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Part II

Department of Agriculture

Rural Utilities Service

7 CFR Part 1767

Accounting Requirements for RUS
Electric Borrowers; Final Rule

DEPARTMENT OF AGRICULTURE**Rural Utilities Service****7 CFR Part 1767**

RIN 0572-AB36

Accounting Requirements for RUS Electric Borrowers

AGENCY: Rural Utilities Service, USDA.

ACTION: Final rule.

SUMMARY: This final rule amends the Rural Utilities Service's regulations on accounting policies and procedures for RUS electric borrowers. This final rule amends the regulations pertaining to departures from the prescribed RUS Uniform System of Accounts (USoA), by allowing RUS borrowers to implement certain revenue and expense deferral plans without obtaining prior RUS approval. It also institutes activity-based costing (functional accounting) requirements for employee pensions and benefits, payroll taxes, and insurance and establishes a new accounting interpretation that addresses the accounting requirements set forth in Statement of Financial Accounting Standards No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of, within the framework of the RUS USoA. This final rule also establishes uniform accounting procedures for the National Rural Electric Cooperative Association's (NRECA) Split-Dollar life insurance program, the NRECA Special Early Retirement program, and the automatic meter reading system developed by Hunt Technologies, Inc., global positioning systems, and radio-based remote meter reading systems. This final rule also amends Accounting Interpretation No. 104 to record plant contributed by an RUS electric cooperative as an intangible asset.

EFFECTIVE DATE: September 5, 1997.

FOR FURTHER INFORMATION CONTACT: Ms. Roberta D. Purcell, Director, Program Accounting Services Division, Rural Utilities Service, Stop 1523, Room 2221, South Building, U.S. Department of Agriculture, 1400 Independence Avenue, SW., Washington, DC 20250-1523, telephone number (202) 720-9450.

SUPPLEMENTARY INFORMATION:**Executive Order 12866**

This final rule has been determined to be not significant for the purposes of Executive Order 12866 and therefore has not been reviewed by the Office of Management and Budget (OMB).

Regulatory Flexibility Act Certification

The Administrator of RUS has determined that a rule relating to the RUS electric loan program is not a rule as defined in the Regulatory Flexibility Act (5 U.S.C. 601 *et seq.*), and, therefore, the Regulatory Flexibility Act does not apply to this final rule.

Information Collection and Recordkeeping Requirements

The reporting and recordkeeping requirements contained in this final rule were approved by OMB pursuant to the Paperwork Reduction Act of 1995 (44 U.S.C. Chapter 35, as amended) under control number 0572-0002.

Send questions or comments regarding this burden or any aspect of this information collection, including suggestions for reducing the burden to F. Lamont Heppe, Jr., Director, Program Support and Regulatory Analysis, Rural Utilities Service, U.S. Department of Agriculture, 1400 Independence Ave., SW., STOP 1522, Room 4034, Washington, DC 20250-1522.

National Environment Policy Act Certification

The Administrator, RUS, has determined that this final rule will not significantly affect the quality of the human environment as defined by the National Environmental Policy Act of 1969 (42 U.S.C. 4321 *et seq.*). Therefore, this action does not require an environmental impact statement or assessment.

Catalog of Federal Domestic Assistance

The program described by this final rule is listed in the Catalog of Federal Domestic Assistance Program under number 10.850—Rural Electrification Loans and Loan Guarantees. This catalog is available on a subscription basis from the Superintendent of Documents, the United States Government Printing Office, Washington, DC 20402-9325.

Executive Order 12372

This final rule is excluded from the scope of Executive Order 12372, Intergovernmental Consultation. A notice of final rule entitled Department Programs and Activities Excluded from Executive Order 12372 (50 FR 47034) exempts RUS electric loans and loan guarantees to governmental and nongovernmental entities from coverage under this order.

National Performance Review

This regulatory action is being taken as part of the National Performance Review program to eliminate

unnecessary regulations and improve those that remain in force.

Civil Justice Reform

This final rule has been reviewed under Executive Order 12988, Civil Justice Reform. RUS has determined that this final rule meets the applicable standards provided in Sec. 3, of the Executive Order.

Background

In order to facilitate the effective and economical operation of a business enterprise, adequate and reliable financial records must be maintained. Accounting records must provide a clear, accurate picture of current economic conditions from which management can make informed decisions in charting the company's future. The rate-regulated environment in which an electric utility operates causes an even greater need for financial information that is accurate, complete, and comparable with that of other electric utilities.

RUS, as a Federal lender and mortgagee, and in furthering the objectives of the Rural Electrification Act (RE Act) (7 U.S.C. 901 *et seq.*) has a legitimate programmatic interest and a substantial financial interest in requiring adequate records to be maintained. In order to provide RUS with financial information that can be analyzed and compared with the operations of other borrowers in the RUS program, all RUS borrowers must maintain financial records that utilize uniform accounts and uniform accounting policies and procedures. The standard RUS security instrument, therefore, requires borrowers to maintain their books, records, and accounts in accordance with methods and principles of accounting prescribed by RUS in the RUS USoA for its electric borrowers.

To ensure that borrowers consistently account for their financial operations and keep pace with the ever-changing environment in which they operate, as well as apply the provisions of recent pronouncements of the Financial Accounting Standards Boards, the USoA must be revised and updated as changes in the industry and generally accepted accounting principles occur. RUS is, therefore, revising Section 1767.13, Departures from the Prescribed RUS Uniform System of Accounts, to identify certain revenue and expense deferral plans that may be implemented without the prior written approval of RUS. When RUS adopted the requirements set forth in Section 1767.13 in 1993, RUS borrowers were implementing a variety of revenue and expense deferral plans,

many without RUS knowledge or approval. Since the adoption of these requirements, RUS has been able to better determine the types of deferral plans being routinely adopted by its borrowers and the impact of these plans on loan security. History has shown that RUS has routinely approved the deferral of certain revenues and expenses and the accelerated amortization of previously deferred costs that have a minimal impact on loan security, provided that the information necessary for RUS to evaluate the action was submitted. In an effort to reduce paperwork requirements for both RUS and its borrowers, RUS is eliminating the requirement to obtain prior RUS approval to implement certain specific types of deferrals and accelerated amortizations of previously deferred expenses that have been routinely approved for all borrowers in the past.

With the issuance, by the Federal Energy Regulatory Commission (FERC), of Orders 888 and 889 on April 24, 1996 (61 FR 21540-21736; 21737-21854 (May 10, 1996) on open access, it is essential that rural electric cooperatives effectively and efficiently cost their products and services if they are to compete in an open market. Before products and services may be effectively priced in an open market, management must have reliable financial information concerning the actual cost of the products and services it provides. Costs, therefore, must be accumulated on a functional basis. Salaries, materials, and many other expenses incurred in utility operations are already accounted for on a functional basis. Employee pensions and benefits, payroll taxes, and insurance costs, however, are not, except to the extent that they are charged to construction and retirement activities. RUS is, therefore, revising its USoA to require borrowers to allocate employee pensions and benefits expense, as well as payroll taxes and insurance costs currently recorded in Accounts 408, Taxes Other than Income Taxes; 924, Property Insurance; 925, Injuries and Damages; and 926, Employee Pensions and Benefits; to the appropriate functional operations, maintenance, and administrative expense accounts. Additionally, RUS is amending the operations, maintenance, and administrative expense accounts to which labor charges are accrued to reflect this activity-based costing methodology. Accordingly, RUS is also amending the accounting interpretations that address insurance and pensions and benefits expense to reflect this cost allocation procedure.

This rule also revises Section 1767.41 by establishing a new accounting

interpretation that addresses the provisions of the recently issued pronouncement of the Financial Accounting Standards Board, Statement of Financial Accounting Standards No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of. RUS instructs its borrowers, with qualifying assets, as to the proper accounts to be used within the framework of the RUS USoA. Copies of Statements of Financial Accounting Standards may be obtained from the Order Department of the Financial Accounting Standards Board, 401 Merritt 7, P.O. Box 5116, Norwalk, Connecticut 06856-5116.

RUS is also adopting new accounting interpretations that establish the accounting policies and procedures for the NRECA Split-Dollar life insurance program and the NRECA Special Early Retirement (SERP) program. The Split-Dollar life insurance program and the Special Early Retirement program are benefits packages established by NRECA for borrowers to offer to their employees. The benefits provided under the Split-Dollar life insurance program consist of two components, the face value of the insurance policy which is payable to the employee's heirs and the accumulated cash surrender value. While the employee is the owner of the policy, the employee must sign a collateral assignment that gives the employer, the RUS borrower, an absolute right to the cash surrender value of the policy. Under the terms of this collateral assignment, the employee must reimburse the cooperative for the premiums paid upon the employee's termination of employment or attainment of the age of 62, if the employee wishes to maintain the insurance coverage. If death occurs prior to either of these events, the premiums paid to date by the borrower are deducted from the death benefits payable to the policy beneficiary. The accounting interpretation details the accounting journal entries necessary to record the cash surrender value of the policy and the expenses incurred by the borrower in providing the policy.

The SERP is a vehicle through which the cooperative may reduce the size of its workforce or replace more highly paid employees with lower paid entry-level employees. If an employee covered by an NRECA retirement plan chooses to retire before the employee's normal retirement date, that employee would receive an actuarially reduced benefit. However, when a cooperative elects to offer a SERP, no such reduction is required. The accounting interpretation details the accounting for the benefits package, itself, as well as the reduction

in postretirement benefit costs that may result from an employee accepting the SERP.

This rule also establishes an accounting interpretation for the automatic meter reading system developed by Hunt Technologies, Inc. The system transmits continuous information one way from the meter to a receiver located in the substation. The receiver constantly monitors each meter served by the substation. The data is then transmitted to the headquarters monitoring equipment via telephone line or an equivalent communication system. The accounting records the various components of the system in the primary plant accounts based upon their functions.

This rule establishes an accounting interpretation for Global Positioning Systems (GPS). The GPS is a worldwide radio-navigation system formed from a network of 24 satellites and their ground stations that utilities are using to update and modernize their system maps. GPS uses a system of satellites orbiting the earth to establish plant locations with pinpoint accuracy. By triangulating from three satellites and using radio signals to measure distances and locate items, system-wide maps can be created of the utility's service area. The accounting records the various components of the system in the primary plant accounts based upon their functions.

This rule also adopts an accounting interpretation for radio-based automatic meter reading systems. Radio-based automatic meter reading technology allows meters equipped with a low-power radio device called an ERT (Encoder, Receiver, Transmitter) to be read from a remote location. The ERT device "encodes" energy consumption and transmits this information to a radio transceiver equipped handheld computer. The data collected and stored in the handheld computer is then uploaded to a billing computer using specialized software for that purpose. The accounting records the various components of the system in the primary plant accounts based upon their functions.

This rule revises Interpretation No. 104, Terminal Facilities, to comply with guidance provided by FERC for public utilities on the accounting for plant contributed by one electric cooperative to another. Previously, contributed plant was recorded as a deferred charge in Account 186, Miscellaneous Deferred Debits. FERC issuances, however, direct public utilities to record contributed plant as an intangible asset in Account 303, Miscellaneous Intangible Plant. Upon review, RUS has determined that

the classification of contributed plant as an intangible asset is more appropriate and is, therefore, revising its accounting interpretations for RUS borrowers found in Interpretation No. 104.

Comments

A proposed rule entitled Accounting Requirements for RUS Electric Borrowers, published April 29, 1997, at 62 FR 23298, invited interested parties to submit comments on or before May 29, 1997. Twenty-seven comments were received which included submissions from NRECA, RUS electric borrowers, certified public accounting firms, and a statewide organization. The comments submitted by NRECA were based upon a joint review of the proposed rule by the Generation and Transmission Managers' Accounting and Depreciation Subcommittee and the Distribution Systems Accounting and Tax Committee. The following paragraphs address the various topics that were discussed by the commenters.

Implementation Date

Comment. The majority of commenters requested that RUS recognize that implementing the functional accounting requirements set forth in the proposed rule would require borrowers to make significant computer programming and accounting changes and, as a consequence, requested that implementation be delayed until no earlier than January 1, 1998. One borrower recommended a transition period of from 1 to 3 years for implementation, during which time either the current accounting methodologies or the functional approach could be utilized provided that adequate disclosure of the method utilized was made. One commenter recommended an implementation date of January 1, 1999, with earlier implementation encouraged and one commenter requested 3 years to allow borrowers to implement the required accounting systems without unduly interfering with their other required workloads. No commenters expressed a need to delay the other proposed revisions to the USOA.

Response. RUS is sympathetic to the commenters' concerns and believes, as do the majority of commenters, that a January 1, 1998, implementation date is appropriate and achievable. The vast majority of RUS borrowers' accounting systems are based upon computerized accounting models designed by a few data processing centers. Because of the importance, to their clients, of adopting a functional approach to accounting for expenses, these centers have already begun reformatting their accounting

systems and software. Several are previewing the new systems within the next 30 to 60 days.

It is also important to note that the managerial benefits to be derived from a functional accounting system should not be delayed. The sooner these systems are providing RUS borrowers' management with the cost data critical to operating in a deregulated industry, the greater benefits that are to be derived.

It is for these reasons that RUS will grant an automatic departure from the functional accounting requirements of this final rule for any borrower electing to delay implementation until January 1, 1998.

Comment. Many of the commenters requested relief from restating prior periods' financial statements in the RUS Form 7, Financial and Statistical Report; the RUS Form 12, Operating Report—Financial; and the audited financial statements prepared and submitted in accordance with 7 CFR part 1773, Policy on Audits of RUS Borrowers (part 1773).

Response. The security instruments utilized by RUS require borrowers to prepare and furnish to RUS, at least once during each 12-month period, a full and complete report of its financial condition, operations, and cash flows, in form and substance satisfactory to RUS, audited and certified by an independent CPA satisfactory to RUS, and accompanied by a report of such audit, in form and substance satisfactory to RUS. RUS has implemented these requirements through regulations published in part 1773. In Section 8 of part 1773, borrowers are required to prepare comparative financial statements for the 12-month period as of their audit date and for the immediately preceding 12-month period. It is this comparative financial information that permits RUS to analyze a borrower's financial progress and monitor any changes, either positive or negative, in operations from one year to the next. We believe the importance of this information to RUS in analyzing a borrower's continuing loan security status significantly outweighs the cost to the borrowers of providing this information.

After adoption of the functional accounting requirements, borrowers will be able to determine the percentage of general and administrative costs allocated to the various functional operations, maintenance, and administrative expense accounts. These same percentages could be applied to the prior year's financial statements to prepare comparative data. Since there is no net effect on a borrower's operating or net margins for the year, we believe

the impact will be immaterial to the financial statements taken as a whole, thereby allowing CPAs to provide the audit opinions necessary to allow borrowers to comply with the requirements set forth in part 1773 and, ultimately, their security instrument provisions. To alleviate any further reporting burden, however, RUS will not require restatement of prior years' financial statements in the RUS Forms 7 and 12.

Functional Accounting

Comment. A majority of the commenters disagreed with RUS' proposal to allocate labor related expenses such as employee pensions and benefits, payroll taxes, and employee insurance on the basis of direct labor hours. Rather, commenters recommended that those costs specifically identifiable with a particular employee be charged to the same accounts charged with that employee's labor and that those costs not specifically identifiable be allocated on the basis of direct labor dollars or hours, depending upon which allocation technique provides the most equitable distribution.

Response. RUS agrees with the recommendation and has revised the final rule accordingly.

Comment. Two commenters argued that property taxes and property insurance are more typically grouped with other types of fixed costs such as depreciation and interest and that either all of these "fixed costs" should be allocated or none.

Response. Property taxes and property insurance are costs that are readily identifiable with the various components of generation, transmission, and distribution plant thereby making their allocation a rational and elementary step toward a true functional accounting of costs. While we agree that depreciation expense should be readily identifiable with the various plant components, RUS has not required such specific identification in the past and to do so currently would dramatically change the depreciation accounting methodology for the majority of RUS borrowers. Depreciation expense is currently recorded by overall function; for example, steam production plant, nuclear production plant, hydraulic production plant, other production plant, transmission plant, distribution plant, and general plant and RUS has determined that the cost of requiring any further allocation by primary plant account would, for the majority of RUS borrowers, outweigh the benefits to be derived. For those borrowers that have this capability, however, RUS would, on

an individual borrower basis, consider requests for approval of a further allocation of depreciation expense.

With regard to interest expense, this allocation process would not only be cumbersome but would, more importantly, render invalid RUS' financial test requirements as set forth in its security instruments. For these reasons, RUS will not adopt an allocation procedure for depreciation or interest expense in this final rule.

Comment. One commenter recommended that property insurance premiums be charged directly to the operations expense accounts associated with insured substations and lines rather than to the miscellaneous transmission and distribution operations expense account. The commenter believes that this further allocation of these costs would be beneficial in establishing rates and in developing cost of service studies in the future.

Response. RUS agrees with this recommendation; however, believes that additional informational benefits could be derived by extending the allocation process beyond substations and lines. We have, therefore, revised the final rule to require the allocation of property insurance premiums and reserve accruals to the individual generation, transmission, and distribution operating expense accounts associated with the plant items insured. Property insurance premiums or reserve accruals associated with general plant items will continue to be charged to the miscellaneous administrative expense accounts as no further allocation is available under the current USoA.

Comment. Two commenters recommended that additional general and administrative costs be allocated to operations and maintenance activities; specifically, Accounts 920, Administrative and General Salaries; 921, Office Supplies and Expenses; 923, Outside Services Employed; 930, General Advertising Expense; 931, Rents; and 935, Maintenance of General Plant.

Response. The descriptions of the aforementioned accounts, as currently set forth in the USoA, allow general and administrative costs that are assignable to specific functions to be so charged. Only those costs attributable to the general administration of the borrowers' activities must remain unallocated in these accounts. While some may argue that all general and administrative costs could be allocated on an indirect basis to the specific functional accounts, the USoA is structured so as to maintain the integrity of the administrative and general costs incurred in the overall

operations of the cooperative. For these reasons, no revisions were made to the final rule.

Comment. One commenter recommended that the administrative and accounting fees related to 401(k) plans be allocated to the functional operations and maintenance accounts.

Response. As previously indicated, the current USoA allows for the assignment of general and administrative costs when a direct functional relationship exists. Therefore, if a borrower can specifically assign accounting and administrative fees associated with 401(k) plans to the applicable operations, maintenance, and administrative accounts, no further revision to the USoA is required. Costs that cannot be specifically assigned are more accurately reflected as costs applicable to the general administration of the borrowers' operations and should remain in the general and administrative account categories.

Comment. One commenter recommended that Account 405, Amortization of Other Electric Plant, be subaccounted similarly to Account 403, Depreciation Expense, to facilitate cost identification between the plant categories and facilities.

Response. While RUS encourages the use of subaccounts to provide borrower management with the level of detail necessary to make informed business decisions, we are reluctant to require specific subaccounts that may not be reflective of an individual borrower's intangible or other electric plant facilities. For this reason, no revision was made in the final rule.

Comment. Two commenters recommended the use of subaccounts to facilitate specific cost identification.

Response. While RUS encourages the use of subaccounts to provide borrower management with the level of detail needed to make informed business decisions, we are reluctant to require specific subaccounts that may not apply or be easily adaptable to an individual borrower's accounting system. For this reason, no revision was made in the final rule.

Comment. Two commenters noted that payments made under workmen's compensation laws were excluded from allocation to the maintenance accounts.

Response. RUS agrees with the recommendation and has revised the final rule to allocate all costs of injuries and damages to the various operations, maintenance, and administrative expense accounts.

Section 1767.13, Departures From the Prescribed RUS USoA

Comment. In its proposed rule, RUS advocated eliminating the requirement for RUS borrowers to obtain prior RUS approval to implement certain, specific types of deferrals. Included among the deferrals proposed to be exempted was the deferral of any current period expense provided that a borrower would have met its financial tests (Times Interest Earned Ratio (TIER) or Debt Service Charge (DSC) ratio) for the year had the deferral not been made. Two commenters pointed out that several generation and transmission borrowers have or are negotiating new indentures that invoke a Margins for Interest requirement rather than the standard TIER requirement. In addition, in the new form of mortgage and loan contract applicable to RUS distribution borrowers, borrowers not only have a TIER and DSC requirement but an Operating TIER and DSC requirement. The commenters recommended language that would focus on the financial covenants or financial tests applicable to each borrower during the year the deferral is made.

Response. RUS agrees with the recommendation and has revised the final rule accordingly.

To further clarify this exemption, it was RUS' intent to apply this provision to the cumulative total of all individual deferrals made pursuant to this exemption during the reporting year. That is, not only must each deferral made during the year meet this requirement but the cumulative total of all deferrals made pursuant to this exemption during the reporting year must meet this requirement.

Comment. Two commenters recommended that RUS exempt from its approval process, all revenue deferral plans provided that the borrower continued to meet RUS financial covenants after consideration of the revenue deferral. In addition, one of these commenters recommended exempting revenue deferrals that would be fully amortized within 12 months.

Response. RUS' purpose in exempting, from RUS approval requirements, certain, specific revenue and expense deferral plans was to minimize the paperwork requirements for both RUS and its borrowers. The deferral plans selected for exemption were ordinary in the course of business and provided little risk to RUS' loan security interests. Requests for approvals of revenue deferral plans other than those associated with the NRECA moratorium on pension plan payments are minimal. Due to the

infrequency of the requests and typically, the special nature of the requests, RUS has determined that all other revenue deferral plans should continue to be approved by RUS.

Comment. One commenter recommended a revision to the language exempting, from RUS approval requirements, revenue deferrals coincident with a moratorium imposed by NRECA on its Retirement and Security Program. The proposed language exempted the deferral of revenues coincident with a moratorium imposed by the NRECA on its Retirement and Security Program, provided, however, that the deferral is for the sole purpose of offsetting future pension cost increases. The commenter requested that "increases" be deleted from the provision.

Response. RUS has no objection to this recommendation and has revised the final rule accordingly.

Comment. Two commenters recommended that RUS clarify that those deferrals exempted from the RUS approval process must still comply with the provisions of Statement of Financial Accounting Standards No. 71, Accounting for the Effects of Certain Types of Regulation, and that the entities implementing such deferrals must continue to meet the requirements for doing so.

Response. RUS agrees with this recommendation and has revised the final rule accordingly.

Comment. One commenter recommended that the expense deferral plans exempted from RUS approval requirements be cross-referenced to the appropriate accounting interpretations.

Response. RUS agrees with the recommendation and has revised the final rule accordingly.

Section 1767.41, Accounting Methods and Procedures Required of All RUS Borrowers

Comment. One commenter expressed its concerns that RUS should not interpret generally accepted accounting principles (GAAP) through its accounting interpretations but should merely require its borrowers to follow GAAP. The commenter expressed concern that any interpretation that does not mirror a standard issued by the Financial Accounting Standards Board provides the opportunity for a conflict to exist.

Response. Each accounting interpretation addressing a FASB standard includes a synopsis of the requirements of the standard. While we understand the commenter's concern that this synopsis could alter the intent of the FASB standard, we expose, for

public comment, all interpretations to ensure that no apparent conflicts exist. The purpose of the interpretations is to alert borrowers to recent issuances that may impact upon their operations and to provide guidance on recording the applicable transactions within the framework of the USoA. Our purpose is not to alter the FASB standard unless it is necessary to do so to accommodate the cooperative organizational structure of our borrowers. To ensure that our intent was clear, we proposed introductory language to Section 1767.41 detailing our purpose and allowing borrowers to request a specific interpretation if they feel a conflict exists. For this reason, we have made no revision to the final rule.

