

ORIGINAL

Decision No. 69950

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Investigation)	
on the Commission's own motion to)	
consider the adoption of a uniform)	Case No. 5482
system of accounts for water utilities)	
and a list of units of property.)	

SECOND SUPPLEMENTAL ORDER

By Ordering Paragraph No. 2 of Decision No. 50185, dated June 29, 1954, as modified by Ordering Paragraph No. 2 of Decision No. 57578, dated November 10, 1958, in the above-entitled matter, the Commission prescribed a uniform system of accounts for Class D water utilities operating under its jurisdiction, being those having annual operating revenues not exceeding \$50,000. It now appears desirable to revise said uniform system of accounts.

The Commission has considered further the above-entitled matter and finds that the attached Uniform System of Accounts for Class D Water Utilities is more appropriate for such utilities than the uniform system of accounts presently effective. On the basis of this finding we conclude that this Commission should adopt and prescribe the attached Uniform System of Accounts for Class D Water Utilities, which shall be in lieu of that presently applicable to said utilities. A further public hearing is not necessary.

IT IS ORDERED that:

1. The Public Utilities Commission of the State of California, effective January 1, 1966, hereby adopts and prescribes for Class D water utilities operating in this State under its jurisdiction, the attached uniform system of accounts.

2. Upon the effective date of the system of accounts adopted and prescribed by this decision, Class D water utilities operating in this State under the jurisdiction of this Commission are hereby relieved from keeping the uniform system of accounts presently prescribed for said utilities.

3. The Secretary of the Commission is hereby directed to cause a copy of this decision to be served on all Class D water utilities operating in this State under the jurisdiction of this Commission.

4. This Second Supplemental Order shall become effective thirty days after the date hereof.

Dated at San Francisco, California,
this 11th day of NOVEMBER, 1965.

Frederick B. Hallock
President

George T. Grover

Augusta

William B. ...

Commissioners

Commissioner Peter E. Mitchell, being necessarily absent, did not participate in the disposition of this proceeding.

UNIFORM SYSTEM OF ACCOUNTS

FOR

CLASS D WATER UTILITIES

Prescribed by the

PUBLIC UTILITIES COMMISSION
OF THE
STATE OF CALIFORNIA

Effective January 1, 1966

(State Seal)

PUBLIC UTILITIES COMMISSION OF THE
STATE OF CALIFORNIA.

Frederick B. Holoboff, President . . . Commissioner
Peter E. Mitchell Commissioner
George G. Grover Commissioner
William M. Bennett Commissioner
A. W. Gatov Commissioner

William W. Dunlop, Secretary
California State Building
San Francisco, California 94102

To All Water Utilities:

Proceeding under the authority conferred upon it by the Public Utilities Code, the Public Utilities Commission of the State of California by its Decision No. 69950 dated *November 16, 1965*, adopted and prescribed, effective January 1, 1966, the uniform system of accounts contained herein. 46

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

PUBLIC UTILITIES COMMISSION
OF THE
STATE OF CALIFORNIA
By William W. Dunlop, Secretary

TABLE OF CONTENTS

	<u>Page No.</u>
Chart of Accounts	1 - 3
Definitions	4 - 5
General Instructions	6 - 10
Balance Sheet Accounts	11 - 20
Plant Accounts	22 - 26
Income Accounts	27 - 28
Operating Revenue Accounts	29 - 30
Operating Expense Accounts	31 - 35
Tax Accounts	36 - 37
Clearing Accounts	38 - 39

CHART OF ACCOUNTS

BALANCE SHEET ACCOUNTS

ASSETS

100.1	Water plant in service
100.3	Construction work in progress - water plant
100.5	Water plant acquisition adjustments
100.8	Water plant purchased
115	Non-water utility property and other assets
120	Cash
125	Accounts receivable - customers
131	Materials and supplies
133	Other current assets
146	Deferred charges

