells.
5. Leaching of salt dome caverns.
6. Rentals on storage rights and leases incurred during construction and development period.
7. Gas used during the development period.
8. Costs incident to maintaining covenants of production leaseholds during the period required to convert them to storage leaseholds.
9. Other rehabilitation work.

**352.3 Nonrecoverable natural gas.**

A. This account shall include the cost of gas in underground reservoirs, including depleted gas or oil fields and other underground caverns or reservoirs used for the storage of gas which will not be recoverable.

B. Such nonrecoverable gas shall be priced at cost according to generally accepted methods of cost determination consistently applied. (See the Special Instructions to Accounts 117.1, 117.2, and 117.3.)

**353 Lines.**

This account shall include the cost installed of gas pipe lines used wholly or predominantly for conveying gas from point of connection with trans-

mission or field lines to underground storage wells and from underground storage wells to the point where the gas enters the transmission or distribution system.

## ITEMS

1. Cathodic protection equipment.
2. Creek crossings, suspension bridges and other special construction.
3. Lines, including pipe, valves, fittings, and supports.
4. Line drips and separators.
5. Line pack gas.

**354 Compressor station equipment.**

This account shall include the cost installed of compressor station equipment used wholly or predominantly for the purpose of raising the pressure of gas for delivery to underground storage or to raise the pressure of gas withdrawn from underground storage for delivery to the transmission or distribution system.

## ITEMS

1. Boiler plant, coal handling and ash handling equipment for steam powered compressor station.
2. Compressed air system equipment.
3. Compressor equipment and driving units, including auxiliaries, foundations, guard rails and enclosures, etc.
4. Electric system equipment, including generating equipment and driving units, power wiring, transformers, regulators, battery equipment, switchboard, etc.
5. Fire fighting equipment.
6. Gas lines and equipment, including fuel supply lines, cooling tower and pond and associated equipment, dehydrators, fuel gas mixers, special pipe bends and connections, and associated scrubbers, separators, tanks, gauges and instruments.
7. Laboratory and testing equipment.
8. Lubricating oil system, including centrifuge, filter, tanks, purifier, and lubricating oil piping, etc.
9. Office furniture and fixtures and general equipment such as steel lockers, first-aid equipment, gasoline dispensing equipment, lawn mowers, incinerators, etc.
10. Shop tools and equipment.
11. Water supply and circulation system, including water well, tank, water piping, cooling tower, spray fence, and water treatment equipment, etc., but not including water system equipment solely for domestic and general use.

**355 Measuring and regulating equipment.**

This account shall include the cost installed if equipment used wholly or predominantly for the purpose of measuring and regulating deliveries of gas to underground storage and withdrawals of gas from underground storage.

## ITEMS

1. Automatic control equipment.
2. Boilers, heaters, etc.
3. Foundations, pits, etc.
4. Gas cleaners, scrubbers, separators, dehydrators, etc.
5. Gauges and instruments, including piping, fittings, wiring, etc., and panel boards.
6. Headers.
7. Meters, orifice or positive, including piping and connections.
8. Oil fogging equipment.
9. Odorizing equipment.
10. Regulators or governors, including controls and instruments.
11. Structures of a minor nature or portable type.

**356 Purification equipment.**

This account shall include the cost installed of apparatus used wholly or predominantly for the removal of impurities from and the conditioning of, gas delivered to or removed from underground storage fields.

## ITEMS

1. Condensers and washer coolers.
2. Dehydrators.
3. Foundations and settings, specially constructed for and not intended to outlast the equipment for which provided.
4. Other accessory equipment, such as coolers, spray ponds, pumps, platforms, railings, stairs.
5. Piping, from inlet valve of first piece of apparatus to outlet valve of final piece of apparatus (or, in building, from entrance to building to exit from building).
6. Scrubbers.
7. Sulphur removal apparatus.
8. Water supply system.

**357 Other equipment.**

This account shall include the cost installed of equipment used wholly or predominantly in connection with underground storage of gas, when not assignable to any of the foregoing accounts.

## ITEMS

1. Calorimeter.
2. Control installation.
3. Crane.
4. Odorizing unit.
5. Office furniture and equipment.
6. Oil foggers.

**358 Asset retirement costs for underground storage plant.**

This account shall include asset retirement costs on plant included in the underground storage plant function.

**360 Land and land rights.**

This account shall include the cost of land and land rights used in connection with the storage of gas in holders. (See gas plant instruction 7.)

**361 Structures and improvements.**

This account shall include the cost in place of structures and improvements used in connection with the storage of gas in holders. (See gas plant instruction 8.)

