

## Securities and Exchange Commission

## § 256.00-1

### LIABILITIES AND OTHER CREDIT ACCOUNTS

#### 5. PROPRIETARY CAPITAL

- 256.201 Common stock issued.
- 256.211 Miscellaneous paid-in capital.
- 256.215 Appropriated retained earnings.
- 256.216 Unappropriated retained earnings.

#### 6. LONG-TERM DEBT

- 256.223 Advances from associate companies.
- 256.224 Other long-term debt.
- 256.225 Unamortized premium on long-term debt.
- 256.226 Unamortized discount on long-term debt-debit.

#### 7. CURRENT AND ACCRUED LIABILITIES

- 256.231 Notes payable.
- 256.232 Accounts payable.
- 256.233 Notes payable to associate companies.
- 256.234 Accounts payable to associate companies.
- 256.236 Taxes accrued.
- 256.237 Interest accrued.
- 256.238 Dividends declared.
- 256.241 Tax collections payable.
- 256.242 Miscellaneous current and accrued liabilities.

#### 8. DEFERRED CREDITS

- 256.253 Other deferred credits.
- 256.255 Accumulated deferred investment tax credits.

#### 9. ACCUMULATED DEFERRED INCOME TAXES

- 256.282 Accumulated deferred income taxes.

### SERVICE COMPANY PROPERTY ACCOUNTS

- 256.301 Organization.
- 256.303 Miscellaneous intangible plant.
- 256.304 Land and land rights.
- 256.305 Structures and improvements.
- 256.306 Leasehold improvements.
- 256.307 Equipment.
- 256.308 Office furniture and equipment.
- 256.309 Automobiles, other vehicles, and related garage equipment.
- 256.310 Aircraft and airport equipment.
- 256.311 Other service company property.

### INCOME AND EXPENSE ACCOUNTS

#### 1. INCOME

- 256.403 Depreciation and amortization expense.
- 256.408 Taxes other than income taxes.
- 256.409 Income taxes.
- 256.410 Provision for deferred income taxes.
- 256.411 Provision for deferred income taxes—credit.
- 256.411.5 Investment tax credit.
- 256.421 Miscellaneous income or loss.
- 256.426.1 Donations.
- 256.426.5 Other deductions.

- 256.427 Interest on long-term debt.
- 256.430 Interest on debt to associate companies.
- 256.431 Other interest expense.
- 256.457 Services rendered to associate companies.
- 256.457-1 Direct costs charged to associate companies.
- 256.457-2 Indirect costs charged to associate companies.
- 256.457-3 Compensation for use of capital—associate companies.
- 256.458 Services rendered to nonassociate companies.
- 256.458-1 Direct costs charged to nonassociate companies.
- 256.458-2 Indirect costs charged to nonassociate companies.
- 256.458-3 Compensation for use of capital—nonassociate companies.
- 256.458-4 Excess or deficiency on servicing nonassociate companies.

#### 2. EXPENSE

- 256.920 Salaries and wages.
- 256.921 Office supplies and expenses.
- 256.922 Administrative expenses transferred—credit.
- 256.923 Outside services employed.
- 256.924 Property insurance.
- 256.925 Injuries and damages.
- 256.926 Employee pensions and benefits.
- 256.928 Regulatory commission expense.
- 256.930.1 General advertising expenses.
- 256.930.2 Miscellaneous general expenses.
- 256.931 Rents.
- 256.932 Maintenance of structures and equipment.

AUTHORITY: Secs. 13, 15, 20, 49 Stat. 825, 828, 833; 15 U.S.C. 79m, 79o, 79t.

SOURCE: 44 FR 8250, Feb. 9, 1979, unless otherwise noted.

### GENERAL INSTRUCTIONS

CROSS REFERENCES: For general rules and regulations, Public Utility Holding Company Act of 1935, see Part 250 of this chapter. For rule adopting this Uniform System of Accounts, see § 250.93. For regulations under section 13 of the Act, see §§ 250.80 to 250.95.