Comment. One commenter recommended that the introductory language to Section 1767.41 be amended. The commenter focused on the language concerning requests for interpretations when a borrower feels that the accounting prescribed in the USoA conflicts with GAAP. The proposed language requires a borrower to request this interpretation in writing. The commenter is concerned that requiring only written requests may stifle questions posed to RUS and recommended language that focuses on resolution of issues.

Response. It is and has always been RUS' intention to encourage borrower questions, not to stifle them and we are receptive to any action that will enhance interaction between RUS and its borrowers. Therefore, we are revising the final rule to incorporate the commenter's recommended language. We would, however, caution borrowers that, due to the regulatory nature of the USoA, specific interpretations thereof or departures therefrom must be requested, in writing, in accordance with Sections 1767.13 and 1767.14. Written interpretations of this USoA ensure consistency in the application of accounting methodologies among RUS borrowers, thereby enhancing financial analysis and ultimately, loan security.

Interpretation No. 137, Impairment of Long-Lived Assets

Comment. While agreeing with our accounting interpretation, one commenter recommended that we expand our guidance to address the potential impairment of a distribution cooperative's investment in a generation and transmission (G&T) cooperative. The commenter expressed concern that with the changes occurring in the electric utility industry, additional guidance should be formulated to indicate what accounting should be

applied if an investment in a G&T becomes impaired.

Response. The interrelationship between a G&T and its distribution members is a complex one and encompasses many far-ranging issues in addition to the distribution cooperatives' investments in their G&Ts. While we share the commenter's concern, due to this complex interrelationship and the electric utility industry's constantly changing environment, we believe any guidance issued at this time may prove imprudent. It is our intention, therefore, to monitor the deregulation process closely, review all of the accounting consequences, and issue guidance in future rulemakings as more of the issues are resolved.

Interpretation No. 104, Terminal Facilities

Comment. One commenter stated that it is probable that power supply contracts resulting in the construction of terminal facilities will not be renewed. This commenter recommended that the amortization period be associated with contract life if it is shorter than the average service life of the plant constructed.

Response. RUS agrees with the recommendation and has revised the final rule accordingly.

Interpretations No. 138, Automatic Meter Reading Systems—Turtles, and 140, Radio-Based Automatic Meter Reading Systems

Comment. Several commenters requested reconsideration of Interpretations 138, Automatic Meter Reading Systems—Turtles, and 140, Radio-Based Automatic Meter Reading Systems. The commenters addressed a number of concerns including the functional classification of equipment, depreciation period of equipment, and the need for a generic interpretation to address all types of automatic meter reading devices. The commenters believe that the primary purpose of both the Turtle and Radio-Based Automatic Meter Reading Systems are to facilitate the meter reading function and should be recorded in Account 370, Meters. They expressed concern, however, that the depreciation rate applicable to metering equipment was not reflective of the average service lives of these devices and the associated computer software.

Response. RUS agrees with the commenters that the underlying function of these systems is meter reading and that these types of devices and the associated software have vastly different service lives than the other

equipment recorded in Account 370. RUS has, therefore, revised Interpretations 138 and 140 to require that all equipment be classified in a separate subaccount of Account 370, Meters. RUS has further revised its interpretation to require depreciation of the meter reading devices over the manufacturer's suggested service life and, in accordance with Interpretation No. 401, Computer Software Costs, depreciation of the associated software over its estimated useful service life not to exceed 5 years.

In response to the commenters' request that we provide a generic accounting interpretation to address all types of automatic meter reading devices, RUS is hesitant to provide generic interpretations that may be inappropriately applied to differing types of equipment. As technologies constantly improve, many of the systems and equipment that are in use in today's environment may be replaced by significantly different devices that provide a range of functions currently unanticipated by the industry. To avoid the application of accounting instructions to systems or devices to which they do not apply, RUS has decided to continue its practice of addressing specific, new technologies as they arise.

Interpretation No. 610, Financial Forecasts

Comment. One commenter expressed the view that labor and related expenses pertaining to the completion of a financial forecast should be capitalized.

Response. While comments on Interpretation No. 610 were outside the scope of this proposal, the preparation of financial forecasts are necessary in the normal and usual operations of any business enterprise and are considered common business practice. Financial forecasts are managerial tools used to direct the course of an enterprise and to evaluate its performance. Costs incurred in the normal course of business are expensed in the period in which they are incurred.

Interpretation No. 627, Postretirement Benefits

Comment. One commenter suggested that the accounting journal entries for the transition obligation associated with postretirement benefits be amended to require the various operations, maintenance, and administrative expense accounts to be charged rather than Account 926, Employee Pensions and Benefits.

Response. The adoption of Statement of Financial Accounting Standards No. 106, Employers' Accounting for

Postretirement Benefits Other Than Pension (Statement No. 106), was effective for most RUS borrowers beginning with fiscal years after December 15, 1994. The journal entry reference by the commenter addresses the current period expensing of the transition obligation, which, due to the passage of time, is no longer an appropriate option for borrowers. Borrowers that failed to adopt Statement No. 106 within the required timeframe have erred in the preparation of their financial statements and must account for such error as a prior period adjustment. For this reason, no revision was made to the final rule.

Interpretation No. 630, Split Dollar Life Insurance

Comment. Two commenters recommended that Interpretation No. 630, Split Dollar Life Insurance, be revised to apply to all split dollar life insurance programs, regardless of the service provider.

Response. While there are a number of split dollar life insurance programs available in the marketplace, the majority of RUS borrowers participate in the program offered by NRECA. The accounting guidance provided in Interpretation No. 630 is based upon information provided by NRECA on their program and is, therefore, specific to their plan. If, however, a borrower is currently participating in a program offered by another provider that parallels the NRECA program, the borrower should use the accounting provided in this interpretation. If the borrower's current program differs from that provided by NRECA, the borrower should request specific accounting guidance for that program. For this reason, no revision was made in the final rule.

Comment. One commenter recommended that Interpretation No. 630, Split Dollar Life Insurance, be expanded to provide a standard expense reference. This commenter recommended the use of Account 926, Employee Pensions and Benefits, or Account 165, Prepayments.

Response. RUS agrees that an expense account reference should be added to this interpretation. However, in keeping with the functional approach to accounting established in this rule, RUS will revise the final rule to require that various operations, maintenance, and administrative expense accounts be charged for the expenses associated with split dollar life insurance.

Interpretation No. 631, Special Early Retirement Plan

Comment. One commenter recommended that Interpretation No. 631, Special Early Retirement Plan (SERP), be revised to apply to all plans, regardless of the provider of the service.

Response. While there are a number of SERP programs available, the vast majority of RUS borrowers participate in the program offered by NRECA. The accounting guidance provided in Interpretation No. 631 is based upon information provided by NRECA on their program and is, therefore, specific to their plan. If, however, a borrower is currently participating in a program offered by another provider that mirrors the NRECA program, the borrower should use the accounting provided in this interpretation. If the borrower's current program differs from that provided by NRECA, the borrower should request specific accounting guidance for that program. For this reason, no revision was made in the final rule.

List of Subjects in 7 CFR Part 1767

Electric power, Loan programs—energy, Reporting and recordkeeping requirements, Rural areas, Uniform System of Accounts.

For the reasons set forth in the preamble, RUS hereby amends 7 CFR chapter XVII as follows:

PART 1767—ACCOUNTING REQUIREMENTS FOR RUS ELECTRIC BORROWERS

1. The authority citation for part 1767 is revised to read as follows:

Authority: 7 U.S.C. 901 *et seq.*, 1921 *et seq.*, 6941 *et seq.*

2. Section 1767.13 is amended by revising paragraphs (a) and (d) to read as follows:

§ 1767.13 Departures from the prescribed RUS Uniform System of Accounts.

(a) No departures are to be made to the prescribed RUS USoA without the prior written approval of RUS. RUS grants a departure to any borrower electing to delay implementation of the functional (activity-based) accounting requirements of this part through December 31, 1997. Requests for departures from the RUS USoA shall be addressed, in writing, to the Director, Program Accounting Services Division (PASD).

* * * * *

(d) RUS borrowers will not implement the provisions of Statement of Financial Accounting Standards (SFAS) No. 71, Accounting for the Effects of Certain

Types of Regulation, SFAS No. 90, Regulated Enterprises—Accounting for Abandonments and Disallowances of Plant Costs, SFAS No. 92, Regulated Enterprises—Accounting for Phase-in Plans, without the prior written approval of RUS except as provided for in paragraphs (d)(1) through (d)(5) of this section. Requests for approval shall be addressed, in writing, to the Director, PASD. The specific deferrals set forth in paragraphs (d)(1) through (d)(5) of this section may be implemented without the prior written approval of RUS provided that the deferrals comply with Statement No. 71 and that the RUS borrowers implementing such deferrals continue to meet the requirements set forth in Statement No. 71 for doing so:

(1) The deferral and amortization of prior service pension costs (See § 1767.41, Interpretation No. 606, Pension Costs), remapping expenses (See § 1767.41, Interpretation No. 613, Mapping Costs), and preliminary survey and investigation charges (See § 1767.17, Interpretation No. 111, Engineering Contracts for System Planning);

(2) The deferral of any current period expense or expenses, on a cumulative basis for the fiscal year, only if a borrower would have met each of its financial tests or coverage ratios that it has covenanted with RUS to meet for that fiscal year, had the deferral not been made;

(3) The deferral of any cost that will be fully amortized within the next 12 succeeding months;

(4) The accelerated amortization of any previously deferred expense; and

(5) The deferral of revenues coincident with a moratorium imposed by the National Rural Electric Cooperative Association on its Retirement and Security Program, provided, however, that the deferral is for the sole purpose of offsetting future pension costs.

* * * * *

3. Section 1767.17 is amended by revising paragraphs (a) and (b) to read as follows:

§ 1767.17 Operating expense instructions.

(a) *Supervision and engineering.* The supervision and engineering includible in the operating expense accounts shall consist of the salary, employee pensions and benefits, social security and other payroll taxes, injuries and damages, and other expenses of superintendents, engineers, clerks, other employees, and consultants engaged in supervising and directing the operation and maintenance of each utility function. Whenever 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.

(1) Labor items:

(i) Special tests to determine efficiency of equipment operation;

(ii) Preparing or reviewing budgets, estimates, and drawings relating to operation or maintenance for departmental approval;

(iii) Preparing instructions for operations and maintenance activities;

(iv) Reviewing and analyzing operating results;

(v) Establishing organizational setup of departments and executing changes therein;

(vi) Formulating and reviewing routines of departments and executing changes therein;

(vii) General training and instruction of employees by supervisors whose pay is chargeable hereto. Specific instructions and training in a particular type of work is chargeable to the appropriate functional account (See paragraph (c) (19) of this section); and

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

(2) Expense items:

(i) Employee pensions and benefits;

(ii) Social security and other payroll taxes;

(iii) Injuries and damages;

(iv) Consultants' fees and expenses; and

(v) Meals, traveling, and incidental expenses.

(b) *Maintenance.* (1) The cost of maintenance chargeable to the various operating expense and clearing accounts includes labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, materials, overheads, and other expenses incurred in maintenance work. A list of work operations applicable generally to utility plant is included in this paragraph (b). Other work operations applicable to specific classes of plant are listed in functional maintenance expense accounts.

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

(3) If the book cost of any property is carried in Account 102, Electric 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 electric plant in service accounts. Maintenance of property leased from others shall be treated as provided in paragraph (c) of this section.

(4) Items:

(i) Direct field supervision of maintenance;

(ii) 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;

(iii) Work performed specifically for the purpose of preventing failure, restoring serviceability or maintaining life of plant;

(iv) Rearranging and changing the location of plant not retired;

(v) Repairing for reuse materials recovered from plant;

(vi) Testing for, locating, and clearing trouble;

(vii) Net cost of installing, maintaining, and removing temporary facilities to prevent interruptions in service; and

(viii) Replacing or adding minor items of plant which do not constitute a retirement unit.

* * * * *

4. Section 1767.21 is amended by revising Account 408 to read as follows:

§ 1767.21 Operating income.

* * * * *

408 Taxes Other Than Income Taxes

A. This account shall include the amounts of ad valorem, gross revenue, or gross receipts taxes, state unemployment insurance, franchise taxes, Federal excise taxes, social security taxes, and all other taxes assessed by Federal, state, county, municipal, or other local governmental authorities, except income taxes.

B. These accounts shall be charged in each accounting period with the amounts of taxes which are applicable thereto, with concurrent credits to Account 236, Taxes Accrued, or Account 165, Prepayments, as appropriate. When it is not possible to determine the exact amounts of taxes, the amounts shall be estimated and adjustments made in current accruals as the actual tax levies become known.

C. The charges to these accounts shall be made or supported so as to show the amount of each tax and the basis upon which each charge is made. In the case of a utility rendering more than one utility service, taxes of the kind includible in these accounts shall be assigned directly to the utility department the operation of which gave rise to the tax, in so far as practicable. Where the tax is not attributable to a specific utility department, it shall be distributed among the utility departments or nonutility operations on

an equitable basis after appropriate study to determine such basis.

Note A: Special assessments for street and similar improvements shall be included in the appropriate utility plant or nonutility property account.

Note B: Taxes specifically applicable to construction and retirement activities shall be included in the cost of construction or the retirement.

Note C: Gasoline and other sales taxes shall be charged as far as practicable to the same account as the materials on which the tax is levied.

Note D: Social security and other forms of payroll taxes shall be charged to nonutility operations, the specific functional operations, maintenance, and administrative expense accounts, and to construction and retirement activities on a basis related to payroll either directly or by transfers from this account.

Note E: Property taxes applicable to the various utility functions shall be charged to the specific functional operations and administrative expense accounts either directly or by transfers from this account.

Note F: Interest on tax refunds or deficiencies shall not be included in these accounts but in Account 419, Interest and Dividend Income, or Account 431, Other Interest Expense, as appropriate.

D. Account 408 shall be subaccounted as follows:

- 408.1 Taxes—Property
- 408.2 Taxes—U.S. Social Security—Unemployment
- 408.3 Taxes—U.S. Social Security—F.I.C.A.
- 408.4 Taxes—State Social Security—Unemployment
- 408.5 Taxes—State Sales—Consumers
- 408.6 Taxes—Gross Revenue or Gross Receipts Tax
- 408.7 Taxes—Other

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5. Section 1767.27 is amended by revising Accounts 500, 501, 502, 505, 506, 510, 511, 512, 513, 514, 517, 519, 520, 523, 524, 528, 529, 530, 531, 532, 535, 537, 538, 539, 541, 542, 543, 544, 545, 546, 548, 549, 551, 552, 553, 554, 556, 560, 561, 562, 563, 564, 566, 568, 569, 570, 571, 572, 573, 580, 581, 582, 583, 584, 585, 586, 587, 588, 590, 591, 592, 593, 594, 595, 596, 597, and 598 to read as follows:

§ 1767.27 Operation and maintenance expense.

* * * * *

500 Operation Supervision and Engineering

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, and expenses incurred in the general supervision and direction of the operation of steam power generating stations. Direct supervision of specific activities, such as fuel handling, boiler-room

operations, and generator operations shall be charged to the appropriate account. (See § 1767.17(a).)

501 Fuel

A. This account shall include the cost of fuel used in the production of steam for the generation of electricity, including expenses in unloading fuel from the shipping media and handling thereof up to the point where the fuel enters the first boiler plant bunker, hopper, bucket, tank, or holder of the boiler-house structure. Records shall be maintained to show the quantity, B.t.u. content and cost of each type of fuel used.

B. The cost of fuel shall be charged initially to Account 151, Fuel Stock, and cleared to this account on the basis of the fuel used. Fuel handling expenses may be charged to this account as incurred or charged initially to Account 152, Fuel Stock Expenses Undistributed. In the latter event, they shall be cleared to this account on the basis of the fuel used. Respective amounts of fuel stock and fuel stock expenses shall be readily available.

Items

Labor:

1. Supervising, purchasing, and handling of fuel.
2. All routine fuel analyses.
3. Unloading from shipping facility and placing in storage.
4. Moving of fuel in storage and transferring fuel 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, and cranes.

Taxes:

1. Federal and state unemployment.
2. F.I.C.A.
3. Property.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.
2. Group and life insurance premiums (credit dividends received).
3. Payments for medical and hospital services and expenses of employees

when not the result of occupational injuries.

4. Payments for accident, sickness, hospital, and death benefits or insurance.

5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.

6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for fire, storm, burglary, boiler explosion, lightning, fidelity, riot, and similar insurance.

2. Amounts credited to Account 228.1, Accumulated Provision for Property Insurance, for similar protection.

3. Special costs incurred in procuring insurance.

4. Insurance inspection service.

5. Insurance counsel, brokerage fees, and expenses.

6. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.

7. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.

8. Fees and expenses of claim investigators.

9. Payment of awards to claimants for court costs and attorneys' services.

10. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.

11. Compensation payments under workmen's compensation laws.

12. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)

13. Cost of safety, accident prevention, and similar educational activities.

Materials and Expenses:

1. Operating, maintenance, and depreciation expenses and ad valorem taxes on utility-owned transportation equipment used to transport fuel from the point of acquisition to the unloading point.

2. Lease or rental costs of transportation equipment used to transport fuel from the point of acquisition to the unloading point.

3. Cost of fuel including freight, switching, demurrage, and other transportation charges.

4. Excise taxes, insurance, purchasing commissions, and similar items.

5. Stores expenses to extent applicable to fuel.

6. Transportation and other expenses in moving fuel in storage.

7. Tools, lubricants, and other supplies.

8. Operating supplies for mechanical equipment.

9. Residual disposal expenses less any proceeds from sale of residuals.

Note: Abnormal fuel handling expenses occasioned by emergency conditions shall be charged to expense as incurred.

502 Steam Expenses

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, property insurance, property taxes, materials used, and expenses incurred in production of steam for electric generation. This includes all expenses of handling and preparing fuel beginning at the point where the fuel enters the first boiler plant bunker, hopper, tank, or holder of the boiler-house structure.

Items

Labor:

1. Supervising steam production.
2. Operating fuel conveying, storage, weighing, and processing equipment within boiler plant.
3. Operating boiler and boiler auxiliary equipment.
4. Operating boiler feed water purification and treatment equipment.
5. Operating ash-collecting and disposal equipment located inside the plant.
6. Operating boiler plant electrical equipment.
7. Keeping boiler plant log and records and preparing reports on boiler plant operations.
8. Testing boiler water.
9. Testing, checking, and adjusting meters, gauges, and other instruments and equipment in boiler plant.
10. Cleaning boiler plant equipment when not incidental to maintenance work.
11. Repacking glands and replacing gauge glasses where the work involved is of a minor nature and is performed by regular operating crews. Where the work is of a major character, such as that performed on high-pressure boilers, the item should be considered as maintenance.

Taxes:

1. Federal and state unemployment.

2. F.I.C.A.

3. Property.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.
2. Group and life insurance premiums (credit dividends received).
3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.
4. Payments for accident, sickness, hospital, and death benefits or insurance.
5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.
6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for fire, storm, burglary, boiler explosion, lightning, fidelity, riot, and similar insurance.
2. Amounts credited to Account 228.1, Accumulated Provision for Property Insurance, for similar protection.
3. Special costs incurred in procuring insurance.
4. Insurance inspection service.
5. Insurance counsel, brokerage fees, and expenses.
6. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.
7. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.
8. Fees and expenses of claim investigators.
9. Payment of awards to claimants for court costs and attorneys' services.
10. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.

11. Compensation payments under workmen's compensation laws.

12. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)

13. Cost of safety, accident prevention, and similar educational activities.

Materials and Expenses:

1. Chemicals and boiler inspection fees.
2. Lubricants.
3. Boiler feed water purchased and pumping supplies.

* * * * *

505 Electric Expenses

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, property insurance, property taxes, and materials used, and expenses incurred in operating prime movers, generators, and their auxiliary apparatus, switch gear, and other electric equipment to the points where electricity leaves for conversion for transmission or distribution.

Items

Labor:

1. Supervising electric production.
2. Operating turbines, engines, generators, and exciters.
3. Operating condensers, circulating water systems, and other auxiliary apparatus.
4. Operating generator cooling system.
5. Operating lubrication and oil control system, including oil purification.
6. Operating switchboards, switch gear and electric control, and protective equipment.
7. Keeping electric plant log and records and preparing reports on electric plant operations.
8. Testing, checking, and adjusting meters, gauges, and other instruments, relays, controls, and other equipment in the electric plant.
9. Cleaning electric plant equipment when not incidental to maintenance work.
10. Repacking glands and replacing gauge glasses.

Taxes:

1. Federal and state unemployment.
2. F.I.C.A.
3. Taxes.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee

pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.
2. Group and life insurance premiums (credit dividends received).
3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.
4. Payments for accident, sickness, hospital, and death benefits or insurance.
5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.
6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for fire, storm, burglary, boiler explosion, lightning, fidelity, riot, and similar insurance.
2. Amounts credited to Account 228.1, Accumulated Provision for Property Insurance, for similar protection.
3. Special costs incurred in procuring insurance.
4. Insurance inspection service.
5. Insurance counsel, brokerage fees, and expenses.
6. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.
7. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.
8. Fees and expenses of claim investigators.
9. Payment of awards to claimants for court costs and attorneys' services.
10. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.
11. Compensation payments under workmen's compensation laws.
12. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)

13. Cost of safety, accident prevention, and similar educational activities.

Materials and Expenses:

1. Lubricants and control system oils.
2. Generator cooling gases.
3. Circulating water purification supplies.
4. Cooling water purchased.
5. Motor and generator brushes.

506 Miscellaneous Steam Power Expenses

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, and materials used and expenses incurred which are not specifically provided for or not readily assignable to other steam generation operation expense accounts.

Items

Labor:

1. General clerical and stenographic work.
2. Guarding and patrolling plant and yard.
3. Building service.
4. Care of grounds including snow removal, and grass cutting.
5. Miscellaneous labor.

Taxes:

1. Federal and state unemployment.
2. F.I.C.A.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.
2. Group and life insurance premiums (credit dividends received).
3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.
4. Payments for accident, sickness, hospital, and death benefits or insurance.
5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.
6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.

2. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.

3. Fees and expenses of claim investigators.

4. Payment of awards to claimants for court costs and attorneys' services.

5. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.

6. Compensation payments under workmen's compensation laws.

7. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)

8. Cost of safety, accident prevention, and similar educational activities.

Materials and Expenses:

1. General operating supplies, such as tools, gaskets, packing waste, gauge glasses, hose, indicating lamps, record and report forms.

2. First-aid supplies and safety equipment.

3. Employees' service facilities expenses.

4. Building service supplies.

5. Communication service.

6. Miscellaneous office supplies and expenses, printing, and stationery.

7. Transportation expenses.

8. Meals, traveling, and incidental expenses.

9. Research, development, and demonstration expenses.

* * * * *

510 Maintenance Supervision and Engineering

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, and expenses incurred in the general supervision and direction of maintenance of steam generation facilities. Direct field supervision of specific jobs shall be charged to the appropriate maintenance account. (See § 1767.17(a).)

511 Maintenance of Structures

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, and materials used and expenses incurred in the

maintenance of steam structures, the book cost of which is includible in Account 311, Structures and Improvements. (See § 1767.17(b).)

512 Maintenance of Boiler Plant

A. This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, and materials used and expenses incurred in the maintenance of steam plant, the book cost of which is includible in Account 312, Boiler Plant Equipment. (See § 1767.17(b).)

B. For the purpose of making charges hereto and to Account 513, Maintenance of Electric Plant, the point at which steam plant is distinguished from electric plant is defined as follows:

1. Inlet flange of throttle valve on prime mover.
2. Flange of all steam extraction lines on prime mover.
3. Hotwell pump outlet on condensate lines.
4. Inlet flange of all turbine-room auxiliaries.
5. Connection to line side of motor starter for all boiler-plant equipment.

