

accounts. Subsidiary accounts are provided for the details of account 101, Service company property.

(b) The income and expense accounts include, under separate divisions, accounts for recording the revenue or income earned or received and also appropriate accounts for all expenses of operation, maintenance, taxes, interest, all elements of cost allocable to the service performed, and compensation for the use of capital. Appropriate subdivisions or subaccounts should be provided for each service company department or division.

(c) All disbursements and expenses of the service company for service performed for associate companies are recoverable from such companies. In the interest of minimizing questions as to the propriety of charges for reimbursement, each service company shall maintain a work order system for accumulating all costs. To the maximum extent possible, such costs shall be accumulated by direct charges. All employees, including officers, of the service company shall keep, within reasonable cost benefit standards, time records which permit ready identification of the hours worked, account numbers charged, department work order number and other code designations that facilitate proper classification.

(d) The numbers to the right of the decimal point in most cases correspond with the respective account numbers in the Uniform System of Accounts for Public Utilities and Licensees (18 CFR Part 101) of the Federal Energy Regulatory Commission and shall be considered as parts of the account titles. Each service company, however, may adopt for its own purposes a different system of account numbers provided that the account numbers herein prescribed shall appear in the descriptive headings of the ledger accounts and, if practicable, on original source documents. Service companies adopting a different system of account numbers for their own purposes shall keep readily available a list which indicates its account numbers and the corresponding account numbers provided herein. Records of service companies shall be maintained in a manner permitting ready analysis by prescribed accounts (with direct reference to the

source of each item in the books of original entry) and permitting preparation of financial operating statements directly from such records at the end of each accounting period.

§ 256.01-4 Construction or service contracts, and centralized procurement accounting.

(a) Specific accounts have not been provided in which to classify expenditures made in the performance of construction or service contracts, under which the service company undertakes projects to construct physical property for associate or nonassociate companies. The difference in the nature of undertakings which will be embraced in such contracts renders impracticable an attempt to prescribe the accounts applicable in all cases. The service company shall keep records pursuant to its work order system indicating the cost of each contract or project, the amount of service costs allocated thereto, and such additional classification of expenditures relating to projects as will meet the accounting requirements of the company for which the work is performed.

(b) Service costs allocated to construction shall include the proper proportion of salaries, expense of officers and employees, pay of employees on the service company's regular staff specifically assigned to construction work, and other expenses of maintaining the service company's organization and equipment. Cost of materials, construction payrolls, outside services, and other expenses directly attributable to construction work shall be excluded from the accounting system of the service company and charged directly by the vendor or supplier to the construction project.

(c) Service costs allocated to centralized procurement activities shall include only the cost of the support services performed by the service company in connection with the procurement of goods for associate companies. Cost of goods procured shall be excluded from the accounting system of the service company and charged directly by the vendor or supplier to the associate company concerned. The service company shall keep records indicating the cost of goods, if any, which it procures

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for each associate company and the amount of service costs allocated thereto. These records should be maintained to meet the Federal Energy Regulatory Commission's accounting requirements for electric and gas companies.

§ 256.01-5 Determination of service cost accounting.

Service at cost and fair allocation of costs require, first of all, an accurate accounting for the elements which make up the aggregate expense of conducting the business of the service company. In the accounts herein prescribed, the total amounts included in the expense accounts during any period plus such amount as appropriately may be added as compensation for the use of capital, if paid, constitute cost during such period.

§ 256.01-6 Departmental classification required.

The importance of "salaries and wages" as an element of cost requires analysis of this item of expense by departmental or other functional category in accordance with the departmental organization of the service company. To the extent practicable, such departmental organization should be established along lines which will provide a readily available basis for analysis.

§ 256.01-7 Records.

(a) The books of account and other records of the service company shall be so kept as to show fully the facts pertaining to all entries in these accounts. All such entries shall be supported by detailed information sufficient to permit ready identification and audit.

(b) The books and records referred to herein shall include not only accounting records in a limited technical sense but all other records such as minute books, stock books, reports, working papers, memoranda, etc., which may be useful in developing the history of or facts regarding any transactions of the service company.

(c) No company shall destroy any records except as authorized by the provisions of part 257 of this chapter.

(d) The accounts may be further subdivided: *Provided*, Such subdivisions do

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not impair the integrity of the prescribed accounts. The titles of all subdivisions or subaccounts shall refer by number to the accounts of which they are subdivisions.

(e) Clearing-accounts shall be kept when necessary or useful in making the proper distribution of items to the appropriate accounts prescribed herein or in accumulating general overhead cost such as rent, utility, employee benefits, and other general and support services that are to be allocated to work orders.

(f) On or before the effective date of this Uniform System of Accounts, the several accounts prescribed herein shall be opened by transferring thereto the balances carried in the accounts previously maintained by the service company. The service company is authorized to make such subdivisions, reclassification, or consolidations of such balances as are necessary to meet the requirements of this Uniform System of Accounts.

(g) Except where this Uniform System of Accounts accords specific treatment for specified accounts, all accounts and financial statements shall be maintained in accordance with Regulation S-X and Accounting Series Releases of this Commission. The Uniform System of Accounts promulgated by the Federal Energy Regulatory Commission, as amended from time to time, and the interpretations thereof adopted from time to time by the Federal Energy Regulatory Commission, and accounting regulations and orders of any other Federal or State Commission having jurisdiction over associate companies shall be complied with unless expressly inconsistent with the requirements of this system.

[44 FR 8250, Feb. 9, 1979, as amended at 49 FR 27310, July 3, 1984]

§ 256.01-8 Definitions.

Definitions contained in the Public Utility Holding Company Act of 1935 shall be applicable to terms not specifically defined herein.

(a) *Accounts* means the accounts prescribed by this Uniform System of Accounts.

(b) *Associate company* means any company in the same holding company system.