**362 Gas holders.**

This account shall include the cost installed of holders and associated appliances used in the storage of gas above ground, or in underground receptacles.

## ITEMS

1. Alarm systems.
2. Buried piping, tanks or other underground construction for gas storage.
3. Flood and fire control equipment.
4. Foundations.
5. Holder pistons.
6. Holders-waterless, including elevators, tar apparatus, and inlet and outlet connections.
7. Holders-waterseal, including oil skimmer, heating equipment, drips, and inlet and outlet connections.
8. Hortonspheres and high pressure tanks, including inlet and outlet connections, access equipment, etc.
9. Lighting.
10. Pumps.
11. Ventilating equipment.
12. Walkways.

NOTE A: If the utility stores gas by the liquefaction process the holders for such liquids, whether above or below ground, shall be included in a separate subaccount hereunder.

NOTE B: Relief holders used in connection with manufactured gas operations shall be

included in account 305, Structures and Improvements.

### 363 Purification equipment.

This account shall include the cost installed of apparatus used for the removal of impurities from gas and apparatus for conditioning gas.

#### ITEMS

1. Condensers and washer coolers.
2. Dehydrators.
3. Foundations and settings, specially constructed for and not intended to outlast the equipment for which provided.
4. Other accessory equipment, such as coolers, spray ponds, pumps, platforms, railings, stairs.
5. Piping from inlet valve of first piece of apparatus to outlet valve of final piece of apparatus (or, in building from entrance to building to exit from building).
6. Scrubbers.
7. Sulphur removal apparatus.
8. Water supply system.

### 363.1 Liquefaction equipment.

This account shall include the cost installed of equipment used in liquefaction of natural gas.

#### ITEMS

1. Cold box.
2. Heat exchanger.
3. Condensers.
4. Pumps.
5. Tanks.

### 363.2 Vaporizing equipment.

This account shall include the cost installed of vaporizing equipment used in connection with liquefied natural gas storage.

### 363.3 Compressor equipment.

This account shall include the cost installed of compressor equipment and associated appliances used in connection with other storage plant.

### 363.4 Measuring and regulating equipment.

This account shall include the cost installed of equipment used to measure deliveries of gas to other storage and withdrawals of gas from other storage.

#### ITEMS

1. Automatic control equipment.
2. Boilers, heaters, etc.
3. Foundations, pits, etc.

4. Gas cleaners, scrubbers, separators, dehydrators, etc.

5. Gauges and instruments, including piping, fittings, wiring, etc., and panel boards.

6. Headers.

7. Meters, orifice or positive, including piping and connections.

8. Oil fogging equipment.

9. Odorizing equipment.

10. Regulators or governors, including controls and instruments.

11. Structures of a minor nature or portable type.

### 363.5 Other equipment.

This account shall include the cost installed of other equipment used in connection with the storage of gas in holders.

#### ITEMS

1. Complete inlet and outlet connections.
2. Compressor.
3. Foundation.
4. Gauges and instruments.
5. Regulating apparatus.
6. Line pack gas.

### 363.6 Asset retirement costs for other storage plant.

This account shall include asset retirement costs on plant included in the other storage plant function.

### 364.1 Land and land rights.

A. This account shall include the cost of land and land rights used in connection with liquefied natural gas terminaling and processing operations. (See gas plant instruction 7.)

### 364.2 Structures and improvements.

A. This account shall include the cost in place of structures and improvements used in connection with liquefied natural gas terminaling and processing operations. (See gas plant instruction 8.)

B. This account shall be subdivided as follows:

1. Docking and harbor facilities.
2. LNG processing terminal structures.
3. Measuring and regulating structures.
4. Compressor station structures.
5. Other structures.

### 364.3 LNG processing terminal equipment.

This account shall include the cost installed of equipment used to receive, hold, and regasify liquefied natural gas

for delivery into the utility's transmission or distribution system.

## ITEMS

1. Aftercoolers.
2. Air compressors.
3. Air coolers.
4. Alarm systems.
5. Blowers.
6. Cold box, condensers.
7. Controls and control apparatus.
8. Dikes.
9. Drums.
10. Electrical power and ignition circuits including wiring and conduits.
11. Emission control equipment.
12. Fire control devices and equipment.
13. Foundations.
14. Generators.
15. Heat exchangers.
16. Heaters and reheaters.
17. Instrumentation.
18. Intercoolers.
19. Liquefaction compressors.
20. Liquefied gas holders and storage tanks.
21. Nitrogen system equipment.
22. Plant piping including pipe supports.
23. Pollution control facilities.
24. Pumps and driving units.
25. Stacks.
26. Tanks, other than LNG storage tanks (including ladders, stairs, walkways, and lighting).
27. Unloading and loading arms, and appurtenant equipment.
28. Valves.
29. Vaporizers.
30. Waste heat recovery units.
31. Water craft not to include LNG tankers and barges.
32. Miscellaneous other equipment.
33. Line pack gas.