513 Maintenance of Electric Plant

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, and materials used and expenses incurred in the maintenance of electric plant, the book cost of which is includible in Account 313, Engines and Engine-Driven Generators; Account 314, Turbogenerator Units; and Account 315, Accessory Electric Equipment. (See § 1767.17(b) and Paragraph B of Account 512.)

514 Maintenance of Miscellaneous Steam Plant

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, and materials used and expenses incurred in maintenance of miscellaneous steam generation plant, the book cost of which is includible in Account 316, Miscellaneous Power Plant Equipment. (See § 1767.17(b).)

* * * * *

517 Operation Supervision and Engineering

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, and expenses incurred in the general supervision and direction of the operation of nuclear power generating stations. Direct

supervision of specific activities, such as fuel handling, reactor operations, and generator operations shall be charged to the appropriate account. (See § 1767.17(a).)

* * * * *

519 Coolants and Water

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, property insurance, property taxes, and materials used and expenses incurred for heat transfer materials and water used for steam and cooling purposes.

Items

Labor:

1. Operation of water supply facilities.
2. Handling of coolants and heat transfer materials.

Taxes:

1. Federal and state unemployment.
2. F.I.C.A.
3. Taxes.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.
2. Group and life insurance premiums (credit dividends received).
3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.
4. Payments for accident, sickness, hospital, and death benefits or insurance.
5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.
6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for fire, storm, burglary, boiler explosion, lightning, fidelity, riot, and similar insurance.
2. Amounts credited to Account 228.1, Accumulated Provision for Property Insurance, for similar protection.
3. Special costs incurred in procuring insurance.

4. Insurance inspection service.

5. Insurance counsel, brokerage fees, and expenses.

6. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.

7. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.

8. Fees and expenses of claim investigators.

9. Payment of awards to claimants for court costs and attorneys' services.

10. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.

11. Compensation payments under workmen's compensation laws.

12. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)

13. Cost of safety, accident prevention, and similar educational activities.

Materials and Expenses:

1. Chemicals.
2. Additions to or refining of fluids used in reactor systems.
3. Lubricants.
4. Pumping supplies and expenses.
5. Miscellaneous supplies and expenses.
6. Purchased water.

Note: Do not include in this account water for general station use or the initial charge for coolants, heat transfer, or moderator fluids, chemicals, or other supplies capitalized.

520 Steam Expenses

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, property insurance, property taxes, and materials used and expenses incurred in production of steam through nuclear processes, and similar expenses for operation of any auxiliary superheat facilities.

Items

Labor:

1. Supervising steam production.
2. Fuel handling including removal, insertion, disassembly, and preparation for cooling operations and shipment.
3. Testing instruments and gauges.
4. Health, safety, monitoring, and decontamination activities.

5. Waste disposal.

6. Operating steam boilers and auxiliary steam, superheat facilities.

Taxes:

1. Federal and state unemployment.

2. F.I.C.A.

3. Property.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.

2. Group and life insurance premiums (credit dividends received).

3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.

4. Payments for accident, sickness, hospital, and death benefits or insurance.

5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.

6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for fire, storm, burglary, boiler explosion, lightning, fidelity, riot, and similar insurance.

2. Amounts credited to Account 228.1, Accumulated Provision for Property Insurance, for similar protection.

3. Special costs incurred in procuring insurance.

4. Insurance inspection service.

5. Insurance counsel, brokerage fees, and expenses.

6. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.

7. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.

8. Fees and expenses of claim investigators.

9. Payment of awards to claimants for court costs and attorneys' services.

10. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.

11. Compensation payments under workmen's compensation laws.

12. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)

13. Cost of safety, accident prevention, and similar educational activities.

Materials and Expenses:

1. Chemical supplies.

2. Charts and logs.

3. Health, safety, monitoring, and decontamination supplies.

4. Boiler inspection fees.

5. Lubricants.

* * * * *

523 Electric Expenses

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, property insurance, property taxes, materials used, and expenses incurred in operating turbogenerators, steam turbines and their auxiliary apparatus, switch gear, and other electric equipment to the points where electricity leaves for conversion for transmission or distribution.

Items

Labor:

1. Supervising electric production.

2. Operating turbines, engines, generators, and exciters.

3. Operating condensers, circulating water systems, and other auxiliary apparatus.

4. Operating generator cooling system.

5. Operating lubrication and oil control system, including oil purification.

6. Operating switchboards, switch gear, and electric control and protective equipment.

7. Keeping plant log and records and preparing reports on electric plant operations.

8. Testing, checking and adjusting meters, gauges, and other instruments, relays, controls, and other equipment in the electric plant.

9. Cleaning electric plant equipment when not incidental to maintenance.

10. Repacking glands and replacing gauge glasses.

Taxes:

1. Federal and state unemployment.

2. F.I.C.A.

3. Property.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.

2. Group and life insurance premiums (credit dividends received).

3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.

4. Payments for accident, sickness, hospital, and death benefits or insurance.

5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.

6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for fire, storm, burglary, boiler explosion, lightning, fidelity, riot, and similar insurance.

2. Amounts credited to Account 228.1, Accumulated Provision for Property Insurance, for similar protection.

3. Special costs incurred in procuring insurance.

4. Insurance inspection service.

5. Insurance counsel, brokerage fees, and expenses.

6. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.

7. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.

8. Fees and expenses of claim investigators.

9. Payment of awards to claimants for court costs and attorneys' services.

10. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.

11. Compensation payments under workmen's compensation laws.

12. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)

13. Cost of safety, accident prevention, and similar educational activities.

Materials and Expenses:

1. Lubricants and control system oils.
2. Generator cooling gases.
3. Log sheets and charts.
4. Motor and generator brushes.

524 Miscellaneous Nuclear Power Expenses

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, materials used, and expenses incurred which are not specifically provided for or are not readily assignable to other nuclear generation operation accounts.

Items

Labor:

1. General clerical and stenographic work.
2. Plant security.
3. Building service.
4. Care of grounds, including snow removal, and grass cutting
5. Miscellaneous labor.

Taxes:

1. Federal and state unemployment.
2. F.I.C.A.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.
2. Group and life insurance premiums (credit dividends received).
3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.
4. Payments for accident, sickness, hospital, and death benefits or insurance.
5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.
6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.

2. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.

3. Fees and expenses of claim investigators.

4. Payment of awards to claimants for court costs and attorneys' services.

5. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.

6. Compensation payments under workmen's compensation laws.

7. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)

8. Cost of safety, accident prevention, and similar educational activities.

Materials and Expenses:

1. General operating supplies, such as tools, gaskets, hose, indicating lamps, records and reports forms.

2. First-aid supplies and safety equipment.

3. Employees' service facilities expenses.

4. Building service supplies.

5. Communication service.

6. Miscellaneous office supplies and expenses, printing and stationery.

7. Transportation expenses.

8. Meals, traveling, and incidental expenses.

9. Research, development, and demonstration expenses.

* * * * *

528 Maintenance Supervision and Engineering

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, and expenses incurred in the general supervision and direction of maintenance of nuclear generation facilities. Direct field supervision of specific jobs shall be charged to the appropriate maintenance account. (See § 1767.17(a).)

529 Maintenance of Structures

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, materials used, and expenses incurred in the

maintenance of structures, the book cost of which is includible in Account 321, Structures and Improvements. (See § 1767.17(b).)

530 Maintenance of Reactor Plant Equipment

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, materials used, and expenses incurred in the maintenance of reactor plant, the book cost of which is includible in Account 322, Reactor Plant Equipment. (See § 1767.17(b).)

531 Maintenance of Electric Plant

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, materials used, and expenses incurred in the maintenance of electric plant, the book cost of which is includible in Account 323, Turbogenerator Units, and Account 324, Accessory Electric Equipment. (See § 1767.17(b).)

532 Maintenance of Miscellaneous Nuclear Plant

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, materials used, and expenses incurred in maintenance of miscellaneous nuclear generating plant, the book cost of which is includible in Account 325, Miscellaneous Power Plant Equipment. (See § 1767.17(b).)

* * * * *

535 Operation Supervision and Engineering

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, and expenses incurred in the general supervision and direction of the operation of hydraulic power generating stations. Direct supervision of specific activities, such as hydraulic operation, and generator operation shall be charged to the appropriate account. (See § 1767.17(a).)

* * * * *

537 Hydraulic Expenses

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, property insurance, property taxes, materials used, and expenses incurred in operating hydraulic works including reservoirs, dams, and waterways, and in activities directly relating to the hydroelectric development outside the

generating station. It shall also include the cost of labor, materials used, and other expenses incurred in connection with the operation of (1) fish and wildlife, and (2) recreation facilities. Separate subaccounts shall be maintained for each of the above.

Items

Labor:

1. Supervising hydraulic operation.
2. Removing debris and ice from trash racks, reservoirs, and waterways.
3. Patrolling reservoirs and waterways.
4. Operating intakes, spillways, sluiceways, and outlet works.
5. Operating bubbler, heater, or other deicing systems.
6. Ice and log jam work.
7. Operating navigation facilities.
8. Operations relating to conservation of game, fish, and forests.
9. Insect control activities.

Taxes:

1. Federal and state unemployment.
2. F.I.C.A.
3. Property.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.
2. Group and life insurance premiums (credit dividends received).
3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.
4. Payments for accident, sickness, hospital, and death benefits or insurance.
5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.
6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for fire, storm, burglary, boiler explosion, lightning, fidelity, riot, and similar insurance.
2. Amounts credited to Account 228.1, Accumulated Provision for Property Insurance, for similar protection.

3. Special costs incurred in procuring insurance.

4. Insurance inspection service.

5. Insurance counsel, brokerage fees, and expenses.

6. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.

7. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.

8. Fees and expenses of claim investigators.

9. Payment of awards to claimants for court costs and attorneys' services.

10. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.

11. Compensation payments under workmen's compensation laws.

12. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)

13. Cost of safety, accident prevention, and similar educational activities.

Materials and Expenses:

1. Insect control materials.
2. Lubricants, packing, and other supplies used in the operation of hydraulic equipment.
3. Transportation expense.

538 Electric Expenses

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, property insurance, property taxes, materials used, and expenses incurred in operating prime movers, generators, and their auxiliary apparatus, switchgear, and other electric equipment, to the point where electricity leaves for conversion for transmission or distribution.

Items

Labor:

1. Supervising electric production.
2. Operating prime movers, generators, and auxiliary equipment.
3. Operating generator cooling system.
4. Operating lubrication and oil control systems, including oil purification.
5. Operating switchboards, switchgear, and electric control and protection equipment.

6. Keeping plant log and records and preparing reports on plant operations.

7. Testing, checking and adjusting meters, gauges, and other instruments, relays, controls, and other equipment in the plant.

8. Cleaning plant equipment when not incidental to maintenance work.

9. Repacking glands.

Taxes:

1. Federal and state unemployment.
2. F.I.C.A.
3. Property.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.
2. Group and life insurance premiums (credit dividends received).
3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.
4. Payments for accident, sickness, hospital, and death benefits or insurance.
5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.
6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for fire, storm, burglary, boiler explosion, lightning, fidelity, riot, and similar insurance.
2. Amounts credited to Account 228.1, Accumulated Provision for Property Insurance, for similar protection.
3. Special costs incurred in procuring insurance.
4. Insurance inspection service.
5. Insurance counsel, brokerage fees, and expenses.
6. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.

7. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.

8. Fees and expenses of claim investigators.

9. Payment of awards to claimants for court costs and attorneys' services.

10. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.

11. Compensation payments under workmen's compensation laws.

12. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)

13. Cost of safety, accident prevention, and similar educational activities.

Materials and Expenses:

1. Lubricants and control system oils.
2. Motor and generator brushes.

539 Miscellaneous Hydraulic Power Generation Expenses

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, materials used, and expenses incurred which are not specifically provided for or are not readily assignable to other hydraulic generation operation expense accounts.

Items

Labor:

1. General clerical and stenographic work.
2. Guarding and patrolling plant and yard.
3. Building service.
4. Care of grounds including snow removal, and grass cutting.
5. Snow removal from roads and bridges.
6. Miscellaneous labor.

Taxes:

1. Federal and state unemployment.
2. F.I.C.A.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.
2. Group and life insurance premiums (credit dividends received).
3. Payments for medical and hospital services and expenses of employees

when not the result of occupational injuries.

4. Payments for accident, sickness, hospital, and death benefits or insurance.

5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.

6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.

2. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.

3. Fees and expenses of claim investigators.

4. Payment of awards to claimants for court costs and attorneys' services.

5. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.

6. Compensation payments under workmen's compensation laws.

7. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)

8. Cost of safety, accident prevention, and similar educational activities.

Materials and Expenses:

1. General operating supplies, such as tools, gaskets, packing, waste, hose, indicating lamps, record and report forms.

2. First-aid supplies and safety equipment.

3. Employees' service facilities expenses.

4. Building service supplies.

5. Communication service.

6. Office supplies, printing and stationery.

7. Transportation expenses.

8. Fuel.

9. Meals, traveling, and incidental expenses.

10. Research, development, and demonstration expenses.

* * * * *

541 Maintenance Supervision and Engineering

This account shall include the cost of labor, employee pensions and benefits,

social security and other payroll taxes, injuries and damages, and expenses incurred in the general supervision and direction of the maintenance of hydraulic power generating stations. Direct field supervision of specific jobs shall be charged to the appropriate maintenance account. (See § 1767.17(a).)

542 Maintenance of Structures

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, materials used, and expenses incurred in maintenance of hydraulic structures, the book cost of which is includible in Account 331, Structures and Improvements. (See § 1767.17 (b).) However, the cost of labor, materials used, and expenses incurred in the maintenance of fish and wildlife and recreation facilities, the book cost of which is includible in Account 331, Structures and Improvements, shall be charged to Account 545, Maintenance of Miscellaneous Hydraulic Plant.

543 Maintenance of Reservoirs, Dams, and Waterways

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, materials used, and expenses incurred in maintenance of plant includible in Account 332, Reservoirs, Dams, and Waterways. (See § 1767.17(b).) However, the cost of labor, materials used, and expenses incurred in the maintenance of fish and wildlife and recreation facilities, the book cost of which is includible in Account 332, Reservoirs, Dams, and Waterways, shall be charged to Account 545, Maintenance of Miscellaneous Hydraulic Plant.

544 Maintenance of Electric Plant

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, materials used, and expenses incurred in maintenance of plant includible in Account 333, Water Wheels, Turbines and Generators, and Account 334, Accessory Electric Equipment, (See § 1767.17(b).)

545 Maintenance of Miscellaneous Hydraulic Plant

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, materials used, and expenses incurred in maintenance of plant, the book cost of which is includible in Account 335, Miscellaneous Power Plant Equipment, and Account 336, Roads Railroads and

Bridges. (See § 1767.17(b).) It shall also include the cost of labor, materials used, and other expenses incurred in the maintenance of (1) fish and wildlife, and (2) recreation facilities. Separate subaccounts shall be maintained for each of the above.

* * * * *

546 Operation Supervision and Engineering

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, and expenses incurred in the general supervision and direction of the operation of other power generating stations. Direct supervision of specific activities, such as fuel handling and engine and generator operation shall be charged to the appropriate account. (See § 1767.17(a).)

* * * * *

548 Generation Expenses

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, property insurance, property taxes, materials used, and expenses incurred in operating prime movers, generators, and electric equipment in other power generating stations, to the point where electricity leaves for conversion for transmission or distribution.

Items

Labor:

1. Supervising other power generation operation.
2. Operating prime movers, generators, and auxiliary apparatus and switching and other electric equipment.
3. Keeping plant log and records and preparing reports on plant operations.
4. Testing, checking, cleaning, oiling, and adjusting equipment.

Taxes:

1. Federal and state unemployment.
2. F.I.C.A.
3. Property.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.
2. Group and life insurance premiums (credit dividends received).

3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.

4. Payments for accident, sickness, hospital, and death benefits or insurance.

5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.

6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for fire, storm, burglary, boiler explosion, lightning, fidelity, riot, and similar insurance.

2. Amounts credited to Account 228.1, Accumulated Provision for Property Insurance, for similar protection.

3. Special costs incurred in procuring insurance.

4. Insurance inspection service.

5. Insurance counsel, brokerage fees, and expenses.

6. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.

7. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.

8. Fees and expenses of claim investigators.

9. Payment of awards to claimants for court costs and attorneys' services.

10. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.

11. Compensation payments under workmen's compensation laws.

12. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)

13. Cost of safety, accident prevention, and similar educational activities.

Materials and Expenses:

1. Dynamo, motor, and generator brushes.

2. Lubricants and control system oils.

3. Water for cooling engines and generators.

549 Miscellaneous Other Power Generation Expenses

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, materials used, and expenses incurred in the operation of other power generating stations which are not specifically provided for or are not readily assignable to other generation expense accounts.

Items

Labor:

1. General clerical and stenographic work.
2. Guarding and patrolling plant and yard.
3. Building service.
4. Care of grounds, including snow removal, and grass cutting.
5. Miscellaneous labor.

Taxes:

1. Federal and state unemployment.
2. F.I.C.A.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.
2. Group and life insurance premiums (credit dividends received).
3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.
4. Payments for accident, sickness, hospital, and death benefits or insurance.
5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.
6. Expenses in connection with educational and recreational activities for the benefit of employees.

7. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.

8. Fees and expenses of claim investigators.

9. Payment of awards to claimants for court costs and attorneys' services.

10. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.

11. Compensation payments under workmen's compensation laws.

12. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)

13. Cost of safety, accident prevention, and similar educational activities.

Materials and Expenses:

1. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.

2. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.

3. Fees and expenses of claim investigators.

4. Payment of awards to claimants for court costs and attorneys' services.

5. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.

6. Compensation payments under workmen's compensation laws.

7. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)

8. Cost of safety, accident prevention, and similar educational activities.

Materials and Expenses:

1. Building service supplies.

2. First-aid supplies and safety equipment.

3. Communication service.

4. Employees' service facilities expenses.

5. Office supplies, printing and stationery.

6. Transportation expense.

7. Meals, traveling, and incidental expenses.

8. Fuel for heating.

9. Water for fire protection or general use.

10. Miscellaneous supplies, such as hand tools, drills, saw blades, and files.

11. Research, development, and demonstration expenses.

* * * * *

551 Maintenance Supervision and Engineering

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, and expenses incurred in the general supervision and direction of the maintenance of other power generating stations. Direct field supervision of specific jobs shall be charged to the appropriate maintenance account. (See § 1767.17(a).)

552 Maintenance of Structures

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, materials used, and expenses incurred in maintenance of facilities used and expenses incurred in maintenance of facilities used in other power generation, the book cost of which is includible in Account 341, Structures and Improvements, and Account 342, Fuel Holders, Producers and Accessories. (See § 1767.17(b).)

553 Maintenance of Generating and Electric Equipment

This account shall include the cost of labor, employee pensions and benefits,

social security and other payroll taxes, injuries and damages, materials used, and expenses incurred in maintenance of plant, the book cost of which is includible in Account 343, Prime Movers; Account 344, Generators; and Account 345, Accessory Electric Equipment. (See § 1767.17(b).)

554 Maintenance of Miscellaneous Other Power Generation Plant

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, materials used, and expenses incurred in maintenance of other power generation plant, the book cost of which is includible in Account 346, Miscellaneous Power Plant Equipment. (See § 1767.17(b).)

* * * * *

556 System Control and Load Dispatching

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, property insurance, property taxes, and expenses incurred in load dispatching activities for system control. Utilities having an interconnected electric system or operating under a central authority which controls the production and dispatching of electricity may apportion these costs to this account and Account 561, Load Dispatching, and Account 581, Load Dispatching.

Items

Labor:

1. Allocating loads to plants and interconnections with others.

2. Directing switching.

3. Arranging and controlling clearances for construction, maintenance, test, and emergency purposes.

4. Controlling system voltages.

5. Recording loadings, and water conditions.

6. Preparing operating reports and data for billing and budget purposes.

7. Obtaining reports on the weather and special events.

Taxes:

1. Federal and state unemployment.

2. F.I.C.A.

3. Property.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.

2. Group and life insurance premiums (credit dividends received).

3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.

4. Payments for accident, sickness, hospital, and death benefits or insurance.

5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.

6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for fire, storm, burglary, boiler explosion, lightning, fidelity, riot, and similar insurance.

2. Amounts credited to Account 228.1, Accumulated Provision for Property Insurance, for similar protection.

3. Special costs incurred in procuring insurance.

4. Insurance inspection service.

5. Insurance counsel, brokerage fees, and expenses.

6. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.

7. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.

8. Fees and expenses of claim investigators.

9. Payment of awards to claimants for court costs and attorneys' services.

10. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.

11. Compensation payments under workmen's compensation laws.

12. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)

13. Cost of safety, accident prevention, and similar educational activities.

Expenses:

1. Communication service provided for system control purposes.
2. System record and report forms.
3. Meals, traveling, and incidental expenses.
4. Obtaining weather and special events reports.

* * * * *

560 Operation Supervision and Engineering

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, and expenses incurred in the general supervision and direction of the operation of the transmission system as a whole. Direct supervision of specific activities, such as station operation and line operation shall be charged to the appropriate account. (See § 1767.17(a).)

561 Load Dispatching

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, property insurance, property taxes, materials used, and expenses incurred in load dispatching operations pertaining to the transmission of electricity.

*Items**Labor:*

1. Direct switching.
2. Arranging and controlling clearances for construction, maintenance, test, and emergency purposes.
3. Controlling system voltages.
4. Obtaining reports on the weather and special events.
5. Preparing operating reports and data for billing and budget purposes.

Taxes:

1. Federal and state unemployment.
2. F.I.C.A.
3. Property.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.
2. Group and life insurance premiums (credit dividends received).
3. Payments for medical and hospital services and expenses of employees

when not the result of occupational injuries.

4. Payments for accident, sickness, hospital, and death benefits or insurance.

5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.

6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for fire, storm, burglary, boiler explosion, lightning, fidelity, riot, and similar insurance.

2. Amounts credited to Account 228.1, Accumulated Provision for Property Insurance, for similar protection.

3. Special costs incurred in procuring insurance.

4. Insurance inspection service.

5. Insurance counsel, brokerage fees, and expenses.

6. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.

7. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.

8. Fees and expenses of claim investigators.

9. Payment of awards to claimants for court costs and attorneys' services.

10. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.

11. Compensation payments under workmen's compensation laws.

12. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)

13. Cost of safety, accident prevention, and similar educational activities.

Expenses:

1. Communication service provided for system control purposes.
2. System record and report forms.
3. Meals, traveling, and incidental expenses.
4. Obtaining weather and special events reports.

562 Station Expenses

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, property insurance, property taxes, materials used, and expenses incurred in operating transmission substations and switching stations. If transmission station equipment is located in or adjacent to a generating station, the expenses applicable to transmission station operations shall nevertheless be charged to this account.

*Items**Labor:*

1. Supervising station operation.
2. Adjusting station equipment where such adjustment primarily affects performance, such as regulating the flow of cooling water, adjusting current in fields of a machine or changing voltage of regulators, changing station transformer taps.
3. Inspecting, testing, and calibrating station equipment for the purpose of checking its performance.
4. Keeping station log and records and preparing records on station operation.
5. Operating switching and other station equipment.
6. Standing watch, guarding, and patrolling station and station yard.
7. Sweeping, mopping, and tidying station.
8. Care of grounds, including snow removal, and grass cutting.

Taxes:

1. Federal and state unemployment.
2. F.I.C.A.
3. Property.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.
2. Group and life insurance premiums (credit dividends received).
3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.
4. Payments for accident, sickness, hospital, and death benefits or insurance.
5. Payments to employees incapacitated for service or on leave of absence beyond periods normally

allowed when not the result of occupational injuries or in excess of statutory awards.