EQUITY AND LIABILITIES

200	Common stock
201	Preferred stock
202	Earned surplus
203	Capital surplus
204	Proprietary capital
213	Long-term debt
227	Customers' deposits
230	Current liabilities
241	Advances for construction
246	Other credits
250	Reserve for depreciation of water plant
253	Reserve for depreciation of non-water utility property
254	Reserve for uncollectible accounts
265	Contributions in aid of construction

PLANT ACCOUNTS

301	Intangible plant
306	Land
315	Wells
317	Other source of supply plant
324	Pumping equipment
332	Water treatment equipment
342	Reservoirs and tanks
343	Water mains
345	Services
346	Meters
347	Meter installations (optional)

CHART OF ACCOUNTS

PLANT ACCOUNTS

348 Hydrants
371 Structures
372 Office furniture and equipment
373 Transportation equipment
374 Other equipment

INCOME ACCOUNTS

501 Operating revenues
502 Operating expenses
503 Depreciation expense
507 Taxes
521 Nonutility expenses
530 Interest expense
538 Other nonutility expenses

OPERATING REVENUE ACCOUNTS

601 Metered water revenue
601.1 Commercial (residential and business)
601.2 Industrial
601.3 Other
602 Unmetered water revenue
602.1 Commercial (residential and business)
602.2 Industrial
602.3 Other
603 Irrigation revenue
605 Fire protection revenue
605.1 Public fire protection
605.2 Private fire protection
614 Other water revenue

OPERATING EXPENSE ACCOUNTS

703 Miscellaneous
704 Purchased water
726 Power

CHART OF ACCOUNTS

OPERATING EXPENSE ACCOUNTS

734	Employee labor*
735	Materials*
736	Contract work*
791.1	Office salaries
791.2	Management salaries
792	Office supplies and expenses
793	Insurance
798	Accounting, legal and other services
799	General expense
801	Vehicle expense
811	Office and storage space rental
812	Expenses capitalized - cr. (optional)

TAX ACCOUNTS

507.1	Property taxes
507.2	Payroll taxes
507.3	Other taxes and licenses
507.4	California corporation franchise tax
507.5	Federal corporation income tax

CLEARING ACCOUNTS - (OPTIONAL)

908	Payroll clearing
-----	------------------

* In the Uniform System of Accounts for Class A, Class B and Class C Water Utilities, each of these subaccounts is further subdivided on a functional basis among the accounts listed below:

- Source of supply expense
- Pumping expense
- Water treatment expense
- Transmission and distribution expense

DEFINITIONS

When used in this system of accounts -

1. "Commission" means the Public Utilities Commission of the State of California.

2. "Composite depreciation rate" is a percentage based on the weighted average service life of a number of units of plant, each of which may have a different individual life expectancy. Composite depreciation rates may be determined for (a) each depreciable plant account, or (b) a single composite rate may be determined for all depreciable plant of the utility for water utilities with less than \$100,000 of plant.

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

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

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

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

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

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

DEFINITIONS

9. "Salvage value" means the amount received for property retired, if sold, or if retained for reuse, the amount at which the material recovered is chargeable to account 131, Materials and Supplies, or other appropriate account.

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

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

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

GENERAL INSTRUCTIONS

1. Classification of water utilities

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

Class A Utilities having annual operating revenues exceeding \$750,000.

Class B Utilities having annual operating revenues exceeding \$200,000 but not more than \$750,000.

Class C Utilities having annual operating revenues exceeding \$50,000 but not more than \$200,000.

Class D Utilities having annual operating revenues not exceeding \$50,000.

B. The uniform system of accounts contained herein was prescribed for Class D water utilities, effective January 1, 1966, by California Public Utilities Commission Decision No. , dated . A separate Uniform System of Accounts for Class A, Class B and Class C Water Utilities, effective January 1, 1955 was prescribed by California Public Utilities Commission Decision No. 50185, dated June 29, 1954.