NOTE: Cross references to accounts are made by citing the account number, e.g., account 201 instead of the corresponding section number (§ 256.201).

### § 256.00-1 Preface.

(a) The accompanying Uniform System of Accounts for Mutual Service and Subsidiary Service Companies represents a modernization of the accounting system for such companies to provide a detailed system of accounts

which is tailored to present and expanded services, including data processing, modeling, rate analysis, system analysis, budgeting and other support services such as fuel management and analysis, being rendered by such companies. This Uniform System of Accounts is not applicable to gas or electric utility companies, or companies primarily engaged (1) in production of goods, including exploration and development of fuel resources, (2) in the provision of water, telephone, or similar services, the sale of which is normally subject to public rate regulation, (3) in provision of transportation, whether or not so regulated, or (4) in the ownership of property, including leased property and fuel reserves, for the use of associate companies.

(b) It has been the Commission's task to provide a system comprehensive enough to cover the traditional services and the present services being performed by such companies, yet elastic enough to permit adaptation to varying requirements; a system which, faithfully applied, will provide information essential in the administration of section 13 of the Public Utility Holding Company Act of 1935, will be workable and reasonably simple from an operating viewpoint, and free from unnecessary complexities or burdensome requirements which might render it incompatible with the interests of investors or consumers.

(c) This Uniform System of Accounts requires the service company to (1) design subaccounts and keep memorandum and time records to facilitate the preparation of reports and statements required by regulatory commissions and the conduct of audit and account inspection programs, (2) establish a work order system to accumulate reimbursable costs and charges to customers, and (3) account for compensation for use of capital, if paid.

(d) Credits to the accounts or memorandum records may be made upon the basis of estimated costs to associate companies which shall conform as nearly as may be practicable to actual costs: *Provided*, That at stated intervals adjustments of the estimated costs to actual costs shall be made. Invoices to associate companies shall clearly indicate any adjustments to estimated

cost previously billed. Such adjustments may be made at intervals during the fiscal year, but final adjustments shall be made at the end of such year. Overbillings or underbillings arising from these adjustments shall be cleared through the appropriate account and offset by adjustments to other accounts involved.

(e) The "expense" accounts provided have been designed to show the cost of each general class of service furnished by the service company and with a view toward securing an equitable allocation thereof to the associate companies served.

(f) Consideration was given in the preparation of this system to the necessity of providing for a more detailed classification of service costs in order to permit these costs to be identified with the functional processes of the associate companies served. In this connection, each service company shall maintain a work order system for accumulating reimbursable costs and charges to customers and maintain time records for all service company employees in order to support the accounting allocation of all expenses assignable to the types of services performed and chargeable to the companies served.

(g) It is believed that the results to be obtained from the system now prescribed, together with the more detailed information to be called for in the annual reports, will provide a better basis for identifying cost than is presently available.

**§ 256.01-1 Companies for which this system of accounts is prescribed.**

(a) This Uniform System of Accounts is designed for use by: (1) Any company operating, or organized to operate, as a mutual service company under the provisions of section 13 of the Public Utility Holding Company Act of 1935, and (2) any subsidiary company whose organization and conduct of business the Commission has found to meet the requirements of section 13(b) of the Public Utility Holding Company Act of 1935, with respect to the performance of services or construction work for, or the sale of goods to, associate companies.

(b) This Uniform System of Accounts is not applicable to gas or electric utility companies; or companies primarily engaged (1) in production of goods, including exploration and development of fuel resources, (2) in the provision of water, telephone, or similar services, the sale of which is normally subject to public rate regulation, (3) in provision of transportation, whether or not so regulated, or (4) in the ownership of property, including leased property and fuel reserves, for the use of associate companies.