6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for fire, storm, burglary, boiler explosion, lightning, fidelity, riot, and similar insurance.

2. Amounts credited to Account 228.1, Accumulated Provision for Property Insurance, for similar protection.

3. Special costs incurred in procuring insurance.

4. Insurance inspection service.

5. Insurance counsel, brokerage fees, and expenses.

6. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.

7. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.

8. Fees and expenses of claim investigators.

9. Payment of awards to claimants for court costs and attorneys' services.

10. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.

11. Compensation payments under workmen's compensation laws.

12. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)

13. Cost of safety, accident prevention, and similar educational activities.

Materials and Expenses:

1. Building service expenses.

2. Operating supplies, such as lubricants, commutator brushes, water, and rubber goods.

3. Station meter and instrument supplies, such as ink and charts.

4. Station record and report forms.

5. Tool expense.

6. Transportation expenses.

7. Meals, traveling, and incidental expenses.

563 Overhead Line Expenses

564 Underground Line Expenses

A. These accounts shall include the cost of labor, employee pensions and benefits, social security and other

payroll taxes, injuries and damages, property insurance, property taxes, materials used, and expenses incurred in the operation of transmission lines.

B. If the expenses are not substantial for both overhead and underground lines, these accounts may be combined.

Items

Labor:

1. Supervising line operation.

2. Inspecting and testing lightning arresters, circuit breakers, switches, and grounds.

3. Load tests of circuits.

4. Routine line patrolling.

5. Routine voltage surveys made to determine the condition or efficiency of transmission system.

6. Transferring loads, switching and reconnecting circuits and equipment for operating purposes. (Switching for construction or maintenance purposes is not includible in this account.)

7. Routine inspection and cleaning of manholes, conduit, network, and transformer vaults.

8. Electrolysis surveys.

9. Inspecting and adjusting line-testing equipment, such as voltmeters, ammeters, and wattmeters.

10. Regulation and addition of oil or gas in high-voltage cable systems.

Taxes:

1. Federal and state unemployment.

2. F.I.C.A.

3. Property.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.

2. Group and life insurance premiums (credit dividends received).

3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.

4. Payments for accident, sickness, hospital, and death benefits or insurance.

5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.

6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for fire, storm, burglary, boiler explosion, lightning, fidelity, riot, and similar insurance.

2. Amounts credited to Account 228.1, Accumulated Provision for Property Insurance, for similar protection.

3. Special costs incurred in procuring insurance.

4. Insurance inspection service.

5. Insurance counsel, brokerage fees, and expenses.

6. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.

7. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.

8. Fees and expenses of claim investigators.

9. Payment of awards to claimants for court costs and attorneys' services.

10. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.

11. Compensation payments under workmen's compensation laws.

12. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)

13. Cost of safety, accident prevention, and similar educational activities.

Materials and Expenses:

1. Transportation expenses.

2. Meals, traveling, and incidental expenses.

3. Tool expenses.

4. Operating supplies, such as instrument charts, and rubber goods.

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566 Miscellaneous Transmission Expenses

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damage, materials used, and expenses incurred in transmission map and record work, transmission office expenses, and other transmission expenses not provided for elsewhere.

Items

Labor:

1. General records of physical characteristics of lines and stations, such as capacities.

2. Ground resistance records.
3. Janitor work at transmission office buildings, including care of grounds, snow removal, and grass cutting.
4. Joint pole maps and records.
5. Line load and voltage records.
6. Preparing maps and prints.
7. General clerical and stenographic work.
8. Miscellaneous labor.

Taxes:

1. Federal and state unemployment.
2. F.I.C.A.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.
2. Group and life insurance premiums (credit dividends received).
3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.
4. Payments for accident, sickness, hospital, and death benefits or insurance.
5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.
6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.
2. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.
3. Fees and expenses of claim investigators.
4. Payment of awards to claimants for court costs and attorneys' services.
5. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.
6. Compensation payments under workmen's compensation laws.

7. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)

8. Cost of safety, accident prevention, and similar educational activities.

Materials and Expenses:

1. Communication service.
2. Building service supplies.
3. Map and record supplies.
4. Transmission office supplies and expenses, printing and stationery.
5. First-aid supplies.
6. Research, development, and demonstration expenses.

* * * * *

568 Maintenance Supervision and Engineering

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, and expenses incurred in the general supervision and direction of maintenance of the transmission system. Direct field supervision of specific jobs shall be charged to the appropriate maintenance account. (See § 1767.17(a).)

569 Maintenance of Structures

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, materials used, and expenses incurred in the maintenance of structures, the book cost of which is includible in Account 352, Structures and Improvements. (See § 1767.17(b).)

570 Maintenance of Station Equipment

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, materials used, and expenses incurred in maintenance of station equipment, the book cost of which is includible in Account 353, Station Equipment. (See § 1767.17(b).)

571 Maintenance of Overhead Lines

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, materials used, and expenses incurred in maintenance of transmission plant, the book cost of which is includible in Accounts 354, Towers and Fixtures; 355, Poles and Fixtures; 356, Overhead Conductors and Devices; and 359, Roads and Trails. (See § 1767.17(b).)

Items

1. Work of the following character on poles, towers, and fixtures:

- a. Installing or removing additional clamps or strain insulators on guys in place.
- b. Moving line or guy pole in relocation of the same pole or section of line.
- c. Painting poles, towers, crossarms, or pole extensions.
- d. Readjusting and changing position of guys or braces.
- e. Realigning and straightening poles, crossarms braces, and other pole fixtures.
- f. Reconditioning reclaimed pole fixtures.
- g. Relocating crossarms, racks, brackets, and other fixtures on poles.
- h. Repairing or realigning pins, racks, or brackets.
- i. Repairing pole supported platform.
- j. Repairs by others to jointly owned poles.
- k. Shaving, cutting rot, or testing poles or crossarms in use or salvaged for reuse.
- l. Stubbing poles already in service.
- m. Supporting fixtures and conductors and transferring them to new poles during pole replacements.
- n. Maintenance of pole signs, stencils, and tags.
2. Work of the following character on overhead conductors and devices:
 - a. Overhauling and repairing line cutouts, line switches, and line breakers.
 - b. Cleaning insulators and bushings.
 - c. Refusing cutouts.
 - d. Repairing line oil circuit breakers and associated relays and control wiring.
 - e. Repairing grounds.
 - f. Resagging, retyping, or rearranging position or spacing of conductors.
 - g. Standing by phones, going to calls, cutting faulty lines clear, or similar activities at times of emergencies.
 - h. Sampling, testing, changing, purifying, and replenishing insulating oil.
 - i. Repairing line testing equipment.
 - j. Transferring loads, switching and reconnecting circuits and equipment for maintenance purposes.
 - k. Trimming trees and clearing brush.
 - l. Chemical treatment of right of way areas when occurring subsequent to construction of line.
3. Work of the following character on roads and trails:
 - a. Repairing roadways and bridges.
 - b. Trimming trees and brush to maintain previous roadway clearance.
 - c. Snow removal from roads and trails.
 - d. Maintenance work on publicly owned roads and trails when done by utility at its expense.

Taxes:

1. Federal and state unemployment.
2. F.I.C.A.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.
2. Group and life insurance premiums (credit dividends received).
3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.

4. Payments for accident, sickness, hospital, and death benefits or insurance.

5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.

6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.

2. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.

3. Fees and expenses of claim investigators.

4. Payment of awards to claimants for court costs and attorneys' services.

5. Medical and hospital services and expenses for employees as the result of occupational injuries or resulting from claims of others.

6. Compensation payments under workmen's compensation laws.

7. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)

8. Cost of safety, accident prevention, and similar educational activities.

572 Maintenance of Underground Lines

This account shall include the cost of labor, employee pensions and benefits,

social security and other payroll taxes, injuries and damages, materials used, and expenses incurred in maintenance of transmission plant, the book cost of which is includible in Accounts 357, Underground Conduit, and Account 358, Underground Conductors and Devices. (See § 1767.17(b).)

Items

1. Work of the following character on underground conduit:

- a. Cleaning ducts, manholes, and sewer connections.

- b. Minor alterations of handholes, manholes, or vaults.

- c. Refastening, repairing, or moving racks, ladders, hangers in manholes, or vaults.

- d. Plugging and shelving or replugging ducts.

- e. Repairs to sewers and drains, walls and floors, rings and covers.

2. Work of the following character on underground conductors and devices:

- a. Repairing oil circuit breakers, switches, cutouts, and control wiring.

- b. Repairing grounds.

- c. Retraining and reconnecting cables in manholes, including transfer of cables from one duct to another.

- d. Repairing conductors and splices.

- e. Repairing or moving junction boxes and potheads.

- f. Refireproofing of cables and repairing supports.

- g. Repairing electrolysis preventive devices for cables.

- h. Repairing cable bonding systems.

- i. Sampling, testing, changing, purifying, and replenishing insulating oil.

- j. Transferring loads, switching and reconnecting circuits, and equipment for maintenance purposes.

- k. Repairing line testing equipment.

- l. Repairs to oil or gas equipment in high-voltage cable system and replacement of oil or gas.

Taxes:

1. Federal and state unemployment.

2. F.I.C.A.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.

2. Group and life insurance premiums (credit dividends received).

3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.

4. Payments for accident, sickness, hospital, and death benefits or insurance.

5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.

6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.

2. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.

3. Fees and expenses of claim investigators.

4. Payment of awards to claimants for court costs and attorneys' services.

5. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.

6. Compensation payments under workmen's compensation laws.

7. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)

8. Cost of safety, accident prevention, and similar educational activities.

573 Maintenance of Miscellaneous Transmission Plant

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, materials used, and expenses incurred in maintenance of owned or leased plant which is assignable to transmission operations and is not provided for elsewhere. (See § 1767.17(b).)

* * * * *

580 Operation Supervision and Engineering

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, and expenses incurred in the general supervision and direction of the operation of the

distribution system. Direct supervision of specific activities, such as station operation, line operation, and meter department operation shall be charged to the appropriate account. (See § 1767.17(a).)

581 Load Dispatching

This account (the keeping of which is optional with the utility) shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, property insurance, property taxes, materials used, and expenses incurred in load dispatching operations pertaining to the distribution of electricity.

Items

Labor:

1. Direct switching.
2. Arranging and controlling clearances for construction, maintenance, test, and emergency purposes.
3. Controlling system voltages.
4. Preparing operating reports.
5. Obtaining reports on the weather and special events.

Taxes:

1. Federal and state unemployment.
2. F.I.C.A.
3. Property.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.
2. Group and life insurance premiums (credit dividends received).
3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.
4. Payments for accident, sickness, hospital, and death benefits or insurance.
5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.
6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for fire, storm, burglary,

boiler explosion, lightning, fidelity, riot, and similar insurance.

2. Amounts credited to Account 228.1, Accumulated Provision for Property Insurance, for similar protection.

3. Special costs incurred in procuring insurance.

4. Insurance inspection service.

5. Insurance counsel, brokerage fees, and expenses.

6. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.

7. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.

8. Fees and expenses of claim investigators.

9. Payment of awards to claimants for court costs and attorneys' services.

10. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.

11. Compensation payments under workmen's compensation laws.

12. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)

13. Cost of safety, accident prevention, and similar educational activities.

Expenses:

1. Communication service provided for system control purposes.
2. System record and report forms.
3. Meals, traveling, and incidental expenses.

582 Station Expenses

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, property insurance, property taxes, materials used, and expenses incurred in the operation of distribution substations.

Items

Labor:

1. Supervising station operation.
2. Adjusting station equipment where such adjustment primarily affects performance, such as regulating the flow of cooling water, adjusting current in fields of a machine, changing voltage of regulators, or changing station transformer taps.
3. Keeping station log and records and preparing reports on station operation.

4. Inspecting, testing, and calibrating station equipment for the purpose of checking its performance.

5. Operating switching and other station equipment.

6. Standing watch, guarding, and patrolling station and station yard.

7. Sweeping, mopping, and tidying station.

8. Care of grounds, including snow removal, and grass cutting.

Taxes:

1. Federal and state unemployment.
2. F.I.C.A.
3. Property.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.
2. Group and life insurance premiums (credit dividends received).
3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.
4. Payments for accident, sickness, hospital, and death benefits or insurance.
5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.
6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for fire, storm, burglary, boiler explosion, lightning, fidelity, riot, and similar insurance.

2. Amounts credited to Account 228.1, Accumulated Provision for Property Insurance, for similar protection.

3. Special costs incurred in procuring insurance.

4. Insurance inspection service.

5. Insurance counsel, brokerage fees, and expenses.

6. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated

Provision for Injuries and Damage, for similar protection.

7. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.

8. Fees and expenses of claim investigators.

9. Payment of awards to claimants for court costs and attorneys' services.

10. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.

11. Compensation payments under workmen's compensation laws.

12. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)

13. Cost of safety, accident prevention, and similar educational activities.

Materials and Expenses:

1. Building service expenses.
2. Operating supplies, such as lubricants, commutator brushes, water, and rubber goods.
3. Station meter and instrument supplies, such as ink and charts.
4. Station record and report forms.
5. Tool expense.
6. Transportation expense.
7. Meals, traveling, and incidental expenses.

Note: If the utility owns storage battery equipment used for supplying electricity to customers in periods of emergency, the cost of operating labor and of supplies, such as acid, gloves, hydrometers, thermometers, soda, automatic cell fillers, and acid proof shoes shall be included in this account. If significant in amount, a separate subdivision shall be maintained for such expenses.

583 Overhead Line Expenses

584 Underground Line Expenses

These accounts shall include, respectively, the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, property insurance, property taxes, materials used, and expenses incurred in the operation of overhead and underground distribution lines.

Items

Labor:

1. Supervising line operation.
2. Changing line transformer taps.
3. Inspecting and testing lightning arresters, line circuit breakers, switches, and grounds.
4. Inspecting and testing line transformers for the purpose of determining load, temperature, or operation performance.
5. Patrolling lines.

6. Load tests and voltage surveys of feeders, circuits, and line transformers.

7. Removing line transformers and voltage regulators with or without replacement.

8. Installing line transformers or voltage regulators with or without change in capacity provided that the cost of first installation of these items is included in Account 368, Line Transformers.

9. Voltage surveys, either routine or upon request of customers, including voltage tests at customer's main switch.

10. Transferring loads, switching and reconnecting circuits and equipment for operation purpose.

11. Electrolysis surveys.

12. Inspecting and adjusting line testing equipment.

Taxes:

1. Federal and State unemployment.
2. F.I.C.A.
3. Property.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.
2. Group and life insurance premiums (credit dividends received).
3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.

4. Payments for accident, sickness, hospital, and death benefits or insurance.

5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.

6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for fire, storm, burglary, boiler explosion, lightning, fidelity, riot, and similar insurance.
2. Amounts credited to Account 228.1, Accumulated Provision for Property Insurance, for similar protection.
3. Special costs incurred in procuring insurance.
4. Insurance inspection service.

5. Insurance counsel, brokerage fees, and expenses.

6. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.

7. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.

8. Fees and expenses of claim investigators.

9. Payment of awards to claimants for court costs and attorneys' services.

10. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.

11. Compensation payments under workmen's compensation laws.

12. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)

13. Cost of safety, accident prevention, and similar educational activities.

Materials and Expenses:

1. Tool expense.
2. Transportation expense.
3. Meals, traveling, and incidental expenses.
4. Operating supplies, such as instrument charts, and rubber goods.

585 Street Lighting and Signal System Expenses

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, property insurance, property taxes, materials used, and expenses incurred in: (1) The operation of street lighting and signal system plant which is owned or leased by the utility; and (2) the operation and maintenance of such plant owned by customers where such work is done regularly as a part of the street lighting and signal system service.

Items

Labor:

1. Supervising street lighting and signal systems operation.
2. Replacing lamps and incidental cleaning of glassware and fixtures in connection therewith.
3. Routine patrolling for lamp outages, extraneous nuisances, or encroachments.

4. Testing lines and equipment including voltage and current measurement.

5. Winding and inspection of time switch and other controls.

Taxes:

1. Federal and state unemployment.
2. F.I.C.A.
3. Property.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.
2. Group and life insurance premiums (credit dividends received).
3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.
4. Payments for accident, sickness, hospital, and death benefits or insurance.
5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.
6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for fire, storm, burglary, boiler explosion, lightning, fidelity, riot, and similar insurance.
2. Amounts credited to Account 228.1, Accumulated Provision for Property Insurance, for similar protection.
3. Special costs incurred in procuring insurance.
4. Insurance inspection service.
5. Insurance counsel, brokerage fees, and expenses.
6. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.
7. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.

8. Fees and expenses of claim investigators.

9. Payment of awards to claimants for court costs and attorneys' services.

10. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.

11. Compensation payments under workmen's compensation laws.

12. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)

13. Cost of safety, accident prevention, and similar educational activities.

Materials and Expenses:

1. Street lamp renewals.
2. Transportation and tool expense.
3. Meals, traveling, and incidental expenses.

586 Meter Expenses

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, property insurance, property taxes, materials used, and expenses incurred in the operation of customer meters and associated equipment.

Items

Labor:

1. Supervising meter operation.
2. Clerical work on meter history and associated equipment record cards, test cards, and reports.
3. Disconnecting and reconnecting, removing and reinstalling, sealing and unsealing meters and other metering equipment in connection with initiating or terminating services including the cost of obtaining meter readings, if incidental to such operation.
4. Consolidating meter installations due to elimination of separate meters for different rates of service.
5. Changing or relocating meters, instrument transformers, time switches, and other metering equipment.
6. Resetting time controls, checking operation of demand meters and other metering equipment, when done as an independent operation.
7. Inspecting and adjusting meter testing equipment.
8. Inspecting and testing meters, instrument transformers, time switches, and other metering equipment on premises or in shops excluding inspecting and testing incidental to maintenance.

Taxes:

1. Federal and state unemployment.
2. F.I.C.A.
3. Property.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.
2. Group and life insurance premiums (credit dividends received).
3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.
4. Payments for accident, sickness, hospital, and death benefits or insurance.
5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.
6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for fire, storm, burglary, boiler explosion, lightning, fidelity, riot, and similar insurance.
2. Amounts credited to Account 228.1, Accumulated Provision for Property Insurance, for similar protection.
3. Special costs incurred in procuring insurance.
4. Insurance inspection service.
5. Insurance counsel, brokerage fees, and expenses.
6. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.
7. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.
8. Fees and expenses of claim investigators.
9. Payment of awards to claimants for court costs and attorneys' services.
10. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.
11. Compensation payments under workmen's compensation laws.

12. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)

13. Cost of safety, accident prevention, and similar educational activities.

Materials and Expenses

1. Meter seals and miscellaneous meter supplies.

2. Transportation expenses.

3. Meals, traveling, and incidental expenses.

4. Tool expenses.

Note: The cost of the first setting and testing of a meter is chargeable to utility plant, Account 370, Meters.

587 Customer Installations Expenses

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, property insurance, property taxes, materials used, and expenses incurred in work on customer installations in inspecting premises and in rendering services to customers of the nature of those indicated by the list of items hereunder.

Items

Labor

1. Supervising customer installations work.

2. Inspecting premises, including the check of wiring for code compliance.

3. Investigating, locating, and clearing grounds on customers' wiring.

4. Investigating service complaints, including load tests of motors and lighting and power circuits on customers' premises; field investigations of complaints on bills or of voltage.

5. Installing, removing, renewing, and changing lamps and fuses.

6. Radio, television, and similar interference work including erection of new aerials on customers' premises and patrolling of lines, testing of lightning arresters, inspection of pole hardware, and examination on or off premises of customers' appliances, wiring, or equipment to locate cause of interference.

7. Installing, connecting, reinstalling, or removing leased property on customers' premises.

8. Testing, adjusting, and repairing customers' fixtures and appliances in the shop or on premises.

9. Cost of changing customers' equipment due to changes in service characteristics.

10. Investigation of current diversion including setting and removal of check meters and securing special readings thereon; special calls by employees in connection with discovery and

settlement of current diversion; changes in customer wiring; and any other labor cost identifiable as caused by current diversion.

Taxes:

1. Federal and state unemployment.

2. F.I.C.A.

3. Property.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.

2. Group and life insurance premiums (credit dividends received).

3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.

4. Payments for accident, sickness, hospital, and death benefits or insurance.

5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.

6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for fire, storm, burglary, boiler explosion, lightning, fidelity, riot, and similar insurance.

2. Amounts credited to Account 228.1, Accumulated Provision for Property Insurance, for similar protection.

3. Special costs incurred in procuring insurance.

4. Insurance inspection service.

5. Insurance counsel, brokerage fees, and expenses.

6. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.

7. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.

8. Fees and expenses of claim investigators.

9. Payment of awards to claimants for court costs and attorneys' services.

10. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.

11. Compensation payments under workmen's compensation laws.

12. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)

13. Cost of safety, accident prevention, and similar educational activities.

Materials and Expenses:

1. Lamp and fuse renewals.

2. Materials used in servicing customers' fixtures, appliances, and equipment.

3. Power, light, heat, telephone, and other expenses of the appliance repair department.

4. Tool expense.

5. Transportation expense, including pickup and delivery charges.

6. Meals, traveling, and incidental expenses.

7. Rewards paid for discovery of current diversion.

Note A: Amounts billed customers for any work, the cost of which is charged to this account, shall be credited to this account. Any excess over costs resulting therefrom, shall be transferred to Account 451, Miscellaneous Service Revenues.

Note B: Do not include in this account expenses incurred in connection with merchandising, jobbing, and contract work.

588 Miscellaneous Distribution Expenses

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, materials used, and expenses incurred in distribution system operation not provided for elsewhere.

Items

Labor:

1. General records of physical characteristics of lines and substations, such as capacities.

2. Ground resistance records.

3. Joint pole maps and records.

4. Distribution system voltage and load records.

5. Preparing maps and prints.

6. Service interruption and trouble records.

7. General clerical and stenographic work except that chargeable to Account 586, Meter Expenses.

Taxes:

1. Federal and state unemployment.

2. F.I.C.A.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.
2. Group and life insurance premiums (credit dividends received).
3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.
4. Payments for accident, sickness, hospital, and death benefits or insurance.
5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.
6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.
2. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.
3. Fees and expenses of claim investigators.
4. Payment of awards to claimants for court costs and attorneys' services.
5. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.
6. Compensation payments under workmen's compensation laws.
7. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)
8. Cost of safety, accident prevention, and similar educational activities.

Expenses:

1. Operating records covering poles, transformers, manholes, cables, and other distribution facilities. Exclude meter records chargeable to Account 586, Meter Expenses, and station

records chargeable to Account 582, Station Expenses, and stores records chargeable to Account 163, Stores Expense Undistributed.

2. Janitor work at distribution office buildings including snow removal and grass cutting.
3. Communication service.
4. Building service expenses.
5. Miscellaneous office supplies and expenses, printing and stationery, maps and records, and first-aid supplies.
6. Research, development, and demonstration expenses.

* * * * *

590 Maintenance Supervision and Engineering

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, and expenses incurred in the general supervision and direction of maintenance of the distribution system. Direct field supervision of specific jobs shall be charged to the appropriate maintenance account. (See § 1767.17(a).)

591 Maintenance of Structures

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, materials used, and expenses incurred in maintenance of structures, the book cost of which is includible in Account 361, Structures and Improvements. (See § 1767.17(b).)

592 Maintenance of Station Equipment

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, materials used, and expenses incurred in maintenance of plant, the book cost of which is includible in Account 362, Station Equipment, and Account 363, Storage Battery Equipment. (See § 1767.17(b).)

593 Maintenance of Overhead Lines

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, materials used, and expenses incurred in the maintenance of overhead distribution line facilities, the book cost of which is includible in Account 364, Poles, Towers and Fixtures; Account 365, Overhead Conductors and Devices; and Account 369, Services. (See § 1767.17(b).)