2. Accounting instructions - general

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

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

GENERAL INSTRUCTIONS

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

D. Reference may be made to the Uniform System of Accounts for Class A, Class B and Class C Water Utilities for a more detailed explanation of the accounts in this booklet. In all important respects, other than in some expense classifications, the accounts herein are a condensation of those contained in the Uniform System of Accounts for Class A, Class B and Class C Water Utilities. Employee labor, materials, and contract work used in water system operation and maintenance are, in this system of accounts, consolidated in three subaccounts of account 730, Operation and Maintenance Labor and Expense. In the Uniform System of Accounts for Class A, Class B and Class C Water Utilities, labor, materials and contract work are further divided, on a functional basis, among Source of Supply Expense, Pumping Expense, Water Treatment Expense, and Transmission and Distribution Expense.

3. Accounting instructions - water plant accounts

A. All water plant shall be recorded at original cost. (See definition (g).)

B. Work orders. It is suggested that utilities use a work order system for recording plant additions and retirements. However, use of a work order system shall be mandatory only for those Class D water utilities having operating revenues of \$25,000 or more. The work orders should contain the date, description and location of each plant addition and retirement, together with an itemized record of materials, labor and other costs, and the plant or other accounts to be charged or credited.

4. Accounting Instructions - depreciation

A. Depreciation charges shall be computed using the straight line remaining life method (see definition (1)), and composite depreciation rates (see definition (b)). The rates shall be reviewed periodically and adjusted as required, so that

GENERAL INSTRUCTIONS

the depreciation accrual will bear a reasonable relationship to the remaining life, the estimated net future salvage, cost of plant in service and to the balance of the depreciation reserve already accumulated.

B. When an item of water plant is retired, account 250, Reserve for Depreciation of Water Plant, shall be charged and the appropriate plant accounts shall be credited with the entire recorded original cost of plant retired regardless of the amount of depreciation which has been accumulated for this particular item of plant, except as provided in paragraph C following. Account 250, Reserve for Depreciation of Water Plant, also shall be charged with the costs of removal of retired plant, and shall be credited with the salvage value, sales price or other amounts recovered from plant retired.

C. In rare instances the unexpected early retirement of a major unit of property, which would eliminate or seriously deplete the existing depreciation reserve, may require accounting treatment which differs from that described in paragraph B above. In such instances the Commission may authorize or order the loss on retirement (less any tax savings) to be charged directly to account 202, Earned Surplus, or to account 146, Deferred Charges, and amortized in future periods. Such accounting treatment shall be used only when specifically authorized or directed by the Commission.

D. It is suggested that the utility maintain a separate depreciation reserve subaccount for each depreciable plant account. Such a segregation is recommended but is not mandatory.

5. Accounting instruction - contributions in aid of construction

A. Non-refundable contributions of cash or plant facilities donated to the water utility to assist it in constructing, extending or relocating its water facilities shall be credited to account 265, Contributions in Aid of Construction. (See account 265 for description of items includible in this account.)

B. Account 265, Contributions in Aid of Construction, shall be segregated as follows:

GENERAL INSTRUCTIONS

Amortizable balances

1. Credits representing depreciable plant contributed after December 31, 1954.
2. Credits representing that portion of depreciable plant contributed prior to January 1, 1955 not recovered by charges to depreciation expense in 1954 and prior years.

Amortizable balances of this account shall be written off over a period equal to the estimated service life of the property involved by charges to this account (instead of to account 503, Depreciation Expense) with contra credits to account 250, Reserve for Depreciation of Water Plant.

Note: It is recommended that the utility maintain a separate subaccount of account 265 in which to accumulate amounts amortized instead of charging the amortization directly against the balance in account 265, Contributions in Aid of Construction. If such a subaccount is used it shall be titled: 265.1 Accumulated Amortization of Contributed Plant - Dr.

Non-amortizable balances

1. Credits representing all non-depreciable plant.
2. Credits applicable to depreciable plant retired prior to January 1, 1955.
3. Credits representing that portion of depreciable plant currently in service contributed prior to January 1, 1955 which has been recovered by charges to depreciation expense in 1954 and prior years.

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

GENERAL INSTRUCTIONS

The balance in this account applicable to depreciable plant retired prior to January 1, 1955, and to depreciable plant contributed prior to January 1, 1955 which has been recovered by charges to depreciation expense in prior years shall remain permanently in this account unless transfer is authorized by this Commission.