**§ 256.01-2 Application to service companies doing business with non-associate companies.**

While this Uniform System of Accounts is designed for companies whose principal business is the performance of services or construction for associate companies at cost, it contemplates situations in which the service company may perform service or construction for nonassociate companies in transactions in which charges are not limited to cost. In recognition of such charges account 458-4 is included in the "Income" group for "Excess or deficiency on servicing nonassociate companies." A deficiency incurred in a project deemed beneficial to the associate companies may be charged to associate companies subject to disallowance by a State or Federal Commission having jurisdiction over the rates or services of such associates. To the extent not so chargeable, or if disallowed, such a deficiency will be charged to account 458-4. In computing charges to associate companies for any fiscal year, any net credit in this account must be deducted from amounts reimbursable by associate companies as compensation for use of capital invested in the service company.

**§ 256.01-3 General structure of accounting system.**

(a) The accounts provided herein are in two general categories: Balance sheet accounts and income and expense 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 in-

come 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.

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##### **§ 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 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

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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 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.

(c) *Company* or *the company*, when not otherwise indicated in the context, means the service company.

(d) *Commission* means the Securities and Exchange Commission.

(e) *Direct cost* shall include labor cost and expenses which can be identified through a work order system as being applicable to services performed for a single or group of associate and non-associate companies. Cost incidental to or related to a directly charged item shall be classified as direct costs.

(f) *Federal commission* means any Federal agency, including the Securities and Exchange Commission, which has jurisdiction to regulate public utility companies in some relevant respect.

(g) *Federal Energy Regulatory Commission* means the Federal Energy Regulatory Commission or any successor thereto.

(h) *Holding company system* means any holding company, together with all of its subsidiary companies and all mutual service companies of which such holding company or any subsidiary company thereof is a member company.

(i) *Indirect cost* shall include those costs of a general overhead nature such as general services, housekeeping costs, and other support cost which cannot be separately identified to a single or group of associate and non-associate companies and therefore must be allocated. Indirect costs shall be accumulated on a departmental basis.

(j) *Mutual service company*, *service company* or *subsidiary service company* means a company approved by the Commission as a mutual service company or a subsidiary company of a registered holding company found by the Commission to be organized and conducted as to meet the requirements of section 13(b) of the Act and the provisions of Rule 88 promulgated thereunder.

(k) *Nonassociate companies* means a person, partnership, organization, government body or company which is not a member of the holding company system.

(l) *Operating company* means an electric utility company or gas utility company as defined in the Public Utility Holding Company Act of 1935.

(m) *Person* means an individual or company.

(n) *State commission* means any commission, board, agency, or officer, by whatever name designated, or a State,

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municipality, or other political subdivision of a State which under the laws of such State has jurisdiction to regulate public-utility companies.

(o) *Uniform system of accounts* means the Uniform System of Accounts for Mutual Service Companies and Subsidiary Service Companies prescribed herein, as amended from time to time.

(p) *Work order system* means a system for the accumulation of service company cost on a job, project, or functional basis. It includes schedules and worksheets used to account for charges billed to single and groups of associate and nonassociate companies.

#### **§ 256.01-9 Unbilled items.**

When the amount of any known item affecting these accounts cannot be accurately determined in time for inclusion in the accounts of the fiscal year in which the transaction occurs, the amount of the item shall be estimated and included in the proper accounts. When the amount is ascertained, the necessary adjustments shall be made through the accounts in which the estimate was recorded. If it is determined during the interval that a material adjustment will be required, the estimate shall be adjusted through the current accounts. The service company is not required to anticipate minor items which would not appreciably affect these accounts.

#### **§ 256.01-10 Billing procedures.**

All invoices for services rendered to associate companies shall be submitted monthly with sufficient information and in sufficient detail to permit the associate company to identify and classify the charge in terms of the system of accounts prescribed by the regulatory authorities to which it is subject. Each month a statement shall be rendered to the associate company containing a summary of the accounts by work order by which the charges, classified as direct cost, indirect cost, and compensation for use of capital, can be entered in the accounts of the associate company.