Items

1. Work of the following character on poles, towers, and fixtures:

- a. Installing additional clamps or removing clamps or strain insulators on guys in place.
- b. Moving line or guy pole in relocation of pole or section of line.
- c. Painting poles, towers, crossarms, or pole extensions.
- d. Readjusting and changing position of guys or braces.
- e. Realigning and straightening poles, crossarms, braces, pins, racks, brackets, and other pole fixtures.
- f. Reconditioning reclaimed pole fixtures.
- g. Relocating crossarms, racks, brackets, and other fixtures on poles.
- h. Repairing pole supported platform.
- i. Repairs by others to jointly owned poles.
- j. Shaving, cutting rot, or treating poles or crossarms in use or salvaged for reuse.
- k. Stubbing poles already in service.
- l. Supporting conductors, transformers, and other fixtures and transferring them to new poles during pole replacements.
- m. Maintaining pole signs, stencils, and tags.
2. Work of the following character on overhead conductors and devices:
 - a. Overhauling and repairing line cutouts, line switches, line breakers, and capacitor installations.
 - b. Cleaning insulators and bushings.
 - c. Refusing line cutouts.
 - d. Repairing line oil circuit breakers and associated relays and control wiring.
 - e. Repairing grounds.
 - f. Resagging, retying, or rearranging position or spacing of conductors.
 - g. Standing by phones, going to calls, cutting faulty lines clear, or similar activities at times of emergency.
 - h. Sampling, testing, changing, purifying, and replenishing insulating oil.
 - i. Transferring loads, switching, and reconnecting circuits and equipment for maintenance purposes.
 - j. Repairing line testing equipment.
 - k. Trimming trees and clearing brush.
 - l. Chemical treatment of right-of-way area when occurring subsequent to construction of line.
3. Work of the following character on overhead services:
 - a. Moving position of service either on pole or on customers' premises.
 - b. Pulling slack in service wire.
 - c. Retying service wire.
 - d. Refastening or tightening service bracket.

Taxes:

1. Federal and state unemployment.
2. F.I.C.A.

Employee Pensions and Benefits: The portion of employee pensions and

benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.
2. Group and life insurance premiums (credit dividends received).
3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.
4. Payments for accident, sickness, hospital, and death benefits or insurance.
5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.
6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.
2. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.
3. Fees and expenses of claim investigators.
4. Payment of awards to claimants for court costs and attorneys' services.
5. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.
6. Compensation payments under workmen's compensation laws.
7. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)
8. Cost of safety, accident prevention, and similar educational activities.

594 Maintenance of Underground Lines

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, materials used, and expenses incurred in the

maintenance of underground distribution line facilities, the book cost of which is includible in Account 366, Underground Conduit; Account 367, Underground Conductors and Devices; and Account 369, Services. (See § 1767.17(b).)

Items

1. Work of the following character on underground conduit:
 - a. Cleaning ducts, manholes, and sewer connections.
 - b. Moving or changing position of conduit or pipe.
 - c. Minor alterations of handholes, manholes, or vaults.
 - d. Refastening, repairing, or moving racks, ladders, or hangers in manholes or vaults.
 - e. Plugging and shelving ducts.
 - f. Repairs to sewers, drains, walls, and floors, rings, and covers.
2. Work of the following character on underground conductors and devices:
 - a. Repairing circuit breakers, switches, cutouts, network protectors, and associated relays and control wiring.
 - b. Repairing grounds.
 - c. Retraining and reconnecting cables in manholes including transfer of cables from one duct to another.
 - d. Repairing conductors and splices.
 - e. Repairing or moving junction boxes and potheads.
 - f. Refireproofing cables and repairing supports.
 - g. Repairing electrolysis preventive devices for cables.
 - h. Repairing cable bonding systems.
 - i. Sampling, testing, changing, purifying, and replenishing insulating oil.
 - j. Transferring loads, switching and reconnecting circuits and equipment for maintenance purposes.
 - k. Repairing line testing equipment.
 - l. Repairing oil or gas equipment in high voltage cable systems and replacement of oil or gas.
3. Work of the following character on underground services:
 - a. Cleaning ducts.
 - b. Repairing any underground service plant.

Taxes:

1. Federal and state unemployment.
2. F.I.C.A.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours,

applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.
2. Group and life insurance premiums (credit dividends received).
3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.
4. Payments for accident, sickness, hospital, and death benefits or insurance.
5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.
6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.
2. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.
3. Fees and expenses of claim investigators.
4. Payment of awards to claimants for court costs and attorneys' services.
5. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.
6. Compensation payments under workmen's compensation laws.
7. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)
8. Cost of safety, accident prevention, and similar educational activities.

595 Maintenance of Line Transformers

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, materials used, and expenses incurred in maintenance of distribution line transformers, the book cost of which is includible in Account 368, Line Transformers. (See § 1767.17(b).)

596 Maintenance of Street Lighting and Signal Systems

This account shall include the cost of labor, employee pensions and benefits,

social security and other payroll taxes, injuries and damages, materials used, and expenses incurred in maintenance of plant, the book cost of which is includible in Account 373, Street Lighting and Signal Systems. (See § 1767.17(b).)

597 Maintenance of Meters

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, materials used, and expenses incurred in the maintenance of meters and meter testing equipment, the book cost of which is includible in Account 370, Meters, and Account 395, Laboratory Equipment, respectively. (See § 1767.17(b).)

598 Maintenance of Miscellaneous Distribution Plant

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, materials used, and expenses incurred in maintenance of plant, the book cost of which is includible in Accounts 371, Installations on Customers' Premises, and Account 372, Leased Property on Customers' Premises, and any other plant the maintenance of which is assignable to the distribution function and is not provided for elsewhere. (See § 1767.17(b).)

Items

1. Work of similar nature to that listed in other distribution maintenance accounts.
2. Maintenance of office furniture and equipment used by distribution system department.

Taxes:

1. Federal and state unemployment.
2. F.I.C.A.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.
2. Group and life insurance premiums (credit dividends received).
3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.

4. Payments for accident, sickness, hospital, and death benefits or insurance.

5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.

6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.

2. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.

3. Fees and expenses of claim investigators.

4. Payment of awards to claimants for court costs and attorneys' services.

5. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.

6. Compensation payments under workmen's compensation laws.

7. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)

8. Cost of safety, accident prevention, and similar educational activities.

6. Section 1767.28 is amended by revising Accounts 901, 902, 903, and 905 to read as follows:

2. Changing and collecting meter charts used for billing purposes.

3. Inspecting time clocks and checking seals when performed by meter readers and the work represents a minor activity incidental to regular meter reading routine.

4. Reading meters, including demand meters, and obtaining load information for billing purposes. Exclude and charge to Account 586, Meter Expenses, or to Account 903, Customer Records and Collection Expenses, as applicable, the cost of obtaining meter readings, first and final, if incidental to the operation of removing or resetting, sealing or locking, and disconnecting or reconnecting meters.

5. Computing consumption from meter reader's book or from reports by mail when done by employees engaged in reading meters.

6. Collecting from prepayment meters when incidental to meter reading.

7. Maintaining record of customers' keys.

8. Computing estimated or average consumption when performed by employees engaged in reading meters.

Taxes:

1. Federal and state unemployment.
2. F.I.C.A.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.

2. Group and life insurance premiums (credit dividends received).

3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.

4. Payments for accident, sickness, hospital, and death benefits or insurance.

5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.

6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.

2. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.

3. Fees and expenses of claim investigators.

4. Payment of awards to claimants for court costs and attorneys' services.

5. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.

6. Compensation payments under workmen's compensation laws.

7. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)

8. Cost of safety, accident prevention, and similar educational activities.

Materials and Expenses:

1. Badges, lamps, and uniforms.
2. Demand charts, meter books and binders and forms for recording readings, but not the cost of preparation.
3. Postage and supplies used in obtaining meter readings by mail.
4. Transportation, meals, and incidental expenses.

903 Customer Records and Collection Expenses

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, materials used, and expenses incurred in work on customer applications, contracts, orders, credit investigations, billing and accounting, collections and complaints.

Items

Labor:

1. Receiving, preparing, recording, and handling routine orders for service, disconnections, transfers or meter tests initiated by the customer, excluding the cost of carrying out such orders, which is chargeable to the account appropriate for the work called for by such orders.

2. Investigations of customers' credit and keeping of records pertaining thereto, including records of uncollectible accounts written off.

3. Receiving, refunding, or applying customer deposits and maintaining customer deposit, line extension, and other miscellaneous records.

4. Checking consumption shown by meter readers' reports where incidental to preparation of billing date.

5. Preparing address plates and addressing bills and delinquent notices.

6. Preparing billing data.

7. Operating billing and bookkeeping machines.

8. Verifying billing records with contracts or rate schedules.

9. Preparing bills for delivery and mailing or delivering bills.

10. Collecting revenues, including collection from prepayment meters, unless incidental to meter-reading operations.

11. Balancing collections, preparing collections for deposit, and preparing cash reports.

12. Posting collections and other credits or charges to customer accounts and extending unpaid balances.

13. Balancing customer accounts and controls.

14. Preparing, mailing, or delivering delinquent notices and preparing reports of delinquent accounts.

15. Final meter reading of delinquent accounts when done by collectors incidental to regular activities.

16. Disconnecting and reconnecting service because of nonpayment bills.

17. Receiving, recording, and handling of inquiries, complaints, and requests for investigations from customers, including preparation of necessary orders, but excluding the cost of carrying out such orders, which is chargeable to the account appropriate for the work called for by such orders.

18. Statistical and tabulating work on customer accounts and revenues, but not including special analyses for sales department, rate department, or other general purposes, unless incidental to regular customer accounting routines.

19. Preparing and periodically rewriting meter reading sheets.

20. Determining consumption and computing estimated or average consumption when performed by employees other than those engaged in reading meters.

Taxes:

1. Federal and state unemployment.
2. F.I.C.A.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.

2. Group and life insurance premiums (credit dividends received).

3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.

4. Payments for accident, sickness, hospital, and death benefits or insurance.

5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.

6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.

2. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.

3. Fees and expenses of claim investigators.

4. Payment of awards to claimants for court costs and attorneys' services.

5. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.

6. Compensation payments under workmen's compensation laws.

7. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)

8. Cost of safety, accident prevention, and similar educational activities.

Materials and Expenses:

1. Address plates and supplies.

2. Cash overages and shortages.

3. Commissions or fees to others for collecting.

4. Payments to credit organizations for investigations and reports.

5. Postage.

6. Transportation expenses, including transportation of customer bills and meter books under centralized billing procedures.

7. Transportation, meals expenses, and incidental expenses.

8. Bank charges, exchange, and other fees for cashing and depositing customers' checks.

9. Forms for recording orders for services, or removals.

10. Rent of mechanical equipment.

Note. The cost of work on meter history and meter location records in chargeable to Account 586, Meter Expenses.

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905 Miscellaneous Customer Accounts Expenses

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, property insurance, property taxes, materials used, and expenses incurred not provided for in other accounts.

Items

Labor:

1. General clerical and stenographic work.

2. Miscellaneous labor.

Taxes:

1. Federal and state unemployment.

2. F.I.C.A.

3. Property.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein,

or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.
2. Group and life insurance premiums (credit dividends received).
3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.
4. Payments for accident, sickness, hospital, and death benefits or insurance.
5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.
6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for fire, storm, burglary, boiler explosion, lightning, fidelity, riot, and similar insurance.
2. Amounts credited to Account 228.1, Accumulated Provision for Property Insurance, for similar protection.
3. Special costs incurred in procuring insurance.
4. Insurance inspection service.
5. Insurance counsel, brokerage fees, and expenses.
6. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.
7. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.
8. Fees and expenses of claim investigators.
9. Payment of awards to claimants for court costs and attorneys' services.
10. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.
11. Compensation payments under workmen's compensation laws.
12. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)

13. Cost of safety, accident prevention, and similar educational activities.

Materials and Expenses:

1. Communication service.
2. Miscellaneous office supplies and expenses and stationery and printing other than those specifically provided for in Account 902 and Account 903.
7. Section 1767.29 is amended by revising Accounts 907, 908, 909, and 910 to read as follows:

§ 1767.29 Customer service and informational expenses.

* * * * *

907 Supervision

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, and expenses incurred in the general direction and supervision of customer service activities, the object of which is to encourage safe, efficient, and economical use of the utility's service. Direct supervision of a specific activity within customer service and informational expense classification shall be charged to the account wherein the costs of such activity are included. (See § 1767.17(a).)

908 Customer Assistance Expenses

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, materials used, and expenses incurred in providing instructions or assistance to customers, the object of which is to encourage safe, efficient, and economical use of the utility's service.

Items

Labor:

1. Direct supervision of department.
2. Processing customer inquiries relating to the proper use of electric equipment, the replacement of such equipment, and information related to such equipment.
3. Advice directed to customers as to how they may achieve the most efficient and safest use of electric equipment.
4. Demonstrations, exhibits, lectures, and other programs designed to instruct customers in the safe, economical, or efficient use of electric service, and/or oriented toward conservation of energy.
5. Engineering and technical advice to customers, the object of which is to promote safe, efficient, and economical use of the utility's service.

Taxes:

1. Federal and state unemployment.
2. F.I.C.A.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.
2. Group and life insurance premiums (credit dividends received).
3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.
4. Payments for accident, sickness, hospital, and death benefits or insurance.
5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.
6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.
 2. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.
 3. Fees and expenses of claim investigators.
 4. Payment of awards to claimants for court costs and attorneys' services.
 5. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.
 6. Compensation payments under workmen's compensation laws.
 7. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)
 8. Cost of safety, accident prevention, and similar educational activities.
- Materials and Expenses:**
1. Supplies and expenses pertaining to demonstrations, exhibits, lectures, and other programs.
 2. Loss in value on equipment and appliances used for customer assistance programs.

3. Office supplies and expenses.
4. Transportation, meals, and incidental expenses.

Note: Do not include in this account expenses that are provided for elsewhere, such as Accounts 416, Costs and Expenses of Merchandising, Jobbing, and Contract Work; 587, Customer Installations Expenses; and 912, Demonstrating and Selling Expenses.

909 Informational and Instructional Advertising Expenses

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, materials used, and expenses incurred in activities which primarily convey information as to what the utility urges or suggests customers should do in utilizing electric service to protect health and safety, to encourage environmental protection, to utilize their electric equipment safely and economically, or to conserve electric energy.

Items

Labor:

1. Direct supervision of information activities.
2. Preparing informational materials for newspapers, periodicals, and billboards and preparing and conducting informational motion pictures, radio and television programs.
3. Preparing informational booklets and bulletins used in direct mailings.
4. Preparing informational window and other displays.
5. Employing agencies, selecting media, and conducting negotiations in connection with the placement and subject matter of information programs.

Taxes:

1. Federal and state unemployment.
2. F.I.C.A.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.
2. Group and life insurance premiums (credit dividends received).
3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.
4. Payments for accident, sickness, hospital, and death benefits or insurance.

5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.

6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.
2. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.
3. Fees and expenses of claim investigators.
4. Payment of awards to claimants for court costs and attorneys' services.
5. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.
6. Compensation payments under workmen's compensation laws.
7. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)
8. Cost of safety, accident prevention, and similar educational activities.

Materials and Expenses:

1. Use of newspapers, periodicals, billboards, and radio for informational purposes.
2. Postage on direct mailings to customers exclusive of postage related to billings.
3. Printing of informational booklets, dodgers, and bulletins.
4. Supplies and expenses in preparing informational materials by the utility.
5. Office supplies and expenses.

Note A: Exclude from this account and charge to Account 930.2, Miscellaneous General Expenses, the cost of publication of stockholder reports, dividend notices, bond redemption notices, financial statements, and other notices of a general corporate character. Also exclude all expenses of a promotional, institutional, goodwill, or political nature, which are includible in such accounts as 913, Advertising Expenses; 930.1, General Advertising Expenses; and 426.4, Expenditures for Certain Civic, Political and Related Activities.

Note B: Entries relating to informational advertising included in this account shall contain or refer to supporting documents which identify the specific advertising message. If references are used, copies of the

advertising message shall be readily available.

910 Miscellaneous Customer Service and Informational Expenses

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, property insurance, property taxes, materials used, and expenses incurred in connection with customer service and informational activities which are not includible in other customer information expense accounts.

Items

Labor:

1. General clerical and stenographic work not assigned to specific customer service and informational programs.
2. Miscellaneous labor.

Taxes:

1. Federal and state unemployment.
2. F.I.C.A.
3. Property.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.
2. Group and life insurance premiums (credit dividends received).
3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.
4. Payments for accident, sickness, hospital, and death benefits or insurance.
5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.

6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for fire, storm, burglary, boiler explosion, lightning, fidelity, riot, and similar insurance.
2. Amounts credited to Account 228.1, Accumulated Provision for Property Insurance, for similar protection.
3. Special costs incurred in procuring insurance.

4. Insurance inspection service.
 5. Insurance counsel, brokerage fees, and expenses.
 6. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.

7. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.

8. Fees and expenses of claim investigators.

9. Payment of awards to claimants for court costs and attorneys' services.

10. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.

11. Compensation payments under workmen's compensation laws.

12. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)

13. Cost of safety, accident prevention, and similar educational activities.

Materials and Expenses:

1. Communication service.
 2. Printing, postage, and office supplies expenses.

8. Section 1767.30 is amended by revising Accounts 911, 912, 913, and 916 to read as follows:

§ 1767.30 Sales expenses

* * * * *

911 Supervision

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, and expenses incurred in the general direction and supervision of sales activities, except merchandising. Direct supervision of a specific activity, such as demonstrating, selling, or advertising shall be charged to the account wherein the costs of such activity are included. (See § 1767.17(a).)

912 Demonstrating and Selling Expenses

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, materials used, and expenses incurred in promotional, demonstrating, and selling activities, except by merchandising, the object of which is to promote or retain the use of utility services by present and prospective customers.

Items

Labor:

1. Demonstrating uses of utility services.
2. Conducting cooking schools, preparing recipes, and related home service activities.
3. Exhibitions, displays, lectures, and other programs designed to promote use of utility services.
4. Experimental and development work in connection with new and improved appliances and equipment, prior to general public acceptance.
5. Solicitation of new customers or of additional business from old customers, including commissions paid employees.
6. Engineering and technical advice to present or prospective customers in connection with promoting or retaining the use of utility services.
7. Special customer canvasses when their primary purpose is the retention of business or the promotion of new business.

Taxes:

1. Federal and state unemployment.
2. F.I.C.A.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.
2. Group and life insurance premiums (credit dividends received).
3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.
4. Payments for accident, sickness, hospital, and death benefits or insurance.
5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.
6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts

credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.

2. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.

3. Fees and expenses of claim investigators.

4. Payment of awards to claimants for court costs and attorneys' services.

5. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.

6. Compensation payments under workmen's compensation laws.

7. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)

8. Cost of safety, accident prevention, and similar educational activities.

Materials and Expenses:

1. Supplies and expenses pertaining to demonstration, experimental, and development activities.
2. Booth and temporary space rental.
3. Loss in value on equipment and appliances used for demonstration purposes.
4. Transportation, meals, and incidental expenses.

913 Advertising Expenses

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, materials used, and expenses incurred in advertising designed to promote or retain the use of utility service, except advertising the sale of merchandise by the utility.

Items

Labor:

1. Direct supervision of department.
2. Preparing advertising material for newspapers, periodicals, and billboards, and preparing and conducting motion pictures, radio, and television programs.
3. Preparing booklets and bulletins used in direct mail advertising.
4. Preparing window and other displays.
5. Clerical and stenographic work.
6. Investigating advertising agencies and media and conducting negotiations in connection with the placement and subject matter of sales advertising.

Taxes:

1. Federal and state unemployment.
2. F.I.C.A.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee

identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.
2. Group and life insurance premiums (credit dividends received).
3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.
4. Payments for accident, sickness, hospital, and death benefits or insurance.
5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.
6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.
2. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.
3. Fees and expenses of claim investigators.
4. Payment of awards to claimants for court costs and attorneys' services.
5. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.
6. Compensation payments under workmen's compensation laws.
7. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)
8. Cost of safety, accident prevention, and similar educational activities.

Materials and Expenses:

1. Advertising in newspapers, periodicals, billboards, and radio for sales promotion purposes, but not including institutional or goodwill advertising includible in Account 930.1, General Advertising Expenses.
2. Materials and services given as prizes or otherwise in connection with civic lighting contests, canning, or cooking contests, and bazaars in order to

publicize and promote the use of utility services.

3. Fees and expenses of advertising agencies and commercial artists.
4. Novelties for general distribution.
5. Postage on direct mail advertising.
6. Premiums distributed generally, such as recipe books when not offered as inducement to purchase appliances.
7. Printing booklets, dodgers, and bulletins.
8. Supplies and expenses in preparing advertising material.
9. Office supplies and expenses.

Note A: The cost of advertisements which set forth the value or advantages of utility service without reference to specific appliances, or, if reference is made to appliances, invites the reader to purchase appliances from his dealer or refer to appliances not carried for sale by the utility, shall be considered sales promotion advertising and charged to this account. However, advertisements which are limited to specific makes of appliances sold by the utility and price and terms, thereof, without referring to the value or advantages of utility service, shall be considered as merchandise advertising and the cost shall be charged to Costs and Expenses of Merchandising, Jobbing and Contract Work, Account 416.

Note B: Advertisements which substantially mention or refer to the value or advantages of utility service, together with specific reference to makes of appliance sold by the utility and the price, and terms, thereof, and designed for the joint purpose of increasing the use of utility service and the sales of appliances, shall be considered as a combination advertisement and the costs shall be distributed between this account and Account 416 on the basis of space, time, or other proportional factors.

Note C: Exclude from this account and charge to Account 930.2, Miscellaneous General Expenses, the cost of publication of stockholder reports, dividend notices, bond redemption notices, financial statements, and other notices of a general corporate character. Also exclude all institutional or goodwill advertising. (See Account 930.1, General Advertising Expenses.)

916 Miscellaneous Sales Expenses

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, property insurance, property taxes, materials used, and expenses incurred in connection with sales activities, except merchandising, which are not includible in other sales expense accounts.

Items

Labor:

1. General clerical and stenographic work not assigned to specific functions.
2. Special analysis of customer accounts and other statistical work for sales purposes not a part of the regular

customer accounting and billing routine.

3. Miscellaneous labor.

Taxes:

1. Federal and state unemployment.
2. F.I.C.A.
3. Property.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.
2. Group and life insurance premiums (credit dividends received).
3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.
4. Payments for accident, sickness, hospital, and death benefits or insurance.
5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.
6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for fire, storm, burglary, boiler explosion, lightning, fidelity, riot, and similar insurance.
2. Amounts credited to Account 228.1, Accumulated Provision for Property Insurance, for similar protection.
3. Special costs incurred in procuring insurance.
4. Insurance inspection service.
5. Insurance counsel, brokerage fees, and expenses.
6. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.
7. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.
8. Fees and expenses of claim investigators.

9. Payment of awards to claimants for court costs and attorneys' services.

10. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.

11. Compensation payments under workmen's compensation laws.

12. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)

13. Cost of safety, accident prevention, and similar educational activities.

Materials and Expenses:

1. Communication service.

2. Printing, postage, office supplies, and expenses applicable to sales activities, except those chargeable to Account 913, Advertising Expenses.

9. Section 1767.31 is amended by revising Accounts 920, 924, 925, 926, 930.1, 930.2, and 935 to read as follows:

§ 1767.31 Administrative and general expenses.

