§ 367.26 Departmental classification.
Salaries and wages and all other costs must be classified by depart-
mental or other functional category in accordance with the departmental or-
ganization of the service company to provide a readily available basis for
analysis.

§ 367.27 Billing procedures.
Charges for services to associate pub-
lic-utility companies must be made
monthly with sufficient information
and in sufficient detail to permit such
company, where applicable, to identify
and classify the charge in terms of the
system of accounts prescribed by the
regulatory authorities to which it is
subject. The information provided to
associate public-utility companies
must provide a summary of the ac-
counts by service provided and showing
the charges, classified as direct cost,
direct cost, and compensation for use
of capital.

§ 367.28 Methods of allocation.
Indirect costs and compensation for
use of capital must be allocated to
projects in accordance with the service
company’s applicable and currently ef-
cective methods of allocation. Both di-
rect and allocated indirect costs on
projects must be assigned among those
companies in the same manner. The
cost accumulation system must iden-
tify the methods of allocation and the
accounts to be charged. Companies
must be notified in writing of any
change in the methods of allocation.

§ 367.29 Compensation for use of cap-
ital.
A servicing transaction is deemed to
be performed at no more than cost if
the price of the service does not exceed
a fair and equitable allocation of ex-
penses plus reasonable compensation
for necessary capital procured through
the issuance of capital stock. Interest
on borrowed capital and compensation
for the use of capital must only rep-
resent a reasonable return on the
amount of capital reasonably necessary
for the performance of services or con-
struction work for, or the sale of goods
to, associate companies. The compen-
sation may be estimated and must
be computed monthly. The amount of
compensation must be stated separ-
rately in each billing to the associate
companies. An annual statement to
support the amount of compensation
for use of capital billed for the previous
12 months and how it was calculated
must be supplied to each associate
company at the end of the calendar
year.

§ 367.30 Cost accumulation system for
associate companies.
Service companies must maintain a
detailed classification of service costs,
that permits costs to be identified with
the functional processes of the asso-
ciate companies served. To permit the
classification, each service company
must maintain a cost accumulation
system, as described in Definitions
§367.1(a)(12), for accumulating reim-
burseable costs and charges to the asso-
ciate companies served, and maintain
time records for all service company
employees in order to support the ac-
counting allocation of all expenses as-
signable to the types of services per-
formed and chargeable to the associate
companies served. Service company
employee records must permit a ready
identification of the hours worked, ac-
count numbers charged, and other code
designations that facilitate proper
classification.

Subpart C—Service Company
Property Instructions

§ 367.50 Service company property to
be recorded at cost.

(a) All amounts included in the ac-
counts for service company property
must be stated at the cost incurred by
the service company, except for prop-
erty acquired by lease which qualifies
as capital lease property under General
Instructions in §367.18, Criteria for
classifying leases, and is recorded in
Account 101.1, Property under capital
leases (§367.1011).

(b) When the consideration given for
property is other than cash, the value of
the consideration must be deter-
mined on a cash basis (See, however,
Definitions §367.1(a)(11)). In the entry
recording the transaction, the actual
consideration must be described with
sufficient particularity to identify it.
The service company must be prepared