BALANCE SHEET ACCOUNTS

ASSET ACCOUNTS

100.1 Water plant in service

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

B. This account is the control account for plant accounts 301 through 374.

100.3 Construction work in progress - water plant

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

B. A utility may, if it desires, maintain a separate subaccount of this account to record the costs related to plant in process of retirement. If such a subaccount is used it shall be titled: 100.3a, Retirement Work in Progress.

100.5 Water plant acquisition adjustments

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

B. No transfers shall be made from this account unless prior written authorization has been obtained from the Commission.

Note: See also account 100.8, Water Plant Purchased.

100.8 Water plant purchased

A. This account shall be temporarily charged with the cost and expenses incidental to acquisition of water systems acquired as an operating unit or system.

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

BALANCE SHEET ACCOUNTS

Note A: In clearing this account the original cost of the acquired plant shall be charged to plant accounts, and accumulated depreciation shall be credited to account 250, Reserve For Depreciation of Water Plant. Any balance (representing the difference between the net original cost of the assets acquired and the cost to the acquiring utility) shall be charged or credited to account 100.5, Water Plant Acquisition Adjustments.

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

115 Non-water utility property and other assets

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

B. The account shall be appropriately subdivided.

Items

Land and buildings not used in water operations.

Water utility assets transferred to "non-operative" status.

Investments in securities.

Assets of nonutility businesses owned by the water utility.

Accounts receivable and notes receivable not due within one year.

120 Cash

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

BALANCE SHEET ACCOUNTS

B. The following subaccounts should be maintained:

120.1 Cash on Hand

120.2 Cash in Bank

125 Accounts receivable - customers

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

Note A: Utilities which follow the reserve method of providing for uncollectible accounts shall credit provisions to account 254, Reserve for Uncollectible Accounts.

B: Accounts receivable other than from customers for water service shall be included in account 133, Other Current Assets, or in account 115, Non-Water Utility Property and Other Assets, as appropriate.

131 Materials and supplies

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

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

C. Reusable materials which are retired from plant and returned to the materials and supplies inventory shall be charged to this account and credited to account 250, Reserve for Depreciation of Water Plant. Identifiable units which have been removed from service (e.g. pumps, motors, etc.) shall be carried in inventory at original cost. Items of small value whose original cost cannot be readily determined shall be carried in inventory at current prices new. Scrap materials shall be carried in inventory at estimated scrap value.

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

BALANCE SHEET ACCOUNTS

133 Other current assets

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

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

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

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

146 Deferred charges

A. This account shall include such items as expenses of security issues, bond discount, items in suspense, and extraordinary costs not chargeable to operating expenses in the current period.

B. This account shall be appropriately subdivided.

BALANCE SHEET ACCOUNTS

EQUITY AND LIABILITY ACCOUNTS

200 Common stock

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

B. Premiums related to the issue of common stock shall be carried in a separate subaccount of account 203, Capital Surplus.

201 Preferred stock

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

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

C. Premiums and discounts related to the issue of preferred stock shall be carried in separate subaccounts of account 203, Capital Surplus.

202 Earned surplus (for corporations only)

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

B. The account shall be credited with:

1. Net income.
2. Accounting adjustments not properly attributable to the current period.

C. The account shall be charged with:

1. Net losses.
2. Accounting adjustments not properly attributable to the current period.
3. Dividends.

203 Capital surplus (for corporations only)

A. This account shall include all surplus not derived from earnings. It shall include such items as premiums and discounts,

BALANCE SHEET ACCOUNTS

related to the issuance of capital stock, donations to the utility of its capital stock, surplus arising from the forgiveness of debt of the utility; surplus arising out of a reorganization of the utility, or in connection with its recapitalization.

B. each type of capital surplus shall be carried in a separate subaccount.

204 Proprietary capital (for proprietorships and partnerships only)

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

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

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

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

E. All withdrawals from the business by the owner or partners other than as compensation for services performed shall be charged to subaccount 204.1, Proprietary Drawings. This subaccount shall be closed into account 204 at the end of each accounting period.