* * * *

920 Administrative and General Salaries

A. This account shall include the compensation (salaries, bonuses, employee pensions and benefits, social security and other payroll taxes, injuries and damages, and other consideration for services, but not including directors' fees) of officers, executives, and other employees of the utility properly chargeable to utility operations and not chargeable directly to a particular operating function.

B. This account may be subdivided in accordance with a classification appropriate to the departmental or other functional organization of the utility.

* * * *

924 Property Insurance

A. This account shall include the cost of insurance or reserve accruals to protect the utility against losses and damages to owned or leased property used in its utility operations. It shall also include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, and the related supplies and expenses incurred in property insurance activities.

B. Recoveries from insurance companies or others for property damages shall be credited to the account charged with the cost of the damage. If the damaged property has been retired, the credit shall be to the appropriate account for accumulated provision for depreciation.

C. Records shall be kept so as to show the amount of coverage for each class of insurance carried, the property covered, and the applicable premiums. Any dividends distributed by mutual insurance companies shall be credited to the accounts to which the insurance premiums were charged.

Items

1. Premiums payable to insurance companies for fire, storm, burglary, boiler explosion, lightning, fidelity, riot, and similar insurance.

2. Amounts credited to Account 228.1, Accumulated Provision for Property Insurance, for similar protection.

3. Special costs incurred in procuring insurance.

4. Insurance inspection service.

5. Insurance counsel, brokerage fees, and expenses.

Note A: The cost of insurance or reserve accruals capitalized, shall be charged to construction and retirement either directly or by transfers to construction and retirement work orders from this account.

Note B: The cost of insurance or reserve accruals for the following classes of property shall be charged as indicated:

1. Materials, supplies, and stores equipment to Account 163, Stores Expense Undistributed, or appropriate materials account.

2. Transportation and other general equipment to appropriate clearing accounts that may be maintained.

3. Electric plant leased to others to Account 413, Expenses of Electric Plant Leased to Others.

4. Nonutility property to the appropriate nonutility income account.

5. Merchandise and jobbing property to Account 416, Costs and Expenses of Merchandising, Jobbing and Contract Work.

Note C: The cost of labor, employee pensions and benefits, social security and other payroll taxes, and the related supplies and expenses of administrative and general employees who are only incidentally engaged in property insurance work may be included in Account 920 and Account 921, as appropriate.

Note D: The cost of insurance or reserve accruals applicable to the various utility functions shall be charged to the specific functional operations and the appropriate miscellaneous administrative expense accounts either directly or by transfers from this account.

925 Injuries and Damages

A. This account shall include the cost of insurance or reserve accruals to protect the utility against injuries and damages claims of employees or others, losses of such character not covered by insurance, and expenses incurred in settlement of injuries and damages claims. It shall also include the cost of labor, employee pensions and benefits,

social security and other payroll taxes, injuries and damages, related supplies, and expenses incurred in injuries and damages activities.

B. Reimbursements from insurance companies or others for expenses charged hereto on account of injuries, damages, and insurance dividends or refunds shall be credited to this account.

Items

1. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.

2. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.

3. Fees and expenses of claim investigators.

4. Payment of awards to claimants for court costs and attorneys' services.

5. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.

6. Compensation payments under workmen's compensation laws.

7. Compensation paid while incapacitated as the result of occupational injuries. (See Note A.)

8. Cost of safety, accident prevention, and similar educational activities.

Note A: Payments to or in behalf of employees for accident or death benefits, hospital expenses, medical expenses, or for salaries while incapacitated for service or on leave of absence beyond periods normally allowed, when not the result of occupational injuries, shall be charged to Account 926, Employee Pensions and Benefits. (See also Note B of Account 926.)

Note B: The cost of injuries and damages or reserve accruals capitalized shall be charged to construction and retirement activities either directly or by transfers from this account to the applicable construction and retirement work orders.

Note C: The cost of insurance or reserve accruals applicable to the various utility functions shall be charged to the specific functional operations and the appropriate miscellaneous administrative expense accounts either directly or by transfers from this account.

Note D: Exclude herefrom the time and expenses of employees (except those engaged in injuries and damages activities) spent in attendance at safety and accident prevention educational meetings, if occurring during the regular work period.

Note E: The cost of labor, employee pensions and benefits, social security and other payroll taxes, and the related supplies

and expenses of administrative and general employees who are only incidentally engaged in injuries and damages activities, may be included in Account 920 and Account 921, as appropriate.

926 *Employee Pensions and Benefits*

A. This account shall include pensions paid to or on behalf of retired employees or accruals to provide for pensions or payments for the purchase of annuities for this purpose, when the utility has definitely, by contract, committed itself to a pension plan under which the pension funds are irrevocably devoted to pension purposes and payments for employee accident, sickness, hospital, and death benefits, or insurance therefor. Include, also, expenses incurred in medical, educational, or recreational activities for the benefit of employees and administrative expenses in connection with employee pensions and benefits.

B. The utility shall maintain a complete record of accruals or payments for pensions and be prepared to furnish full information to RUS of the plan under which it has created or proposes to create a pension fund and a copy of the declaration of trust or resolution under which the pension plan is established.

C. There shall be credited to this account, the portion of pensions and benefits expenses which is applicable to nonutility operations, the specific functional operations, maintenance, and administrative expense accounts, and to construction and retirement activities unless such amounts are distributed directly to the accounts involved and are not included herein in the first instance.

D. Records in support of this account shall be so kept that the total pensions expense, the total benefits expense, the administrative expenses included herein, and the amounts of pensions and benefits expenses transferred to the operations, maintenance, administrative, construction or retirement accounts will be readily available.

Items

1. Payment of pensions to retirees on a nonaccrual basis.
2. Accruals for or payments to pension funds or to insurance companies for pension purposes.
3. Group and life insurance premiums (credit dividends received).
4. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.
5. Payments for accident, sickness, hospital, and death benefits or insurance.

6. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.

7. Expenses in connection with educational and recreational activities for the benefit of employees.

Note A: The cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, and the related supplies and expenses of administrative and general employees who are only incidentally engaged in employee pension and benefit activities may be included in Account 920 and Account 921, as appropriate.

Note B: Salaries paid to employees during periods of nonoccupational sickness may be charged to the appropriate labor account rather than to employee benefits.

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930.1 *General Advertising Expenses*

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, materials used, and expenses incurred in advertising and related activities, the cost of which by their content and purpose are not provided for elsewhere.

Items

Labor:

1. Supervision.
2. Preparing advertising material for newspapers, periodicals, and billboards and preparing or conducting motion pictures, radio, and television programs.
3. Preparing booklets and bulletins used in direct mail advertising.
4. Preparing window and other displays.
5. Clerical and stenographic work.
6. Investigating and employing advertising agencies, selecting media, and conducting negotiations in connection with the placement and subject matter of advertising.

Taxes:

1. Federal and state unemployment.
2. F.I.C.A.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.
2. Group and life insurance premiums (credit dividends received).

3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.

4. Payments for accident, sickness, hospital, and death benefits or insurance.

5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.

6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.

2. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.

3. Fees and expenses of claim investigators.

4. Payment of awards to claimants for court costs and attorneys' services.

5. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.

6. Compensation payments under workmen's compensation laws.

7. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)

8. Cost of safety, accident prevention, and similar educational activities.

Materials and Expenses:

1. Advertising in newspapers, periodicals, billboards, and radios.

2. Advertising matter such as posters, bulletins, booklets, and related items.

3. Fees and expenses of advertising agencies and commercial artists.

4. Postage and direct mail advertising.

5. Printing of booklets, dodgers, and bulletins.

6. Supplies and expenses in preparing advertising materials.

7. Office supplies and expenses.

Note A: Properly includible in this account is the cost of advertising activities on a local or national basis of a goodwill or institutional nature, which is primarily designed to improve the image of the utility or the industry, including advertisements which inform the public concerning matters affecting the company's operations, such as, the cost of providing service, the company's

efforts to improve the quality of service, and the company's efforts to improve and protect the environment. Entries relating to advertising included in this account shall contain or refer to supporting documents which identify the specific advertising message. If references are used, copies of the advertising message shall be readily available.

Note B: Exclude from this account and include in Account 426.4, Expenditures for Certain Civic, Political and Related Activities, expenses for advertising activities, which are designed to solicit public support or the support of public officials in matters of a political nature.

930.2 Miscellaneous General Expenses

This account shall include the cost of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, property insurance, property taxes, and expenses incurred in connection with the general management of the utility not provided for elsewhere.

Items

Labor:

1. Miscellaneous labor not elsewhere provided for.

Taxes:

1. Federal and state unemployment.
2. F.I.C.A.
3. Property.

Employee Pensions and Benefits: The portion of employee pensions and benefits specifically identifiable with employees' labor costs charged herein or, in the absence of specific employee identification, the portion of employee pensions and benefits, allocated on the more equitable basis of either direct labor dollars or direct labor hours, applicable to the labor items detailed above, including:

1. Accruals for or payments to pension funds or to insurance companies for pension purposes.
2. Group and life insurance premiums (credit dividends received).
3. Payments for medical and hospital services and expenses of employees when not the result of occupational injuries.
4. Payments for accident, sickness, hospital, and death benefits or insurance.
5. Payments to employees incapacitated for service or on leave of absence beyond periods normally allowed when not the result of occupational injuries or in excess of statutory awards.
6. Expenses in connection with educational and recreational activities for the benefit of employees.

Insurance:

1. Premiums payable to insurance companies for fire, storm, burglary,

boiler explosion, lightning, fidelity, riot, and similar insurance.

2. Amounts credited to Account 228.1, Accumulated Provision for Property Insurance, for similar protection.

3. Special costs incurred in procuring insurance.

4. Insurance inspection service.

5. Insurance counsel, brokerage fees, and expenses.

6. Premiums payable to insurance companies for protection against claims from injuries and damages by employees or others, such as public liability, property damages, casualty, employee liability, etc., and amounts credited to Account 228.2, Accumulated Provision for Injuries and Damage, for similar protection.

7. Losses not covered by insurance or reserve accruals on account of injuries or deaths to employees or others and damages to the property of others.

8. Fees and expenses of claim investigators.

9. Payment of awards to claimants for court costs and attorneys' services.

10. Medical and hospital service and expenses for employees as the result of occupational injuries or resulting from claims of others.

11. Compensation payments under workmen's compensation laws.

12. Compensation paid while incapacitated as the result of occupational injuries. (See Account 924, Note A.)

13. Cost of safety, accident prevention, and similar educational activities.

Expenses:

1. Industry association dues for company memberships.

2. Contributions for conventions and meetings of the industry.

3. Research, development, and demonstration expenses not charged to other operation and maintenance expense accounts on a functional basis.

4. Communication service not chargeable to other accounts.

5. Trustee, registrar, and transfer agent fees and expenses.

6. Stockholders meeting expenses.

7. Dividend and other financial notices.

8. Printing and mailing dividend checks.

9. Directors' fees and expenses.

10. Publishing and distributing annual reports to stockholders.

11. Public notices of financial, operating, and other data required by regulatory statutes, not including, however, notices required in connection with security issues or acquisitions of property.

* * * * *

935 Maintenance of General Plant

A. This account shall include the cost assignable to customer accounts, sales, administrative, and general functions of labor, employee pensions and benefits, social security and other payroll taxes, injuries and damages, materials used, and expenses incurred in the maintenance of property, the book cost of which is includible in Account 390, Structures and Improvements; Account 391, Office Furniture and Equipment; Account 397, Communication Equipment; and Account 398, Miscellaneous Equipment. (See § 1767.17(b).)

B. Maintenance expenses on office furniture and equipment used elsewhere than in general, commercial, and sales offices shall be charged to the following accounts:

1. Steam Power Generation, Account 514.
2. Nuclear Power Generation, Account 532.
3. Hydraulic Power Generation, Account 545.
4. Other Power Generation, Account 554.
5. Transmission, Account 573.
6. Distribution, Account 598.
7. Merchandise and Jobbing, Account 416.
8. Garages, Shops, etc., Appropriate clearing account, if used.

Note: Maintenance of plant included in other general equipment accounts shall be included herein unless charged to clearing accounts or to the particular functional maintenance expense account indicated by the use of the equipment.

10. In § 1767.41, the introductory text preceding the Numerical Index is revised to read as follows:

§ 1767.41 Accounting methods and procedures required of all RUS borrowers.

All RUS borrowers shall maintain and keep their books of accounts and all other books and records which support the entries in such books of accounts in accordance with the accounting principles prescribed in this section. Interpretations Nos. 133, 134, 137, 403, 404, 602, 606, 618, 627, 628, and 629 adopt and implement the provisions of standards issued by the Financial Accounting Standards Board (FASB). Each interpretation includes a synopsis of the requirements of the standard as well as specific accounting requirements and interpretations required by RUS. The synopsis provides general information to assist borrowers in determining whether the standard applies to an individual cooperative's operations. The synopsis is not intended to change the requirements of the FASB

a. In the Numerical Index, the entries No. 137, No. 138, No. 139, No. 140, No. 630, and No. 631, are added in numerical order.

c. In the Subject Matter Index listing under “E”, an entry for “Early Retirement Plan” is added in alphabetical order.

e. In the Subject Matter Index listing under "T", entries for "Impairment of Long-Lived Assets" and "Insurance—Split Dollar" are added in alphabetical order.

f. In the Subject Matter Index listing under “L”, entries for “Life Insurance—Split Dollar” and “Long-Lived Assets—Impairment” are added in alphabetical order.

g. In the Subject Matter Index listing under "M", entries for "Meter Reading Systems—Radio-Based" and "Meter Reading Systems—Turtles" are added in alphabetical order.

h. In the Subject Matter Index listing under "R", an entry for "Radio-Based Automatic Meter Reading Systems" is added in alphabetical order.

i. In the Subject Matter Index listing under “S”, entries for “Special Early Retirement Plan” and “Split Dollar Life Insurance” are added in alphabetical order.

j. In the Subject Matter Index listing under “T”, an entry for “Turtles-Automatic Meter Reading Systems” is added in alphabetical order.

The additions read as follows:

Number	Title
137	Impairment of Long-Lived Assets.

Subject Matter Index

	R
Radio-Based Automatic Meter Reading Systems.	140.

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Borrowers are sometimes required to construct terminal facilities in the transmission line of another utility in order to receive power from their power supplier. The document executed between the borrower and the utility is normally referred to as a "License Agreement". The license agreement may stipulate that certain items of the terminal facilities are to be transferred to, and become the property of, the other utility upon completion of the construction. The accounting for this type of transaction shall be as follows:

1. All construction costs incurred shall be charged to a work order. Upon completion of the construction and accumulation of all costs, the cost of the facilities that become the property of another utility shall be transferred from construction work-in-progress to Account 303, Miscellaneous Intangible Plant. The cost of the plant for which the borrower retains title shall be charged to the appropriate plant accounts.

2. The cost of the facilities recorded in Account 303 shall be amortized to Account 405, Amortization of Other Electric Plant, over the contract term or the estimated useful service life of the plant, whichever is shorter. If the related contract or contracts for this power supply are terminated, the unamortized balance shall be expensed, in the current period, in Account 557.

22. In § 1767.41, Interpretation Nos. 137, 138, 139 and 140 are added in numerical order to read as follows:

* * * * *

137 Impairment of Long-Lived Assets

Statement of Financial Accounting Standards No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed of (Statement No. 121), requires reporting entities to review all long-lived assets and certain identifiable intangibles that are to be held, used, or disposed of by that entity for impairment whenever events and changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If the sum of the expected future cash flows (undiscounted and without interest charges) is less than the carrying value of the asset, the entity must recognize an impairment loss. The impairment loss is measured as the amount by which the carrying amount of the asset exceeds the fair value of the asset. The impairment loss is reported as a component of income from continuing operations before income taxes for entities presenting an income statement and in the statement of activities of not-for-profit organizations. Statement No. 121 does not apply to assets included in the scope of Statement of Financial Accounting Standards No. 90, Regulated Enterprises—Accounting for Abandonments and Disallowances of Plant Costs.

Assets To Be Held or Used

Entities are required to review long-lived assets and certain identifiable intangibles whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. For example:

1. A significant decrease in the market value of an asset;
2. A significant change in the extent or manner in which an asset is used;
3. A significant physical change in an asset;
4. A significant adverse change in legal factors or in the business climate that could affect the value of an asset;
5. An adverse action or assessment by a regulator;
6. An accumulation of costs significantly in excess of the amount originally expected to acquire or construct an asset; and
7. A current period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continued losses associated with an asset used for the purpose of producing revenue.

The impairment of the asset is measured by estimating the future cash flows expected to result from the use of the asset and its disposition. Assets are grouped at the lowest level for which

there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. Future cash flows are those cash inflows that are expected to be generated by the asset less the cash outflows expected to be necessary to maintain those inflows. If the future cash flows (undiscounted and without interest charges) are less than the carrying value of the asset, an impairment loss must be recognized. If the expected future cash flows are greater than the carrying value of the asset, no impairment loss exists.

The impairment loss is the amount by which the carrying amount (acquisition cost less accumulated depreciation) of the asset exceeds the fair value of the asset. The fair value of the asset is the amount for which the asset could be bought or sold in an arms-length transaction between willing parties. A quoted market price is the best evidence of fair value. If this information is not available, the fair value should be based upon the best information available. Consideration should be given to the price of similar assets and valuation techniques such as the present value of the expected future cash flows discounted at a rate representative of the risk involved, option-pricing models, matrix pricing, option-adjusted spread models, and fundamental analysis. All available information should be considered when using the above pricing techniques.

If an impairment is recognized, the carrying value of the asset is reduced to the lower of its fair value or its carrying value and, if depreciable, depreciated over the remaining useful life. Previously recognized impairment losses cannot be restored. If the asset was acquired in a business combination and there is goodwill resulting from the transaction, the goodwill is included in the asset grouping and reduced or eliminated before any adjustment is made to the carrying value of the asset.

The following financial statement disclosures are required in the period in which the impairment is recognized:

1. A description of the impaired assets and the facts and circumstances surrounding the impairment;
2. The amount of the impairment and how fair value was determined;
3. The caption in the income statement or the statement of activities in which the impairment loss is aggregated if that loss has not been presented as a separate caption or reported parenthetically on the face of the statement; and
4. If applicable, the business segment(s) affected.

Assets To Be Disposed

Statement No. 121 also applies to all long-lived assets and certain identifiable intangibles for which management, having the authority to approve the action, has committed to a plan of disposal except those assets covered by APB No. 30, Reporting the Results of Operations—Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions. An asset to be disposed of is carried at the lower of its carrying amount (acquisition cost less accumulated depreciation) or its fair value less cost to sell.

The fair value of the asset to be disposed of is computed in the same manner as that for an asset to be held or used by the entity. Selling costs include the incremental direct cost to transact the sale—broker commissions, legal fees, title transfer, and other closing costs that must be incurred before legal title can be transferred. Costs such as insurance, security service, and utilities are generally excluded unless these costs are part of a contractual agreement that obligates the entity to incur such costs in the future. If the asset's fair value is based upon current market price or the current selling price for a similar asset, the fair value is considered a current amount and is not discounted. If, however, the fair value is based upon discounted expected future cash flows and if the sale is to occur beyond one year, the cost to sell must also be discounted. Assets covered by this statement are not depreciated (amortized) while being held for disposal.

Subsequent revisions in estimates of fair value less cost to sell are reported as adjustments to the carrying amount of the asset to be disposed of as long as the carrying amount of the asset does not exceed the original carrying amount.

The following financial statement disclosures are required in the period in which the impairment is recognized:

1. A description of the assets to be disposed of including the facts and circumstances leading to the expected disposal, the expected disposal date, and the carrying amount of those assets;
2. If applicable, the business segment(s) in which the assets to be disposed of are held;
3. The amount, if any, of the impairment loss resulting from the adoption of this statement;
4. The gain or loss, if any, resulting from subsequent revisions in the estimates of fair value less cost to sell;
5. The caption in the income statement or statement of activities in

which the gains or losses are aggregated if those gains or losses have not been presented as a separate caption or reported parenthetically on the face of the statement; and

6. The results of operations for assets to be disposed of to the extent that those results are included in the entity's results of operations for the period and can be identified.

Accounting Requirements

All borrowers must adopt the accounting prescribed by Statement No. 121.

Effective Date and Implementation

Statement No. 121 is effective for financial statements for fiscal years beginning after December 15, 1995. Impairment losses resulting from the application of this statement to assets that are held or used by the entity must be reported in the period in which the recognition criteria are first applied and met. Impairment losses attributable to assets to be disposed of must be reported as the cumulative effect of a change in accounting principle as prescribed in Accounting Principles Board Opinion No. 20, Accounting Changes.

Accounting Journal Entries—Implementation Date

If a borrower has impaired assets that are held or used at the implementation date, the following entry should be recorded:

Dr. 426.5, Other Deductions
Cr. 300 Series of Accounts, Plant Accounts
To record the adoption of Statement No. 121 for the impairment of assets that are held or used.

If a borrower has impaired assets to be disposed of at the implementation date, the following entry should be recorded:

Dr. 435.1, Cumulative Effect on Prior Years of a Change in Accounting Principle
Cr. 300 Series—Plant Accounts
To record the adoption of Statement No. 121 for assets that are to be disposed.

Accounting Journal Entries—Subsequent to Implementation Date

If an asset that is either held, used or to be disposed of becomes impaired, the following entry should be recorded:

Dr. 426.5, Other Deductions
Cr. 300 Series—Plant Accounts
To record the impairment of a plant asset.

If a borrower makes a subsequent revision in the estimate of the fair value less the cost to sell of an asset to be disposed of, the following entry should be recorded:

Dr. 300 Series—Plant Accounts
Cr. 421, Miscellaneous Nonoperating Income

To revise the fair value of an asset to be disposed.

138 Automatic Meter Reading Systems—Turtles

Automatic meter reading systems were developed from technology called power line carrier communication systems. One such system, developed by Hunt Technologies, Inc., is called by its brand name, the Turtle system. In addition to its function as an automated reading device, the Turtle can provide outage detection, power failure counts, and other potential applications. The current Turtle system does not have the capability for applications such as collection of load survey or interval data. A Turtle system consists of:

1. A meter reader mounted (retrofitted) inside the meter;
2. A receiver located in each substation; and
3. Monitoring and programming equipment (software and personal computer) usually located in the headquarters building.

The system transmits continuous information one way from the meter to a receiver located in the substation. The receiver constantly monitors every Turtle meter served by the substation. The substation receiver can be sized to monitor up to 3,000 Turtle meter readers at the same time. The data is then transmitted to the headquarters monitoring equipment via telephone line or an equivalent communication system.

The technical literature and other information provided by the manufacturer indicates that this system can only be used for remote meter reading, outage detection, power failure counts, and phase identification. At this time, there is no indication that the system supports other functions such as home security. Therefore, the accounting prescribed for the Turtle meter reading devices and support equipment relates only to electric utility operations.

Accounting Requirements

The function of the equipment is the primary factor in determining the account in which the equipment shall be recorded. The components of the Turtle automatic meter reading system shall be recorded in Account 370, Meters. The cost of the meter reader encoding device and retrofitting the meter with the meter reader unit shall be capitalized to the cost of the existing meter. Any associated operating expenses shall be charged to Account 586, Meter Expenses, with maintenance expenses charged to Account 597, Maintenance of Meters.

Separate continuing property records shall be established for the meters, either fitted or retrofitted with the device; the receiver; the personal computer; and the system software. The meters, receivers, and personal computer shall be depreciated over the manufacturer's estimated useful service life. The system software shall be depreciated over the estimated useful service life of the program not to exceed 5 years.