#### **§ 256.01-11 Methods of allocation.**

Indirect costs and compensation for use of capital shall be allocated to work orders in accordance with the

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service company's applicable and currently effective methods of allocation filed with the Commission. Both direct and allocated indirect costs of work orders for two or more associate companies shall be allocated among such companies in the same manner. Each work order should identify the methods of allocation to associate companies and the accounts to be charged. The associate companies should be notified in writing of any change in the methods of allocation.

#### **§ 256.01-12 Compensation for use of capital.**

Paragraph (a) of Rule 91 provides in pertinent part that a servicing transaction shall be deemed to be performed at no more than cost if the price of such service does not exceed a fair and equitable allocation of expenses plus reasonable compensation for necessary capital procured through the issuance of capital stock. Interest on borrowed capital and compensation for the use of capital shall only represent a reasonable return on the amount of capital reasonably necessary for the performance of services or construction work for, or the sale of goods to, associate companies. Such compensation may be estimated and shall be computed monthly in the manner prescribed by the Commission. The amount of compensation shall be stated separately in each billing to the associate companies. An annual statement to support the amount of compensation for use of capital billed for the previous twelve months and how it was calculated shall be supplied to each associate company at the end of the calendar year.

#### **§ 256.01-13 Submission of questions.**

To promote and maintain uniformity in accounting, the service companies shall submit all questions of doubtful interpretation of the prescribed accounting to the Division of Corporate Regulation or its successor for consideration and decision.

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### BALANCE SHEET ACCOUNTS: ASSETS AND OTHER DEBIT ACCOUNTS

#### 1. SERVICE COMPANY PROPERTY

##### **§ 256.101 Service company property.**

This account shall include the cost of service company property included in accounts 301 and 303 through 311 prescribed herein.

##### **§ 256.107 Construction work in progress.**

This account shall include the total of the balances of work orders for service company property in process of construction. Work orders shall be cleared from this account as soon as practicable after completion of the job.

##### **§ 256.108 Accumulated provision for depreciation and amortization of service company property.**

(a) This account shall be credited with the amount charged to account 403, Depreciation and amortization expense.

(b) At the time of retirement of depreciable service company property, this account shall be charged with the book cost of the property retired and the cost of removal, and shall be credited with the salvage value and any other amounts recovered, such as insurance, unless the company maintains costs and related reserves for specific units or types of property.

(c) Individual subaccounts for each classification of property listed under account 101, Service company property, shall be maintained.

#### 2. INVESTMENTS

##### **§ 256.123 Investment in associate companies.**

This account shall only include notes receivable, advances, and other balances in open accounts with associate companies, which are not subject to current settlement.

##### **§ 256.124 Other investments.**

This account shall include the cost or current value of investments, whichever is less, in securities, club memberships, associations, life insurance policies for employees, or other investments in nonassociate companies, other than account 136, Temporary

cash investments. This account shall not be used for advances to associate companies. The account shall be maintained in such manner as to show by subaccounts, or otherwise, the nature and amount of each investment.

#### 3. CURRENT AND ACCRUED ASSETS

##### **§ 256.131 Cash.**

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

##### **§ 256.134 Special deposits.**

This account shall include deposits with fiscal agents or others for special purposes. Entries to this account shall specify the purpose for which the deposit is made.

##### **§ 256.135 Working funds.**

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

##### **§ 256.136 Temporary cash investments.**

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

##### **§ 256.141 Notes receivable.**

This account shall include the cost of all notes receivable and similar evidences of amounts due within one year from persons other than associate companies. The account shall be so maintained as to show separately amounts due from officers, directors, employees and others.

##### **§ 256.143 Accounts receivable.**

This account shall include amounts due on open accounts, other than amounts due from associate companies.

##### **§ 256.144 Accumulated provision for uncollectable accounts.**

This account shall be credited with amounts provided for losses on notes and accounts receivable which may become uncollectable, and also with collections on accounts previously charged hereto.