Note: Amounts designated by a non-corporate owner or partner as a "salary", representing fair and reasonable compensation for services performed, shall be charged to operating expense subaccount 791.2, Management Salaries, or to water plant accounts when appropriate. If clearing accounts are used the owners' or partners' salaries will initially be charged to account 908, Payroll Clearing, pending distribution.

BALANCE SHEET ACCOUNTS

213 Long-term debt

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

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

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

227 Customers' deposits

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

230 Current liabilities

A. This account shall include all amounts currently payable by the utility, including open accounts, interest, demand notes and other short-term notes payable not more than one year from date of issue.

Note: Prior authorization from this Commission must be obtained before any short-term note is renewed or extended if the combined term of the initial note and the renewal or extension period exceeds 12 months.

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

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

BALANCE SHEET ACCOUNTS

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

241 Advances for construction

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

B. Any balances in this account representing the unrefunded balances of expired contracts, or discounts resulting from termination of contracts in accordance with the utility's water main extension rules, shall be transferred to account 265, Contributions in Aid of Construction.

246 Other credits

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

250 Reserve for depreciation of water plant

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

B. This account shall be credited with:

1. Amounts concurrently charged to account 503, Depreciation Expense, representing currently accruing depreciation and amortization on water plant (other than contributed water plant).
2. Amounts concurrently charged to account 265, Contributions in Aid of Construction (or to subaccount 265.1), representing amortization of contributed water plant.

BALANCE SHEET ACCOUNTS

3. Salvage value, sales price, insurance settlements and other amounts recovered from plant retired.
4. Amounts representing accumulated depreciation and amortization on water plant acquired from others.

Note: Also see account 100.8, Water Plant Purchased.

C. This account shall be charged with:

1. Original cost of depreciable water plant retired.
2. Cost of removal of plant retired.

D. The utility may, if it desires, maintain separate sub-accounts corresponding with the depreciable plant accounts, in which the depreciation reserve total is segregated. Such a segregation is desirable, but is not required.

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

Note: See Section 5, page 7, Accounting Instructions - Depreciation, for information on plant retirement procedures and Section 5, page 6, for information on depreciation accruals.

253 Reserve for depreciation of non-water utility property

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

1. This account shall be credited with amounts concurrently charged to account 538, Other

BALANCE SHEET ACCOUNTS

Non-Utility Expenses, representing currently accruing depreciation and amortization on property not used in water utility operations.

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

254 Reserve for uncollectible accounts (optional)

A. If this account is used it may be credited with:

1. Amounts to provide for estimated losses on uncollectible accounts receivable. Concurrent charges will be made to account 799, General Expense.
2. Collections of amounts previously considered to be uncollectible, and charged against this account.

B. If this account is used it may be charged with:

Amounts considered to be uncollectible.

C. This account shall be used only for the purposes described above. No portion may be transferred to surplus or to other accounts without Commission authorization.

265 Contributions in aid of construction

A. This account shall include:

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

BALANCE SHEET ACCOUNTS

2. Amounts transferred from account 241, Advances for Construction, representing unrefunded balances of expired main extension contracts, or discounts resulting from termination of contracts in accordance with the utility's water main extension rules.
3. Compensation received from governmental agencies and others for relocation of water mains or other plant, in excess of costs incurred in such relocation.

B. A utility may, if it desires, maintain a separate sub-account of account 265 in which to accumulate amounts amortized, instead of charging the amortization directly against the balance in account 265, Contributions in Aid of Construction. If such a subaccount is used it shall be titled: 265.1 Accumulated Amortization of Contributed Plant - Dr. (optional)

C. Specific instructions for amortization of balances in this account will be found on page 7 of this booklet, in paragraph 6, Accounting Instructions - Contributions in Aid of Construction. In general, it is intended that balances which represent contributions of depreciable plant shall be amortized by charges to this account over a period equal to the actual service life of the contributed plant, with contra credits to account 250, Reserve for Depreciation of Water Plant. Contributions of non-depreciable plant shall not be transferred from this account unless written authorization has been obtained from this Commission.