139 Global Positioning Systems

The Global Positioning System (GPS) is a worldwide radio-navigation system formed from a network of 24 satellites and their ground stations. Utilities are using this advanced technology geographic data collection system to update and modernize their system maps. GPS uses a system of satellites orbiting the earth to establish plant locations with pinpoint accuracy. By triangulating from three satellites and using radio signals to measure distances and locate items, system-wide maps can be created of the utility's service area. A field inventory is then taken of the utility's plant and plotted onto the map. The GPS consists of base station equipment, remote station equipment, the GPS program, and mapping conversion software.

All equipment associated with GPS is dedicated to the mapping effort. The base station is installed at a fixed location and ties satellite measurements into a solid local reference. The remote station is a portable receiver that is taken into the field to determine locations and is moved from site to site. The GPS program is the application software that operates the station equipment and is used by layout technicians to gather information of existing and new facilities in the field. The conversion software is used for converting the GPS and inventory information gathered in the field into a form usable by the mapping program.

Accounting Requirements

The function and location of the equipment are the primary factors in determining the account in which the equipment shall be recorded. The components of the GPS shall be accounted for as follows:

1. *Remote and Base Station Equipment.* The cost of the equipment, both remote and fixed, shall be capitalized in a subaccount of Account 391, Office Furniture and Equipment.

2. *GPS Program and Conversion Software for Mapping.* The cost of GPS program and conversion software shall be capitalized in a subaccount of

Account 391, Office Furniture and Equipment.

3. *GPS/GIS Field Inventory of System.* The cost of performing a GPS/GIS survey and field inventory of the existing system, by either a consultant or the utility's own forces, shall be charged to Account 588, Miscellaneous Distribution Expenses.

140 *Radio-Based Automatic Meter Reading Systems*

Radio-based automatic meter reading technology allows meters equipped with a low-power radio device called an ERT (Encoder, Receiver, Transmitter) to be read from a remote location. The ERT device can either be retrofitted to an existing meter or purchased installed in a new meter. The ERT device "encodes" energy consumption and transmits this information to a radio transceiver equipped handheld computer. The data collected and stored in the handheld computer is then uploaded to a billing computer using specialized software for that purpose.

Accounting Requirements

The function of the equipment is the primary factor in determining the account in which the equipment shall be recorded. The components of the radio-based automatic meter reading system shall be recorded in Account 370, Meters. The cost of the meter reader encoding device and retrofitting the meter with the meter reader unit shall be capitalized to the cost of the existing meter. Any associated operating expenses shall be charged to Account 586, Meter Expenses, with maintenance expenses charged to Account 597, Maintenance of Meters.

Separate continuing property records shall be established for the meters, either fitted or retrofitted with the device; the handheld computer; and the upload software. The meters and handheld computer shall be depreciated over the manufacturer's estimated useful service life. The upload software shall be depreciated over the estimated useful service life of the program not to exceed 5 years.

* * * * *

23. In Section 1767.41, Interpretations Nos. 601, 602, 603, 604, 606, 608, 618, 627, and 628 are revised to read as follows:

* * * * *

601 *Employee Benefits*

The costs of employees' fringe benefits (hospitalization, retirement, holiday, sick and vacation pay, etc.) shall be accumulated in an appropriate clearing account and allocated monthly on the basis of payroll. Vacation costs

shall be accrued monthly by appropriate credits to an accrual account. These monthly accruals shall be allocated on the basis of direct payroll costs to construction, retirement, and the applicable operations, maintenance, and administrative expense accounts.

Sick leave costs are not normally accrued unless the employee is entitled to be paid for accumulated sick leave at the termination of employment. Salary payments and the associated employee pensions and benefits and social security and other payroll taxes for an employee who is actually sick shall be charged to the same account or accounts to which his or her salary is normally charged.

602 *Compensated Absences*

Statement of Financial Accounting Standards No. 43, Accounting for Compensated Absences (Statement No. 43), requires employers to accrue a liability as an employee earns the right to be paid for future absences. Four criteria were established for this accrual:

1. The employer's obligation for payment for future absences is attributable to employees' services already performed.

2. The obligation relates to employee rights which vest or accumulate. Vested rights are considered those for which the employer is obligated to make payment even if the employee terminates. Rights which accumulate are those earned but unused rights to compensated absences which may be carried forward to one or more periods, subsequent to the period in which they are earned.

3. Payment of the compensation is probable.

4. The amount can be reasonably estimated.

A company's liability shall be estimated based upon payments it expects to make as a result of employees' work already performed. If a reasonable estimate cannot be made, the company shall disclose that fact in the financial statements.

Statement No. 43 does not apply to severance or termination pay, postretirement benefits, deferred compensation, stock or stock options, group insurance, or other long-term fringe benefits.

The entries required to account for the accrual of compensated absences are as follows:

Dr. 435.1, Cumulative Effect on Prior Years of a Change in Accounting Principle
Cr. 242.3, Accrued Employees' Vacation and Holidays

To record the liability for benefits earned in prior years.

Dr. 107, Construction Work in Progress

Dr. 108.8, Retirement Work in Progress
Dr. Various Operations, Maintenance, and Administrative Expense Accounts
Cr. 242.3, Accrued Employees Vacation and Holidays

To record the liability for benefits earned in the current period.

603 *Employee Retirement and Group Insurance*

Some borrowers have group insurance or retirement plans or both for their employees. As a general rule the cost of these programs is borne partially by the cooperative and partially by its employees. The cooperative may pay the full cost in advance and recover the employee's share through payroll deductions. The accounting for these transactions is as follows:

1. The cooperative's advanced payment of premiums on insurance and retirement agreements shall be charged to Account 165, Prepayments, for the employers portion, and Account 143, Other Accounts Receivable, for the employee's portion.

2. The cost of the employer's portion of a retirement and group insurance program shall be charged to construction and retirement activities and the applicable operations, maintenance, and administrative expense accounts based upon a specific identification with employees' labor costs charged therein or, in the absence of specific employee identification, based upon direct labor dollars or direct labor hours depending upon which allocation technique provides the most equitable distribution of costs.

604 *Deferred Compensation*

Many utilities participate in the NRECA Deferred Compensation Program. Based upon the provisions of the program, the following accounting entries shall be made:

Dr. 186.XX, Miscellaneous Deferred Debits—Deferred Compensation

Cr. 228.3, Accumulated Provision for Pensions and Benefits

To increase the deferred compensation provision by the amount of the annual deposit to NRECA's Deferred Compensation Fund.

Dr. 128, Other Special Funds—Deferred Compensation

Cr. 131.1, Cash—General

To record the annual deposit to NRECA's Deferred Compensation Fund.

Dr. Construction Work in Progress, Retirement Work in Progress, or the Various Operations, Maintenance, and Administrative Expense Accounts, as appropriate.

Cr. 186.XX, Miscellaneous Deferred Debits—Deferred Compensation

To record monthly accrual of deferred compensation.

Note: If an employee joins the deferred compensation program during the year, use entry #1 to record the additional deposit to the NRECA Deferred Compensation Fund and increase the monthly accrual in entry #2 to reflect this deposit.

NRECA provides borrowers that participate in the deferred compensation program with an annual account statement disclosing the activity for each Homestead Fund investment including the number of shares owned, interest income, dividend income, capital gains/losses, and the value of the shares owned at statement date. Funds may be invested in the Short-term Bond Fund, the Value Fund, the Short-term Government Securities Fund, and the Daily Income Fund. Depending upon the Homestead Fund selected, invested funds may earn interest and dividend income and may experience unrealized holding gains or losses. Based upon the information provided on the annual statement, the following journal entries shall be recorded to recognize the increase or decrease in the fund assets:

Dr. 128, Other Special Funds—Deferred Compensation
Cr. 419, Interest and Dividend Income
Cr. 421, Miscellaneous Nonoperating Income
To record an increase in the fund value as of December 31, 19xx, resulting from interest and dividend income and from unrecognized holding gains on trading securities.

Dr. Various Operations, Maintenance, and Administrative Expense Accounts
Cr. 228.3, Accumulated Provision for Pensions and Benefits
To record an increase in the liability to the employee resulting from an increase in the investment account.

Dr. 426.5, Other Deductions
Cr. 128, Other Special Funds—Deferred Compensation
To record a decrease in fund value as of December 31, 19xx, resulting from unrecognized holding losses on trading securities.

Dr. 228.3, Accumulated Provision for Pensions and Benefits
Cr. Various Operations, Maintenance, and Administrative Expense Accounts
To record a decrease in the liability to the employee resulting from a decrease in the investment account.

Payments made to participating employees because of retirement or separation for other reasons shall be recorded using the following entries:

Dr. 131.1, Cash—General
Cr. 128, Other Special Funds—Deferred Compensation
To record the receipt of funds from NRECA.

and
Dr. 228.3, Accumulated Provision for Pensions and Benefits
Cr. 131.1, Cash—General

To record payment to employee for deferred compensation.

If the borrower has elected to bear the market risk of the funds which guarantee that the amount of money an employee receives will not be less than the amount of salary deferred, the following entry shall be recorded if total payment(s) from NRECA are less than the amount of salary deferred:

Dr. Various Operations, Maintenance, and Administrative Expense Accounts
Cr. 131.1, Cash—General
To record payment to employee for deferred compensation. Payment was made because amount returned did not equal salary deferred.

Appropriate disclosure of the terms of the program shall be made in the notes to the financial statements.

* * * * *

606 Pension Costs

With the issuance of Statement of Financial Accounting Standards No. 87, Employers' Accounting for Pensions (Statement No. 87), there have been significant changes in the accounting and reporting requirements relating to pension costs. This section will highlight the accounting and reporting requirements for the major types of pension plans. It should be noted, however, that the definitions and accounting procedures outlined in this section relate to financial accounting and they may differ from those used for tax accounting.

Defined Benefit Pension Plans

A defined benefit pension plan is a plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service, or compensation. In a defined benefit plan, the employer promises to provide, in addition to current wages, retirement income payments in future years after the employee retires or terminates service. Generally, the amount of benefit to be paid depends upon a number of future events that are incorporated into the plan's benefit formula, after including how long the employee and any survivors live, how many years of service the employee renders, and the employee's compensation in the years immediately before retirement or termination.

Under a defined benefit plan, the determination of pension costs, assets, liabilities, and the disclosures in the financial statements require many calculations and assumptions to be made. This section provides a general overview of the accounting and reporting requirements associated with

a defined benefit pension plan. Consult Statement No. 87 for guidance in making the necessary calculations and assumption.

The accounting and reporting requirements related to a defined benefit pension plan are as follows:

1. The following components shall be included in the periodic recognition of net pension cost by an employer sponsoring a defined benefit pension plan:

a. The service cost component recognized in a period shall be determined as the actuarial present value of benefits attributed by the pension plan formula to employee service during that period. The measurement of the service cost component requires use of an attribution method and assumptions.

b. The interest cost component recognized in a period shall be determined as the increase in the projected benefit obligation due to the passage of time. Measuring the projected benefit obligation as a present value requires accrual of an interest cost at rates equal to the assumed discount rates.

c. For a funded plan, the actual return on plan assets, if any, shall be determined based upon the fair value of plan assets at the beginning and the end of the period, adjusted for contributions and benefit payments.

d. Plan amendments (including initiation of a plan) often include provisions that grant increased benefits based upon services rendered in prior period. Because plan amendments are granted with the expectation that the employer will realize economic benefits in future period, Statement No. 87 does not require the cost of providing such retroactive benefits (prior service cost) to be included in net periodic pension cost entirely in the year of the amendment but provides for recognition during the future service periods of those employees active at the date of the amendment who are expected to receive benefits under the plan.

The cost of retroactive benefits (including benefits that are granted to retirees) is the increase in the projected benefit obligation at the date of the amendment. Except as noted below, prior service cost shall be amortized by assigning an equal amount to each future period of service of each employee active at the date of the amendments who is expected to receive benefits under the plan. If all or almost all of the plan's participants are inactive, the cost of retroactive plan amendments affecting benefits of inactive participants shall be amortized based upon the remaining life

expectancy of those participants rather than the remaining service period.

To reduce the complexity and detail of the computations required, consistent use of an alternative amortization approach that more rapidly reduces the unrecognized cost of retroactive amendments is acceptable. For example, a straight-line amortization of the cost over the average remaining service period of employees expected to receive benefits under the plan is acceptable. The alternative method used shall be disclosed.

In some situations, a history of regular plan amendments and other evidence may indicate that the period during which the employee expects to realize economic benefits from an amendment granting retroactive benefits is shorter than the entire remaining service period of the active employees. Identification of such situations requires an assessment of the individual circumstances and the substance of the particular plan situation. In those circumstances, the amortization of prior service cost shall be accelerated to reflect the more rapid expiration of the employer's economic benefits and to recognize the cost in the periods benefited.

A plan amendment can reduce rather than increase the projected benefit obligation. Such a reduction shall be used to reduce an existing unrecognized prior service cost, and the excess, if any, shall be amortized on the same basis as the cost of benefit increases.

e. Gains and losses are changes in the amount of either the projected benefit obligation or plan assets resulting from experience different from that assumed and changes in assumptions. Gains and losses include amounts that have been realized. Because gains and losses may reflect refinements in estimates as well as real changes in economic values, and because some gains in one period may be offset by losses in another or vice versa, the recognition of gains and losses as components of net pension cost of the period in which they arise is not required.

The expected return on plan assets shall be determined based upon the expected long-term rate of return on plan assets and the market-related value of plan assets. The market-related value of plan assets shall be either fair value or a calculated value that recognizes changes in fair value in a systematic and rational manner over not more than 5 years. Different ways of calculating market-related value may be used for different classes of assets but the manner of determining market-related value shall be applied consistently from year to year for each asset class.

Asset gains and losses are the differences between the actual return on assets during a period and the expected return on assets for that period. Assets gains and losses include both changes reflected in the market-related value of assets and changes not yet reflected in the market-related value (that is, the difference between the fair value of assets and the market-related value). Asset gains and losses not yet reflected in market-related values are not required to be amortized.

As a minimum, amortization of an unrecognized gain or loss (excluding asset gains and losses not yet reflected in market-related value) shall be included as a component of net pension cost for a year if, as of the beginning of the year, that unrecognized net gain or loss exceeds 10 percent of the greater of the projected benefit obligation or the market-related value of plan assets. If amortization is required, the minimum amortization shall be that excess divided by the average remaining service period of active employees expected to receive benefits under the plan. If all or almost all of a plan's participants are inactive, the average remaining life expectancy of the inactive participants shall be used instead of average remaining service life.

Any systematic method of amortization of gains and losses may be used in lieu of the minimum specified in the previous paragraph provided that the minimum is used in any period in which the minimum is greater (i.e., reduces the net balance by more), the method is applied consistently, the method is applied similarly to both gains and losses, and the method is disclosed.

The gain or loss component of net periodic pension cost shall consist of the difference between the actual return on plan assets and the expected return on plan assets and amortization of the unrecognized net gain or loss from previous periods.

2. A liability (unfunded accrued pension cost) shall be recognized if the net periodic pension cost recognized pursuant to Statement No. 87 exceeds amounts the employer has contributed to the plan. An asset (prepaid pension cost) shall be recognized if the net periodic pension cost is less than the amounts the employer has contributed to the plan.

If the accumulated benefit obligation exceeds the fair value of plan assets, the employer shall recognize a liability (including unfunded accrued pension cost) that is at least equal to the unfunded accumulated benefit obligation. Recognition of an additional

minimum liability is required if an unfunded accumulated benefit obligation exists and an asset has been recognized as a prepaid pension cost, the liability already recognized as unfunded accrued pension cost is less than the unfunded accumulated benefit obligation, or no accrued or prepaid pension cost has been recognized.

If an additional minimum liability is recognized, an equal amount shall be recognized as an intangible asset, provided that the asset does not exceed the amount of unrecognized prior service cost. If an additional liability required to be recognized exceeds unrecognized prior service cost, the excess (which represents a net loss not yet recognized as a net periodic pension cost) shall be reported as a separate component (reduction) of equity.

When a new determination of the amount of additional liability is made to prepare a balance sheet, the related intangible asset and separate component of equity shall be eliminated or adjusted, as necessary.

3. An employer sponsoring a defined benefit pension plan shall disclose the following information:

a. A description of the plan including employee groups covered, type of benefit formula, funding policy, types of assets held and significant nonbenefit liabilities, if any, and the nature and effect of significant matters affecting comparability of information for all period presented.

b. The amount of net periodic pension cost for the period showing separately the service cost component, the interest cost component, the actual return on assets for the period, and the net total of other components.

c. A schedule reconciling the funded status of the plan with amounts reported in the employer's balance sheet, showing separately, the fair value of plan assets, the projected benefit obligation identifying the accumulated benefit obligation and the vested benefit obligation, the amount of unrecognized prior service cost, the amount of unrecognized net gain or loss including asset gains and losses not yet reflected in market-related value), the amount of any remaining unrecognized net obligation or net asset existing at the date of initial application of Statement No. 87, the amount of any additional liability recognized, and the amount of net pension asset or liability recognized in the balance sheet (which is the net result of combining the previous six items).

d. The weighted-average assumed discount rate and rate of compensation increase (if applicable) used to measure the projected benefit obligation and the

weighted-average expected long-term rate of return on plan assets.

e. If applicable, the amount and type of securities of the employer and related parties included in plan assets, and the approximate amount of annual benefits of employees and retirees covered by annuity contracts issued by the employer and related parties. Also, if applicable, the alternative amortization periods used.

f. An employer that sponsors two or more separate defined benefit pension plans shall determine net periodic pension cost, liabilities, and assets by separately applying the provisions of Statement No. 87 to each plan. In particular, unless an employer clearly has a right to use the assets of one plan to pay benefits of another, a liability required to be recognized for one plan shall not be reduced or eliminated because another plan has assets in excess of its accumulated benefit obligation or because the employer has prepaid pension cost related to another plan.

The required disclosures may be aggregated for all of an employer's single-employer defined benefit plans, or plans may be disaggregated into groups so as to provide the most useful information. Plans with assets in excess of the accumulated benefit obligation, however, shall not be aggregated with plans that have accumulated benefit obligations that exceed plan assets.

Annuity Contracts

An annuity contract is a contract in which an insurance company unconditionally undertakes a legal obligation to provide specified benefits to specific individuals in return for a fixed consideration or premium. An annuity contract is irrevocable and involves the transfer of significant risk from the employer to the insurance company. Some annuity contracts (participating annuity contracts) provide that the purchaser (either the plan or the employer) may participate in the experience of the insurance company. Under these contracts, the insurance company ordinarily pays dividends to the purchaser. If the substance of a participating contract is such that the employer remains subject to all or most of the risks and rewards associated with the benefit obligation covered and the assets transferred to the insurance company, that contract is not an annuity contract for purposes of Statement No. 87.

To the extent that benefits currently earned are covered by annuity contracts, the cost of these benefits shall be the cost of purchasing the contracts, except as noted below. That is, if all benefits

attributed by the plan's benefits formula to service in the current period are covered by nonparticipating annuity contracts, the cost of the contracts determines the service cost component of net pension cost for that period.

Benefits provided by the pension benefit formula beyond benefits provided by annuity contracts (for example, benefits related to future compensation levels) shall be accounted for according to the provisions applicable to plans not involving insurance contracts.

Benefits covered by annuity contracts shall be excluded from the projected benefit obligation and the accumulated benefit obligation. Except as noted below, annuity contracts shall be excluded from plan assets.

Some annuity contracts provide that the purchaser (either the plan or the employer) may participate in the experience of the insurance company. Under these contracts, the insurance company ordinarily pays dividends to the purchaser, the effect of which is to reduce the cost of the plan. The purchase price of a participating annuity contract ordinarily is higher than the price of an equivalent contract without participation rights. The cost of the participation right shall be recognized, at the date of purchase, as an asset. In subsequent periods, the participation right shall be measured at its fair value if the contract is such that the fair value is reasonably estimable. Otherwise, the participation right shall be measured at its amortized cost (not in excess of its net realizable value), and the cost shall be amortized systematically over the expected dividend period under the contract.

Other Contracts with Insurance Companies

Insurance contracts that are, in substance, equivalent to the purchase of annuities shall be accounted for as such. Other contracts with insurance companies shall be accounted for as investments and measured at fair value. For some contracts, the best available evidence of fair value may be contract value. If a contract has a determinable cash surrender value or conversion value, that is presumed to be its fair value.

Defined Contribution Plans

A defined contribution pension plan is a plan that provides pension benefits in return for services rendered, provides an individual account for each participant, and has terms that specify how contributions to the individual's accounts are to be determined rather than the amount of pension benefits the

individual is to receive. Under a defined contribution plan, the pension benefits a participant will receive depend only upon the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to the participant's account.

To the extent that a plan's defined contributions to an individual's account are to be made for periods in which that individual renders services, the net pension cost for a period shall be the contribution called for in that period. If a plan calls for contributions for periods after an individual retires or terminates, the estimated cost shall be accrued during the employee's service period.

An employer that sponsors one or more defined contribution plans shall disclose the following separately from its defined benefit plan disclosures:

1. A description of the plan(s) including employee groups covered, the basis for determining contributions, and the nature and effect of significant matters affecting comparability of information for all periods presented.

2. The amount of cost recognized during the period.

A pension plan having characteristics of both a defined benefit plan and a defined contribution plan requires careful analysis. If the substance of the plan is to provide a defined benefit, as may be the case with some "target benefit" plans, the accounting and disclosure requirements shall be determined in accordance with the provisions applicable to a defined benefit plan.

Multiemployer Plans

A multiemployer plan is a pension plan to which two or more unrelated employers contribute, usually pursuant to one or more collective-bargaining agreements. A characteristic of multiemployer plans is that assets contributed by one participating employer may be used to provide benefits to employees of other participating employers since assets contributed by an employer are not segregated in a separate account or restricted to provide benefits only to employees of that employer.

An employer participating in a multiemployer plan shall recognize as net pension cost, the required contribution for the period and shall recognize as a liability, any contributions due and unpaid. The required contribution includes both current costs and prior service costs. If an employer elects to fund prior service cost in full at the inception of the plan, the total payment becomes the

employer's required contribution, and accordingly, its pension cost for the period.

The following provisions are applicable to RUS borrowers participating in a multiemployer pension plan:

1. An electric utility participating in a multiemployer plan may defer current period pension expenses if the provisions of Statement of Financial Accounting Standards No. 71 (Statement No. 71), Accounting for the Effects of Certain Types of Regulation, are applied.

Under the provisions of Statement No. 71, pension costs may be deferred provided such costs are recovered through future rates.

2. An electric utility instituting an amendment to the NRECA Retirement and Security plan enters into a contractual agreement to pay the costs incurred (prior service pension costs) for the amendment. In such cases, the agreement is noncancelable and payable regardless of continued participation in the plan.

Since the utility is unconditionally committed to making these payments and such payments are not contingent upon the utility's continued participation in the plan, the recognition of that liability is appropriate. The costs associated with this liability shall be expensed, in their entirety, when the liability is recognized.

The accounting journal entries required to record the transactions associated with a multiemployer pension plan are as follows:

Sample 1—Current Pension Expense

The journal entry required to record the normal costs associated with the NRECA Retirement and Security Program is as follows:

Dr. Various Operations, Maintenance, and Administrative Expense Accounts
Dr. 107, Construction Work-in-Progress
Dr. 108.8, Retirement Work-in-Progress
Cr. 131.1, Cash—General
To record the payment of pension costs to NRECA.

Note: This entry shall not be recorded during the moratorium.

Sample 2—Prior Service Pension Expense

The journal entries required to record the prior service costs associated with the NRECA Retirement and Security Program are as follows:

1. If the RUS borrower elects to pay the prior service pension costs in full, and there is no deferral of costs under the provision of Statement No. 71, the following entry shall be recorded:

Dr. Various Operations, Maintenance, and Administrative Expense Accounts
Dr. 107, Construction Work-in-Progress

Dr. 108.8, Retirement Work-in-Progress
Cr. 131.1, Cash—General
To record the payment of prior service pension costs to NRECA.