**364.4 LNG transportation equipment.**

This account shall include the cost of vehicles used for the transportation of liquefied natural gas.

## ITEMS

1. LNG barges.
2. LNG maritime tankers.
3. LNG tank trucks.
4. Other LNG transportation equipment.

**364.5 Measuring and regulating equipment.**

This account shall include the cost installed of meters, gauges and other equipment used in base load LNG operations for measuring or regulating natural gas prior to its entrance into the utility's transmission or distribution system.

## ITEMS

1. Automatic control equipment.
2. Boilers, heaters, etc.
3. Foundation, pits, etc.
4. Gas analyzer equipment.
5. Gas cleaners, scrubbers, separators, dehydrators, etc.
6. Gauges and instruments, including piping, fittings, wiring, etc., and panel boards.
7. Headers.
8. Meters, orifice or positive, including piping and connections.
9. Oil fogging equipment.
10. Odorizing equipment.
11. Regulators or governors, including controls and instruments.
12. Stabilization equipment.
13. Structures of a minor or portable type.
14. Other equipment.

**364.6 Compressor station equipment.**

This account shall include the cost installed of compressor station equipment and associated appliances used in connection with liquefied natural gas operations prior to entrance of vaporized gas into the utility's transmission or distribution system.

## ITEMS

1. Boiler plant, coal handling, and ash handling equipment for steam powered compressor station.
2. Compressed air system equipment.
3. Compressor equipment and driving units, including auxiliaries, foundations, guard rails, and enclosures, etc.
4. Electric system equipment, including generating equipment and driving units, power wiring, transformers, regulators, battery equipment, switchboard, etc.
5. Fire fighting equipment.
6. Gas lines and equipment, including fuel supply lines, cooling tower and pond and associated equipment, dehydrators, fuel gas mixers, special pipebends and connections, and associated scrubbers, separators, tanks, gauges, and instruments.
7. Laboratory and testing equipment.
8. Lubricating oil system, including centrifuge, filter, tanks, purifier, and lubricating oil piping, etc.
9. Office furniture and fixtures and general equipment such as steel lockers, first-aid equipment, gasoline dispensing equipment, lawn mowers, incinerators, etc.
10. Shop tools and equipment.
11. Water supply and circulation system, including water well, tank, water pipeline, cooling tower, spray fence, and water treatment equipment, etc., but not including water system equipment used solely for domestic and general use.
12. Other equipment.

**364.7 Communication equipment.**

This account shall include the cost installed of radio, telephone, microwave, and other equipment used wholly or predominantly in connection with the operation and maintenance of the liquefied natural gas system. (See also accounts 370 and 397, Communication Equipment.)

## ITEMS

1. Carrier terminal equipment including repeaters, power supply equipment, transmitting and receiving sets.
2. Microwave equipment, including power supply equipment, transmitters, amplifiers, paraboloids, towers, reflectors, receiving equipment, etc.
3. Radio equipment, fixed and mobile, including antenna, power equipment, transmitter units.
4. Telephone equipment including switchboards, power and testing equipment, conductors, pole lines, etc.
5. Other equipment.

**364.8 Other equipment.**

This account shall include the cost installed of equipment used in liquefied natural gas operations, when not assignable to any of the foregoing accounts.

## ITEMS

1. Garage and service equipment.
2. General tools, including power operated equipment.
3. Laboratory equipment.
4. Materials handling equipment.
5. Office furniture and equipment.
6. Power generation equipment.
7. Shop equipment.
8. Tools, other than small hand tools.
9. Other equipment.

**364.9 Asset retirement costs for base load liquefied natural gas terminaling and processing plant.**

This account shall include asset retirement costs on plant included in the base load liquefied natural gas terminaling and processing plant function.

**365.1 Land and land rights.**

This account shall include the cost of land and land rights except rights-of-way used in connection with transmission operations. (See gas plant instruction 7.)

**365.2 Rights-of-way.**

This account shall include the cost of rights-of-way used in connection with transmission operations. (See gas plant instruction 7.)

**366 Structures and improvements.**

A. This account shall include the cost in place of structures and improvements used in connection with transmission operations. (See gas plant instruction 8.)