Note: Construction advances which are subject to full or partial repayment shall be credited to account 241, Advances for Construction, instead of to this account.

PLANT ACCOUNTS

301 Intangible plant

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

Items

Legal fees and other costs for incorporating business and obtaining C.P.U.C. certificate.

Payments to the state or to political subdivisions for franchises or certificates.

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

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

C. Annual franchise payments shall be charged to account 507.3, Other Taxes and Licenses.

306 Land

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

B. The account shall show separately the cost and location of each parcel of land, and each easement and right-of-way.

315 Wells

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

PLANE ACCOUNTS

B. The cost of drilling wells which are nonproductive, or which produce water which cannot be used in the system shall be charged to operating expenses (account 703, Source of Supply Expense) in the year in which the expense is incurred unless this Commission in writing authorizes the utility to charge such costs to account 146, Deferred Charges, and to amortize such amounts over a period of years.

317 Other source of supply plant

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

Items

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

324 Pumping equipment

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

Items

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

332 Water treatment equipment

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

Items

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

PLANT ACCOUNTS

342 Reservoirs and tanks

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

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

343 Water mains

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

345 Services

This account shall include the cost installed of service pipes leading from the water mains to the customers' premises.

Note: At its option the utility may include in this account the expenditures provided for in account 347.

346 Meters

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

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

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

PLANT ACCOUNTS

347 Meter Installations

This account shall include the cost of labor, materials, and expenses incurred in the original installation of meters.

Items

Meter boxes

Yokes

Stops

Note: A. Labor cost of removing and resetting meters shall be charged to account 734, Operation and Maintenance - Employee Labor.

B. When a meter installation is permanently retired from service its cost shall be credited to this account and charged to depreciation reserve account.

C. At its option the utility may include in account 345 the expenditures provided for in this account. If the utility exercises this option it may not, without first securing authorization from the Commission, thereafter alter its procedure in regard thereto.

348 Hydrants

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

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

371 Structures

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

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

PLANT ACCOUNTS

Items

Pump houses
Landscaping, sidewalks
Storage sheds

Buildings
Yard paving and fencing
Meter testing shops

372 Office furniture and equipment

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

Items

Adding machines
Addressing machines
Calculating machines
Drafting room equipment

Postage meter machines
Desks, typewriters
Filing cabinets
Book cases, tables, chairs

373 Transportation equipment

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

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

374 Other equipment

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

B. Small tools costing \$50 or less may be charged directly to operating expenses at the time of purchase.

Items

Hoists
Communications equipment
Power tools
Trenchers

Tractors
Pipe wrapping equipment
Leak detecting equipment

INCOME ACCOUNTS

501 Operating revenues

This is the revenue control account in which is summarized the total of amounts credited to revenue accounts 601 through 614.

502 Operating expenses

This is the operating expense control account in which is entered the total of amounts charged to operating expense accounts 703 through 812.

503 Depreciation expense

This account shall be charged with that portion of the depreciation accrual credited to account 250, Reserve for Depreciation of Water Plant, applicable to all classes of depreciable water plant except plant represented by contributions in aid of construction. Depreciation shall be accrued on a straight-line remaining life basis. Use of a single composite depreciation rate applied to all depreciable plant is permissible.

Note: A. See Accounting Instructions - Depreciation, page 6, for more detailed instructions on depreciation accounting.

B. Depreciation on property not used in water operations is charged to account 538, Other Nonutility Expenses, and is credited to account 253, Reserve for Depreciation of Non-water Utility Property.

507 Taxes

This is the tax expense control account in which is entered the total of amounts charged to tax accounts 507.1 through 507.5.

521 Nonutility income

In this account is entered all income not includible in operating revenue accounts 601 through 614.

INCOME ACCOUNTS

Items

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

530 Interest expense

To this account shall be charged all interest expense of the utility.

