

## § 367.80

(3) When a minor item of depreciable property is replaced independently of the retirement unit of which it is a part, the cost of replacement must be charged to the maintenance account appropriate for the item. However, if the replacement effects a substantial betterment (the primary aim of which is to make the property affected more useful, more efficient, of greater durability, or of greater capacity), the excess cost of the replacement over the estimated cost at current prices of replacing without betterment must be charged to the appropriate property account.

(d) The book cost of service company property retired must be the amount at which the property is included in the property accounts, including all components of construction costs. The book cost must be determined from the service company's records and, if this cannot be done, it must be estimated. Service companies must furnish the particulars of the estimates to the Commission, if requested. When it is impracticable to determine the book cost of each unit, due to the relatively large number or related small cost, an appropriate average book cost of the units, with due allowance for any differences in size and character, must be used as the book cost of the units retired.

(e) The book cost of land retired must be credited to the appropriate land account. If the land is sold, the difference between the book cost (less any accumulated provision for related depreciation or amortization that has been authorized and provided) and the sale price of the land (less commissions and other expenses of making the sale) must be recorded in accounts 421.1, Gain on disposition of property (§367.4211) or 421.2, Loss on disposition of property (§367.4212), as appropriate.

(f) The book cost less net salvage of depreciable service company property retired must be charged in its entirety to account 108, Accumulated provision for depreciation of service company property (§367.1080).

(g) The accounting for the retirement of amounts included in account 303, Miscellaneous intangible property (§367.3030), and the items of limited-term interest in land included in the

## 18 CFR Ch. I (4-1-10 Edition)

accounts for land and land rights, must be as provided for in the text of account 111, Accumulated provision for amortization of service company property (§367.1110), account 404, Amortization of limited-term property (§367.4040), and account 405, Amortization of other property (§367.4050).

### Subpart D—Operating Expense Instructions

#### § 367.80 Supervision and engineering.

(a) The supervision and engineering includible in the operating expense accounts must consist of the pay and expenses of superintendents, engineers, clerks, other employees and consultants engaged in supervising and directing the operation and maintenance of each service company function. Whenever allocations are necessary in order to arrive at the amount to be included in any account, the method and basis of allocation must be reflected by underlying records.

(b) This account must include the following labor items:

(1) Special tests to determine efficiency of equipment operation.

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

(3) Preparing instructions for operations and maintenance activities.

(4) Reviewing and analyzing operating results.

(5) Establishing organizational setup of departments and executing related changes.

(6) Formulating and reviewing routines of departments and executing related changes.

(7) General training and instruction of employees by supervisors whose pay is chargeable to the training and instruction. Specific instruction and training in a particular type of work is chargeable to the appropriate functional expense account (*See* Service Company Property in §367.51(a)(19)).

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

(c) This account must include the following expense items:

(1) Consultants' fees and expenses.

(2) Meals, traveling and incidental expenses.

**§ 367.81 Maintenance.**

(a) The cost of maintenance chargeable to the various operating expense and clearing accounts includes labor, materials, overheads and other expenses incurred in maintenance work. A list of work operations applicable generally to service company property is included in paragraph (d) of this section. Other work operations applicable to specific classes of property are listed in functional maintenance expense accounts.

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

(c) Maintenance of property leased from others must be treated as provided in operating expense instruction in § 367.82.

(d) This account must include the following items:

(1) Direct field supervision of maintenance.

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

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

(4) Rearranging and changing the location of property.

(5) Repairing for reuse materials recovered from property.

(6) Testing for locating and clearing trouble.

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

(8) Replacing or adding minor items of plant which do not constitute a retirement unit. (*See Service Company Property Instruction in § 367.59.*)

**§ 367.82 Rents.**

(a) The rent expense accounts provided under the several functional groups of expense accounts must include all rents, including taxes paid by the lessee on leased property, for prop-

erty used in the operations of the service company, except:

(1) Minor amounts paid for occasional or infrequent use of any property or equipment and all amounts paid for use of equipment that, if owned, would be includible in property accounts 391 to 398 (§§ 367.3910 to 367.3980), inclusive, that must be treated as an expense item and included in the appropriate functional account, and

(2) Rents that are chargeable to clearing accounts, and distributed from the clearing accounts to the appropriate account. If rents cover property used for more than one function, such as production and transmission, or by more than one department, the rents must be apportioned to the appropriate rent expense or clearing accounts of each department on an actual, or, if necessary, an estimated basis.

(b) When a portion of property or equipment rented from others for use in connection with service company operations is subleased, the revenue derived from the subleasing must be credited to the rent revenue account in operating revenues. However, if the rent was charged to a clearing account, amounts received from subleasing the property must be credited to the clearing account.

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

(d) The cost incurred by the lessee of additions and replacements to property leased from others must be accounted for as provided in Service Company Property Instruction in § 367.54.

**§ 367.83 Training costs.**

When it is necessary that employees be trained to specifically operate or maintain facilities that are being constructed, the related costs must be accounted for as a current operating and maintenance expense. These expenses must be charged to the appropriate functional accounts currently as they are incurred. However, when the training costs involved relate to facilities that are not conventional in nature, or are new to the service company's operations, these costs may be capitalized