2. If the RUS borrower elects to finance prior service pension costs over a period of years and there is no deferral of costs under the provisions of Statement No. 71, the following entries shall be recorded:

Dr. Various Operations, Maintenance, and Administrative Expense Accounts
Dr. 107, Construction Work-in-Progress
Dr. 108.8, Retirement Work-in-Progress
Cr. 224, Other Long-Term Debt
To record the liability to NRECA for prior service pension costs.

Dr. 224, Other Long-Term Debt
Dr. 427, Interest on Long-Term Debt
Cr. 131.1, Cash—General
To record the annual payment to NRECA for prior service pension costs.

3. If the RUS borrower elects to finance prior service pension costs over a period of years and such costs are being deferred and amortized in accordance with the provisions of Statement No. 71, the following entries shall be recorded:

Dr. 182.3, Other Regulatory Assets
Cr. 224, Other Long-Term Debt
To record the liability to NRECA for prior service pension costs.

Dr. Various Operations, Maintenance, and Administrative Expense Accounts
Dr. 107, Construction Work-in-Progress
Dr. 108.8, Retirement Work-in-Progress
Cr. 182.3, Other Regulatory Assets
To record the amortization of deferred prior service pension costs.

Dr. 224, Other Long-Term Debt
Dr. 427, Interest on Long-Term Debt
Cr. 131.1, Cash—General
To record the annual payment to NRECA for prior service pension costs.

4. If the RUS borrower elects to pay the prior service pension costs in full and such costs are being deferred and amortized in accordance with the provisions of Statement No. 71, the following entries shall be recorded:

Dr. 182.3, Other Regulatory Assets
Cr. 131.1, Cash—General
To record the payment to NRECA for prior service pension costs.

Dr. Various Operations, Maintenance, and Administrative Expense Accounts
Dr. 107, Construction Work-in-Progress
Dr. 108.8, Retirement Work-in-Progress
Cr. 182.3, Other Regulatory Assets
To record the amortization of deferred prior service pension costs.

It should be noted that although the above entries relate specifically to the NRECA Retirement and Security Program, they are applicable to all multiemployer pension plans.

An employer that participates in one or more multiemployer plans shall disclose the following separately from disclosures for a single-employer plan:

1. A description of the multiemployer plan(s) including the employee groups covered, the type of benefits provided

(defined benefit or defined contribution), and the nature and effect of significant matters affecting comparability of information for all periods presented.

2. The amount of cost recognized during the period.

Multiple-Employer Plans

A multiple-employer plan is, in substance, aggregations of single-employer plans combined to pool their assets for investment purposes to reduce the cost of plan administration. Under a multiple-employer plan, assets are segregated and specifically identified to an employer. In addition, such plans may have features that allow participating employers to have different benefit formulas. Such plans shall be considered single-employer plans for financial accounting purposes and each employer's accounting shall be based upon its respective interest in the plan.

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608 Training Costs, Attendance at Meetings, Etc.

Utilities engage in many types of training programs. Seminars are conducted for directors, managers, office managers, attorneys, engineers, and others. Bookkeepers and office managers attend accountants' meetings. Safety engineers attend safety schools and subsequently conduct regular safety meetings at the cooperative. Costs incurred for the various types of training activities shall be accounted for as follows:

1. Managers' and directors' expenses to attend the NRECA national and state conventions shall be charged to Account 930.2, Miscellaneous General Expenses.

2. Management or engineering seminar fees, salary time attending such seminars including the associated pensions and benefits expense and payroll taxes, and the related per diem and expenses shall be charged to the functional expense accounts. Salaries paid to employees shall also be charged to the appropriate functional expense account. Fees and expenses for directors' attendance shall be charged to Account 930.2, Miscellaneous General Expenses.

3. When the office manager, bookkeeper, or work order clerk attends a state or regional accounting meeting, their salary time and the associated employee pensions and benefits and social security and other payroll taxes shall be charged to the account to which the employees' time is ordinarily charged.

4. Employees' salary time employee and the associated pensions and

benefits and social security and other payroll taxes spent attending regular safety meetings conducted by the cooperative shall be charged to the account to which the employees' time is ordinarily charged.

5. A safety engineer's salary time and the associated employee pensions and benefits and social security and other payroll taxes spent attending a statewide safety school shall be charged to Account 925, Injuries and Damages.

6. The salary time and the associated employee pensions and benefits and social security and other payroll taxes spent by a manager or line foreman conducting weekly safety meetings shall be charged to the appropriate functional expense accounts including Account 590, Maintenance, Supervision and Engineering, and Account 920, Administrative and General Services.

* * * * *

618 Theft Losses not Covered by Insurance

Utilities may suffer losses as a result of thefts of cash, materials and supplies, equipment, or electric plant-in-service that is not covered by insurance. The charges for nominal uninsured losses shall be recorded in the following accounts:

1. Cash—Account 924, Property Insurance, shall be charged.

2. Plant materials and operating supplies—Account 163, Stores Expense Undistributed, shall be charged.

3. Equipment—Account 163, Stores Expense Undistributed, shall be charged for stores equipment; and Account 184, Transportation Expense—Clearing, for transportation and garage equipment. The appropriate miscellaneous operations or administrative expense account (Account 506, 524, 539, 549, 566, 588, 905, 910, 916, or 930.2, as appropriate) shall be charged for all other equipment.

4. Electric Plant-in-Service—A retirement work order shall be prepared for electric plant constituting a unit of property. The loss due to retirement shall be charged to Account 108.6, Accumulated Provision for Depreciation of Distribution Plant. If the plant does not constitute a retirement unit, the loss shall be charged to the appropriate maintenance expense account.

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627 Postretirement Benefits

Statement of Financial Accounting Standards No. 106, Employers' Accounting for Postretirement Benefits Other than Pensions (Statement No. 106), requires reporting entities to accrue the expected cost of

postretirement benefits during the years the employee provides service to the entity. For purposes of applying the provisions of Statement No. 106, members of the board of directors are considered to be employees of the cooperative. Prior to the issuance of Statement No. 106, most reporting entities accounted for postretirement benefit costs on a "pay-as-you-go" basis; that is, costs were recognized when paid, not when the employee provided service to the entity in exchange for the benefits.

As defined in Statement No. 106, a postretirement benefit plan is a deferred compensation arrangement in which an employer promises to exchange future benefits for an employee's current services. Postretirement benefit plans may be funded or unfunded. Postretirement benefits include, but are not limited to, health care, life insurance, tuition assistance, day care, legal services, and housing subsidies provided outside of a pension plan.

This statement applies to both written plans and to plans whose existence is implied from a practice of paying postretirement benefits. An employer's practice of providing postretirement benefits to selected employees under individual contracts with specified terms determined on an employee-by-employee basis does not, however, constitute a postretirement benefit plan under the provisions of this statement.

Postretirement benefit plans generally fall into three categories: single-employer defined benefit plans, multi-employer plans, and multiple-employer plans.

The accounting requirements set forth in this interpretation focus on single- and multiple-employer plans. The accounting requirements set forth in Statement No. 106 for multiemployer plans or defined contribution plans shall be adopted for borrowers electing those types of plans.

Under the provisions of Statement No. 106, there are two components of the postretirement benefit cost: the current period cost and the transition obligation. The transition obligation is a one-time accrual of the costs resulting from services already provided. Statement No. 106 allows the transition obligation to be deferred and amortized on a straight-line basis over the average remaining service period of the active employees. If the average remaining service life of the employees is less than 20 years, a 20-year amortization period may be used.

Accounting Requirements

All RUS borrowers must adopt the accrual accounting provisions and

reporting requirements set forth in Statement No. 106. The transition obligation and accrual of the current period cost must be based upon an actuarial study. This study must be updated to allow the borrower to comply with the measurement date requirements of Statement No. 106; however, the study must, at a minimum, be updated every five years. RUS will not allow electric borrowers to account for postretirement benefits on a "pay-as-you-go" basis.

The deferral and amortization of the transition obligation does not require RUS approval provided that it complies with the provisions of Statement No. 106. If, however, a borrower elects to expense the transition obligation in the current period and subsequently defer this expense in accordance with Statement of Financial Accounting Standards No. 71, Accounting for the Effects of Certain Types of Regulation, the deferral must be approved by RUS. In those states in which the commission will not allow the recovery of the transition obligation through future rates, the transition obligation must be expensed, in its entirety, in the year in which Statement No. 106 is adopted. A portion of the transition obligation may be charged to construction and retirement activities provided such charges are properly supported.

Effective Date and Implementation

For plans outside the United States and for defined benefit plans of employers that (a) are nonpublic enterprises and (b) sponsor defined benefit postretirement plans with no more than 500 plan participants in the aggregate, Statement No. 106 is effective for fiscal years beginning after December 15, 1994. For all other plans, Statement No. 106 is effective for fiscal years beginning after December 15, 1992.

RUS borrowers must comply with the implementation dates set forth in Statement No. 106. At the time of the adoption of Statement No. 106, rates must be in place sufficient to recover the current period expense and any amortization of the transition obligation. A copy of a board resolution or commission order, as appropriate, indicating that the transition obligation and current period expense have been included in the borrower's rates must be submitted to RUS.

Accounting Journal Entries—Transition Obligation

The journal entries required to record the transition obligation are as follows:

1. If the borrower elects to expense the transition obligation in the current

period and there is no deferral of costs, the following entry shall be recorded:

Dr. 435.1, Cumulative Effect on Prior Years of a Change in Accounting Principle
or

Dr. 926, Employee Pensions and Benefits
Dr. 107, Construction Work-in-Progress
Dr. 108.8, Retirement Work-in-Progress
Cr. 228.3, Accumulated Provision for Pensions and Benefits

To record the current period recognition of the transition obligation for postretirement benefits. Note: A portion of the transition obligation may be charged to construction and retirement activities provided such charges are properly supported.

2. If the borrower elects to defer and amortize the transition obligation in accordance with the provisions of Statement No. 71, the following entry shall be recorded:

Dr. 182.3, Other Regulatory Assets
Cr. 228.3, Accumulated Provision for Pensions and Benefits

To record the deferral of the transition obligation under the provisions of Statement No. 71.

Dr. Various Operations, Maintenance, and Administrative Expense Accounts

Dr. 107, Construction Work-in-Progress
Dr. 108.8, Retirement Work-in-Progress
Cr. 182.3, Other Regulatory Assets

To record the amortization of postretirement benefits expenses as they are recovered through rates in accordance with Statement No. 71.

3. The deferral and amortization of the transition obligation under the provisions of Statement No. 106 is considered to be an off balance sheet item. If, therefore, the borrower elects to defer and amortize the transition obligation on a straight-line basis over the average remaining service period of the active employees or 20 years in accordance with Statement No. 106, no entry is required. Instead, the transition obligation is recognized as a component of postretirement benefit cost as it is amortized. It should be noted, however, that the amount of the unamortized transition obligation must be disclosed in the notes to the financial statements.

Accounting Journal Entries—Current Period Expense

The current period postretirement expense should be recorded by the following entry:

Dr. Various Operations, Maintenance, and Administrative Expense Accounts
Dr. 107, Construction Work-in-Progress
Dr. 108.8, Retirement Work-in-Progress
Cr. 228.3, Accumulated Provision for Pensions and Benefits

To record current period postretirement benefit expense.

Dr. 228.3X, Accumulated Provision for Pensions and Benefits—Funded
Cr. 131.1, Cash—General

To record cash payments on a "pay-as-you-go" basis for postretirement benefits.

Accounting Journal Entry—Funding

If a borrower elects to voluntarily fund its postretirement benefits obligation in an external, irrevocable trust, the following entry shall be recorded:

Dr. 228.3X, Accumulated Provision for Pensions and Benefits—Funded
Cr. 131.1, Cash—General

To record the funding of postretirement benefits expense into an external, irrevocable trust.

If a borrower elects to voluntarily fund its postretirement benefits obligation in an investment vehicle other than an external, irrevocable trust, the following entry shall be recorded:

Dr. 128, Other Special Funds
Cr. 131.1, Cash—General

To record the funding of postretirement benefits expense into an investment vehicle other than an external, irrevocable trust.

628 Postemployment Benefits

Statement of Financial Accounting Standards No. 112, Employers' Accounting for Postemployment Benefits (Statement No. 112) establishes the standards of financial accounting and reporting for employers who provide benefits to former or inactive employees after employment but before retirement. Inactive employees are those who are not currently rendering service to the employer but who have not been terminated, including employees who are on disability leave, regardless of whether they are expected to return to active service. For purposes of applying the provisions of Statement No. 112, former members of the board of directors are considered to be employees of the cooperative.

Postemployment benefits include benefits provided to former or inactive employees, their beneficiaries, and covered dependents. They include, but are not limited to, salary continuation, supplemental benefits (including workmen's compensation), health care, job training and counseling, and life insurance coverage. Benefits may be provided in cash or in kind and may be paid upon cessation of active employment or over a specified period of time.

The cost of providing postemployment benefits is considered to be a part of the compensation provided to an employee in exchange for current service and should, therefore, be accrued as the employee earns the right to be paid for future postemployment benefits. Applying the criteria set forth in Statement of

Financial Accounting Standards No. 43, Accounting for Compensated Absences, a postemployment benefit obligation is accrued when all of the following conditions are met:

1. The employer's obligation for payment for future absences is attributable to employees' services already performed;

2. The obligation relates to employee rights that vest or accumulate. Vested rights are considered those rights for which the employer is obligated to make payment even if the employee terminates. Rights that accumulate are those earned, but unused rights to compensated absences that may be carried forward to one or more periods subsequent to the period in which they are earned;

3. Payment of the compensation is probable; and

4. The amount can be reasonably estimated.

If all of these conditions are not met, the employer must account for its postemployment benefit obligation in accordance with Statement of Financial Accounting Standards No. 5, Accounting for Contingencies (Statement No. 5) when it becomes probable that a liability has been incurred and the amount of that liability can be reasonably estimated.

If an obligation for postemployment benefits is not accrued in accordance with the provisions of Statement No. 5 or Statement No. 43 only because the amount cannot be reasonably estimated, the financial statements should disclose that fact.

Accounting Requirements

All RUS borrowers must adopt the accrual accounting provisions and reporting requirements set forth in Statement No. 112 as of the statement's implementation date. A portion of the cumulative effect may be charged to construction and retirement activities provided such charges are properly supported. If a borrower elects to defer the cumulative effect of implementing Statement No. 112 in accordance with the provisions of Statement of Financial Accounting Standards No. 71, Accounting for the Effects of Certain Types of Regulation, the deferral must be approved by RUS.

Effective Date and Implementation

Statement No. 112 is effective for fiscal years beginning after December 15, 1993. Previously issued financial statements should not be restated.

RUS borrowers must comply with the implementation date set forth in Statement No. 112. At the time of the adoption of Statement No. 112, rates

must be in place sufficient to recover the current period expense.

Accounting Journal Entries

The journal entries required to account for postemployment benefits are as follows:

Dr. 435.1, Cumulative Effect on Prior Years of a Change in Accounting Principle
Dr. 107, Construction Work in Progress
Dr. 108.8, Retirement Work in Progress
Cr. 228.3, Accumulated Provision for Pensions and Benefits
To record the cumulative effect of implementing Statement No. 112.

Note: A portion of the cumulative effect may be charged to construction and retirement activities provided such charges are properly supported. Account 435.1 is closed to Account 219.2, Nonoperating Margins.

If the borrower elects to defer and amortize the cumulative effect in accordance with the provisions of Statement No. 71, the following entry shall be recorded:

Dr. 182.3, Other Regulatory Assets
Cr. 228.3, Accumulated Provision for Pensions and Benefits
To record the deferral of the cumulative effect of implementing Statement No. 112 in accordance with the provisions of Statement No. 71.

Dr. Various Operations, Maintenance, and Administrative Expense Accounts
Dr. 107, Construction Work in Progress
Dr. 108.8, Retirement Work in Progress
Cr. 182.3, Other Regulatory Assets
To record the amortization of the cumulative effect of implementing Statement No. 112 as it is recovered through rates in accordance with Statement No. 71.

Dr. Various Operations, Maintenance, and Administrative Expense Accounts
Dr. 107, Construction Work in Progress
Dr. 108.8, Retirement Work in Progress
Cr. 228.3, Accumulated Provision for Pensions and Benefits
To record current period postemployment benefit expense.

Note: If postemployment benefits are accrued under the criteria set forth in Statement No. 43, this journal entry is made on a monthly basis. If, however, the accrual is based upon the provisions of Statement No. 5, this is a one-time entry unless the liability is reevaluated and subsequently adjusted.

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23. In § 1767.41, Interpretation Nos. 630 and 631 are added in numerical order to read as follows:

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630 Split Dollar Life Insurance

The National Rural Electric Cooperative Association Split Dollar Life Insurance provides life insurance benefits to cooperative employees. The benefits provided under this policy consist of two components, the face

value of the insurance policy and the accumulated cash surrender value. While the employee is the owner of the policy, the employee must sign a collateral assignment giving the cooperative absolute right to the cash surrender value of the policy. Under the terms of this collateral assignment, the employee must reimburse the cooperative for the premiums paid upon the employee's termination of employment or attainment of the age of 62 if the employee wishes to maintain the insurance coverage. If death occurs prior to either of these events, the premiums paid to date by the cooperative are deducted from the death benefits payable to the policy beneficiary.

Accounting Requirements

Financial Accounting Standards Board Technical Bulletin 85-4, Accounting for Purchase of Life Insurance (Bulletin 85-4), states that the amount that could be realized under an insurance contract as of the date of the financial statements should be reported as an asset. The change in the cash surrender or contract value of that asset during the period should be reported as an adjustment to the premiums paid in determining the expense or income to be recognized for the period. The cooperative shall, therefore, record the cash surrender value of the policy as an asset because of its absolute right to receive that value based upon the employee's collateral assignment. Any receivable that may occur as a result of the employee reimbursement for the premiums paid is contingent upon the employee electing to maintain the insurance coverage after termination of employment or reaching the age of 62 and is not recorded as an asset on the cooperative's records.

Accounting Journal Entries

The journal entries required to account for the NRECA Split Dollar Life Insurance Program are as follows:

Dr. 124, Other Investments
Cr. Various Operations, Maintenance, and Administrative Expense Accounts
To record an increase in the cash surrender value of the insurance contract.

or

Dr. Various Operations, Maintenance, and Administrative Expense Accounts
Cr. 124, Other Investments
To record a decrease in the cash surrender value of the insurance contract.

Dr. Various Operations, Maintenance, and Administrative Expense Accounts
Dr. 107, Construction Work-in-Progress
Dr. 108.8, Retirement Work-in-Progress
Cr. 131.1, Cash—General
To record the premium cost of the insurance contract.

631 Special Early Retirement Plan

The Special Early Retirement Plan (SERP) being offered through the National Rural Electric Cooperative Association (NRECA) constitutes an amendment to its Retirement and Security (R&S) program. The SERP is often chosen as a vehicle through which the cooperative may reduce the size of its workforce or replace more highly paid employees with lower paid entry level employees. If an employee covered by an NRECA retirement plan chose to retire before his/her normal retirement date, that employee would receive an actuarially reduced benefit. However, when a cooperative elects to offer a SERP, no such reduction is required. The cooperative selects the criteria under which an employee will be eligible to participate such as age, years of service, or a combination of age and benefit service requirements. As with other amendments to the R&S program, NRECA calculates the cost of the plan based upon the criteria selected by the cooperative and allows the cooperative to pay the cost immediately or on an installment basis.

Under this plan, the employee receives full retirement benefits in the form of either an immediate lump-sum settlement or annuity payments. It is not unusual for the cooperative to add an incentive to encourage participation such as medical or life insurance, either in whole or in part, until age 65. The actuarial analysis provided by NRECA includes the cost of the SERP and the estimated reduction and/or increase in costs associated with Statement of Financial Accounting Standards No. 106, Employer's Accounting for Postretirement Benefits Other Than Pensions (Statement No. 106).

Statement of Financial Accounting Standards No. 87, Employer's Accounting for Pensions (Statement No. 87)

In accordance with the provisions of Statement No. 87, the costs associated with an amendment to a multiemployer plan are recognized when they become due and payable. Since NRECA calculates the amount due and payable at the time of the amendment, the entire amount due, whether paid immediately or financed through NRECA or any other institution, must be recognized as an expense at that time. This cost may, however, be deferred in accordance with the provisions of Statement of Financial Accounting Standards No. 71, Accounting for the Effects of Certain Types of Regulation (Statement No. 71).

Accounting Journal Entries

The journal entry required to record the additional pension costs associated with the SERP is as follows:

Dr. Various Operations, Maintenance, and Administrative Expense Accounts
Dr. 107, Construction Work-in-Progress
Dr. 108.8, Retirement Work-in-Progress
Cr. 131.1, Cash—General

or

Cr. 224, Other Long-Term Debt
To record the prior service pension costs incurred as a result of adopting the SERP.

If the borrower elects to defer and amortize the cost in accordance with Statement No. 71, the following entries shall be recorded:

Dr. 182.3, Other Regulatory Assets
Cr. 131.1, Cash—General

or

Cr. 224, Other Long-Term Debt
To record, under the provisions of Statement No. 71, the deferral of the prior service pension costs incurred as a result of adopting the SERP.

Dr. Various Operations, Maintenance, and Administrative Expense Accounts
Dr. 107, Construction Work-in-Progress
Dr. 108.8, Retirement Work-in-Progress
Cr. 182.3, Other Regulatory Assets
To record the amortization of deferred prior service pension costs as they are recovered through rates in accordance with Statement No. 71.

Statement No. 106

In the event that net reductions in postretirement benefits result from this

plan amendment, the reductions are recognized as follows:

1. The amount of the reduction shall first reduce any existing unrecognized prior service cost;
2. Any remaining reductions shall next reduce any unrecognized transition obligation; and
3. Any remaining reduction shall be recognized in a manner consistent with the accounting for prior service postretirement benefit costs.

In accordance with Statement No. 106, prior service postretirement benefit costs are recognized in equal amounts in each remaining year of service for active plan participants. Because it is an off-balance sheet item, only a memorandum entry is required to reduce the amount of unrecognized prior service cost.

At adoption, Statement No. 106 permitted the recognition of the transition obligation in one of two ways. The transition obligation was recognized over the longer of the average remaining service period of current plan participants or 20 years, or it may have been recognized immediately. If the delayed recognition option was chosen under Statement No. 106, this, too, was an off-balance sheet item that requires only a memorandum entry to reduce the amount of unrecognized transition obligation. However, if the immediate recognition option was chosen, the cooperative either recorded the expense in that year or, with RUS approval, deferred the

expense under the provisions of Statement No. 71. If the expense were recorded, in total, in the year of adoption, no unrecognized transition obligation remains to reduce. If, however, the transition obligation was deferred in accordance with Statement No. 71, the journal entry required to effect the reduction in Statement No. 106 expense is as follows:

Dr. 228.3, Accumulated Provision for Pensions and Benefits
Cr. 182.3, Other Regulatory Assets
To record a reduction in the deferred Statement No. 106 transition obligation resulting from the adoption of the SERP.

Note: The dollar value of this entry must not exceed the deferral shown on the balance sheet.

If, after the two previous reductions have been made, any net credit remains, it shall be recognized in a manner consistent with prior service costs; that is, as an off balance sheet item that is amortized over the remaining service lives (to full eligibility) of the active plan participants. The annual amortization reduces amounts normally charged to the various operations, maintenance, and administrative expense accounts and Account 228.3 as postretirement benefit expenses.

Dated: July 28, 1997.

Jill Long Thompson,

Under Secretary, Rural Development.

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