B. This account shall be subdivided as follows:

**366.1 Compressor station structures.****366.2 Measuring and regulating station structures.****366.3 Other structures.****367 Mains.**

A. This account shall include the cost installed of transmission system mains.

B. The records supporting this account shall be so kept as to show separately the cost of mains of different sizes and types and of each tunnel, bridge, or river crossing.

## ITEMS

1. Anti-freeze lubricating equipment.
2. Automatic valve operating mechanisms, including pressure tanks, etc.
3. By-pass assembly.
4. Caissons, tunnels, trestles, etc., for submarine mains.
5. Cathodic protection equipment.
6. Drip lines and pots.
7. Excavation, including shoring, bracing, bridging, pumping, backfill, and disposal of excess excavated material.
8. Foundations.
9. Gas cleaners, scrubbers, etc. when not part of compressor station or measuring and regulating equipment.
10. Leak clamps. (See gas plant instruction 10-C (1).)
11. Line pack gas.
12. Linewalkers' bridges.
13. Manholes.
14. Municipal inspection.
15. Pavement disturbed, including cutting and replacing pavement, pavement base, and sidewalks.
16. Permits.
17. Pipe coating.
18. Pipe and fittings.
19. Pipe laying.
20. Pipe supports.
21. Protection of street openings.

- 22. River, highway, and railroad crossings, including revetments, pipe anchors, etc.
- 23. Valves.
- 24. Welding.

### 368 Compressor station equipment.

This account shall include the cost installed of compressor station equipment and associated appliances used in connection with transmission system operations.

#### ITEMS

- 1. Boiler plant, coal handling and ash handling equipment for steam powered compressor station.
- 2. Compressed air system equipment.
- 3. Compressor equipment and driving units, including auxiliaries, foundations, guard rails and enclosures, etc.
- 4. Electric system equipment, including generating equipment and driving units, power wiring, transformers, regulators, battery equipment, switchboard, etc.
- 5. Fire fighting equipment.
- 6. Gas lines and equipment, including fuel supply lines, cooling tower and pond and associated equipment, dehydrators, fuel gas mixers, special pipe bends and connections, and associated scrubbers, separators, tanks, gauges and instruments.
- 7. Laboratory and testing equipment.
- 8. Lubricating oil system, including centrifuge, filter, tanks, purifier, and lubricating oil piping, etc.
- 9. Office furniture and fixtures and general equipment such as steel lockers, first-aid equipment, gasoline dispensing equipment, lawn mowers, incinerators, etc.
- 10. Shop tools and equipment.
- 11. Water supply and circulation system, including water well, tank, water piping, cooling tower, spray fence, and water treatment equipment, etc., but not including water system equipment solely for domestic and general use.

### 369 Measuring and regulating station equipment.

This account shall include the cost installed of meters, gauges, and other equipment used in measuring or regulating gas in connection with transmission system operations.

#### ITEMS

- 1. Automatic control equipment.
- 2. Boilers, heaters, etc.
- 3. Foundations, pits, etc.
- 4. Gas cleaners, scrubbers, separators, dehydrators, etc.
- 5. Gauges and instruments, including piping, fittings, wiring, etc., and panel boards.
- 6. Headers.

- 7. Meters, orifice or positive, including piping and connections.
- 8. Oil fogging equipment.
- 9. Odorizing equipment.
- 10. Regulators or governors, including controls and instruments.
- 11. Structures of a minor nature or portable type.

NOTE: Pipeline companies, including companies who measure deliveries of gas to their own distribution system, shall include in the transmission function classification city gate and main line industrial measuring and regulating stations.

### 370 Communication equipment.

This account shall include the cost installed of radio, telephone, microwave, and other equipment used wholly or predominantly in connection with the operation and maintenance of the gas transmission system. (See also account 397, Communication Equipment.)

#### ITEMS

- 1. Carrier terminal equipment including repeaters, power supply equipment, transmitting and receiving sets.
- 2. Microwave equipment, including power supply equipment, transmitters, amplifiers, paraboloids, towers, reflectors, receiving equipment, etc.
- 3. Radio equipment, fixed and mobile, including antenna, power equipment, transmitters and receivers, and portable receiver-transmitter units.
- 4. Telephone equipment including switchboards, power and testing equipment, conductors, pole lines, etc.

### 371 Other equipment.

This account shall include the cost installed of equipment used in transmission system operations, when not assignable to any of the foregoing accounts.

### 372 Asset retirement costs for transmission plant.

This account shall include asset retirement costs on plant included in the transmission plant function.

### 374 Land and land rights.

This account shall include the cost of land and land rights used in connection with distribution operations. (See gas plant instruction 7.)