538 Other nonutility expenses

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

Items

Contributions for charitable or community welfare purposes.
Expenses, including depreciation and taxes, on non-water utility property.
Country club dues, service club dues (Rotary, Kiwanis, etc.) and items of a similar nature.

OPERATING REVENUE ACCOUNTS

601 Metered water revenue

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

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

601.1 Commercial (residential and business)

601.2 Industrial

601.3 Other

Include herein metered revenue from schools, hospitals, parks, government buildings, sales for resale, construction water, etc.

Note: At its option the utility may further subdivide subaccount 601.1 as follows:

601.11 Residential Sales

601.12 Business Sales

602 Unmetered water revenue

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

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

602.1 Commercial (residential and business)

602.2 Industrial

602.3 Other

Include herein unmetered revenue from schools, hospitals, parks, government buildings, sales for resale, construction water, etc.

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

OPERATING REVENUE ACCOUNTS

B. At its option the utility may further subdivide subaccount 602.1 as follows:

- 602.11 Residential Sales
- 602.12 Business Sales

603 Irrigation revenue

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

605 Fire protection revenue

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

B. The following subaccounts shall be used:

- 605.1 Public Fire Protection
- 605.2 Private Fire Protection

614 Other water revenue

This account shall include revenue from water operations other than the delivery of water or providing of fire protection.

Items

Fees for changing or reconnecting services
Maintenance of appliances or repair of piping
on customers' premises
Rental income from water property
Management fees charged to others

OPERATING EXPENSE ACCOUNTS

703 Source of supply expense - miscellaneous

This account shall include expenses (other than purchased water and operation and maintenance labor and materials) incurred in making available any source of water supply.

Items

Pumping and replenishment charges
Standby charges for readiness to serve
Charges for the right to divert water from springs and streams
Well rental charges
Cost of drilling nonproductive wells

704 Source of supply expense - purchased water

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

726 Power

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

Note: Fuel and electricity used to heat and light offices should be charged to account 792, Office Supplies and Expense.

734 Operation and maintenance - employee labor

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

Cutting brush and weeds at springs or streams
Checking, oiling and other pump maintenance
Repairing leaks in water mains and services
Reading meters
Removing, resetting and testing meters
Turning water off or on at customers' premises
Maintenance of water treatment equipment; adding chemicals, washing filters, etc.

OPERATING EXPENSE ACCOUNTS

Note: A. Wages of managers, owners, or principal stockholders who perform any of the above functions shall not be included in this account but shall be included in account 791.2, Management Salaries.

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

C. The cost of labor assignable to utility plant construction shall be charged to account 100.1 or account 100.3 as appropriate. Also account 908, Payroll Clearing.

735 Operation and maintenance - materials

This account shall include all materials and supplies used in operation and maintenance of the water system.

736 Operation and maintenance - contract work

This account shall include the cost of all repair and maintenance work not performed by water company employees. Examples of such expenses are pump repairs, repairs of water system leaks by local plumbers, painting of tanks by painting contractors, and testing of water by laboratories. This account shall include materials that are part of a contract price if the cost of such materials is not separately stated, and incidental operation and maintenance expenses not chargeable to accounts 734 or 735.

791.1 Office salaries

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

OPERATING EXPENSE ACCOUNTS

Note: Fees of independent accountants will be charged to account 798, Accounting, Legal and Other Services.

791.2 Management salaries

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

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

Note: A. Drawings by partners or owners of noncorporate utilities in addition to amounts designated as "salaries" for operating the utility shall be charged to subaccount 204.1, Proprietary Drawings.

B. The portion of salaries of managers, owners, partners or principal stockholders assignable to utility plant construction shall be charged to account 100.1 or account 100.3 as appropriate. Also see account 908, Payroll Clearing.

792 Office supplies and expense

This account shall include the cost of office supplies and expenses, including postage, printing, stationery, subscriber billing forms, general accounting supplies, addressing machine supplies, repair, maintenance and rental of office and communications equipment, telephone, utilities and other office expenses.

793 Insurance expense

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

OPERATING EXPENSE ACCOUNTS

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

B. The cost of policies extending over a period of more than one year shall be prorated over the period of coverage.

798 Accounting, legal and other services

This account shall include the fees of independent accountants, engineers, lawyers, and similar professional consultants.

799 General expense

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

Items

Advertising	Water association dues
Subscriptions	Uncollectible accounts
Employee pensions	Collection agency fees
Regulatory Commission expense	

Note: A. Uncollectible accounts shall be entered in a separate subaccount. Collection of amounts previously written off as uncollectible shall be credited to this subaccount if the utility does not use the optional reserve method of accounting for uncollectibles.

B. Also see account 254, Reserve for Uncollectible Accounts.

801 Vehicle expense

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

OPERATING EXPENSE ACCOUNTS

Items

Tires	License fees
Batteries	Repairs
Lubrication	
Fuel	
Oil	
Vehicle and equipment rentals, (if used for operation and maintenance)	

811 Office and storage space rental expense

This account shall include office and garage rentals, and warehouse and other materials storage space rentals.

Note: A. Rentals of trucks, automobiles and equipment shall be charged to account 801, Vehicle Expense.

B. Rental of wells shall be charged to account 703, Source of Supply Expense.

C. Office and communications equipment rentals shall be charged to account 792, Office Supplies and Expense.

812 Expenses capitalized - credit - (optional)

A. If this account is used it shall be credited (with concurrent charges to account 100.3, Construction Work in Progress - Water Plant) for amounts of payroll overheads (payroll taxes, compensation insurance, etc.), vehicle expenses and other items determined to be proper components of construction cost.

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

TAX ACCOUNTS

507.1 Property taxes

Include in this account all taxes on real and personal property used in providing water service.

Note: Taxes on property owned by the utility but not used in providing water service should be charged to account 538, Other Nonutility Expenses.

507.2 Payroll taxes

Include in this account the following taxes:

1. Federal social security tax - employer's portion
2. California state unemployment insurance - employer's portion
3. Federal unemployment insurance

507.3 Other taxes and licenses

A. Include in this account all taxes and licenses not specifically provided for in other accounts.

B. This account shall be subdivided appropriately.

Items

City business licenses
Annual franchise payments

Note: Vehicle licenses shall be included in operating expense account 201, Vehicle Expense.

507.4 California corporation franchise tax (corporations only)

Incorporated utilities only shall charge to this account accruals of California state franchise taxes for the current calendar year.

Note: Personal income taxes of owners of unincorporated utilities should not be entered in utility accounts.

TAX ACCOUNTS

507.5 Federal corporation income tax (corporations only)

Incorporated utilities only shall charge to this account accruals of federal income taxes for the current calendar year.

Note: Personal income taxes of owners of unincorporated utilities should not be entered in utility accounts.

CLEARING ACCOUNTS

Clearing accounts - general

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

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

908 Payroll clearing - (optional)

A. If this account is used it shall be charged with the gross wages earned by all employees. (Unincorporated utilities also shall charge to this account amounts withdrawn by the owner or partners representing the value assigned to their services in operating the utility. Other amounts withdrawn by owners or partners of unincorporated utilities in addition to amounts designated as "salaries" for operating the utility shall be charged to subaccount 204-1, Proprietary Drawings.)

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

1. Office employees' salaries shall be charged to account 791.1, Office Salaries.
2. Wages of all employees whose time is utilized in water plant construction or in water plant maintenance and repair shall be segregated in the following manner:
 - a. Account 100.3, Construction Work in Progress - Water Plant, shall be charged with the cost of labor assignable to utility plant construction.

CLEARING ACCOUNTS

- b. Account 734, Operation and Maintenance - Employee Labor shall be charged with the cost of all employee labor used in the repair, operation and maintenance of the water system (See account 734).
3. Salaries of owners, partners, managers shall be segregated in the following manner:
- a. Account 100.3, Construction Work in Progress - Water Plant shall be charged with the portion of salaries chargeable to water plant construction.
 - b. Account 791.2, Management Salaries shall be charged with the portion of salaries chargeable to operating expenses (See account 791.2, and account 204).