

(b) The service company must initially record a liability for an asset retirement obligation in account 230, Asset retirement obligations (§367.2300), and charge the associated asset retirement costs to service company property (including account 101.1 in §367.1011) related to the property that gives rise to the legal obligation. The asset retirement cost must be depreciated over the useful life of the related asset that gives rise to the obligations. For periods subsequent to the initial recording of the asset retirement obligation, a service company must recognize the period to period changes of the asset retirement obligation that result from the passage of time due to the accretion of the liability and any subsequent measurement changes to the initial liability for the legal obligation recorded in account 230, Asset retirement obligations (§367.2300), as follows:

(1) The service company must record the accretion of the liability by debiting account 411.10, Accretion expense (§367.4118); and

(2) The service company must recognize any subsequent measurement changes of the liability initially recorded in account 230, Asset retirement obligations (§367.2300), for each specific asset retirement obligation as an adjustment of that liability in account 230 with the corresponding adjustment to service company property. The service company must on a timely basis monitor any measurement changes of the asset retirement obligations.

(c) Gains or losses resulting from the settlement of asset retirement obligations associated with service company property resulting from the difference between the amount of the liability for the asset retirement obligation included in account 230, Asset retirement obligations (§367.2300), and the actual amount paid to settle the obligation shall be accounted for as follows:

(1) Gains shall be credited to account 421, Miscellaneous income or loss (§367.4210), and;

(2) Losses shall be charged to account 426.5, Other deductions (§367.4265).

(d) Separate subsidiary records must be maintained for each asset retirement obligation showing the initial liability and associated asset retirement

cost, any incremental amounts of the liability incurred in subsequent reporting periods for additional layers of the original liability and related asset retirement cost, the accretion of the liability, the subsequent measurement changes to the asset retirement obligation, the depreciation and amortization of the asset retirement costs and related accumulated depreciation, and the settlement date and actual amount paid to settle the obligation. For purposes of analysis, a service company must maintain supporting documentation so as to be able to furnish accurately and expeditiously with respect to each asset retirement obligation the full details of the identity and nature of the legal obligation, the year incurred, the identity of the plant giving rise to the obligation, the full particulars relating to each component and supporting computations related to the measurement of the asset retirement obligation.

§367.23 Transactions with non-associate companies.

When a service or construction is performed for non-associate companies at an amount other than cost, the amount of revenues in excess or deficiency of the cost on servicing the non-associate companies must be charged to account 458.4, Excess or deficiency on servicing non-associate utility companies (§367.4584). A deficiency incurred in a project deemed beneficial to the associate companies may be charged to associate companies subject to disallowance by a State Commission or Federal Commission having jurisdiction over the rates or services of the associate companies. To the extent not charged, or if disallowed, the deficiency will be charged to account 458.4 (§367.4584). In computing charges to associate companies for any calendar 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.

§367.24 Construction and service contracts for other companies.

(a) Expenditures made in the performance of construction or service contracts, under which the service

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company undertakes projects to construct physical property for associate or non-associate companies must be recorded in Account 412, Cost and expenses of construction or other services (§367.4120). The service company must keep records pursuant to its cost allocation system indicating the cost of each contract or project, the amount of service costs allocated to the contracts, and the additional classification of expenditures relating to projects that will meet the accounting requirements of the company for which the work is performed.

(b) Account 412 (§367.4120) will include:

(1) The cost of materials, construction payrolls, outside services, and other expenses which are directly attributable to the performance of service or construction contracts for other companies.

(2) The cost of goods procured directly attributable to the performance of service or construction contracts for other companies.

(3) The related 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.

(4) The support services performed by the service company in connection with the procurement of goods for associate companies.

§ 367.25 Determination of service cost.

A service must be deemed at cost and fair allocation of costs requires an accurate accounting for the elements that makes up the aggregate expense of conducting the business of the service company. In the accounts prescribed in this part, the total amounts included in the expense accounts during any period plus the amount that appropriately may be added as compensation for the use of capital constitute cost during that period.

§ 367.26 Departmental classification.

Salaries and wages and all other costs must be classified by departmental or other functional category in accordance with the departmental organization of the service company to

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provide a readily available basis for analysis.

§ 367.27 Billing procedures.

Charges for services to associate public-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 accounts by service provided and showing the charges, classified as direct cost, indirect 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 effective methods of allocation. Both direct and allocated indirect costs on projects must be assigned among those companies in the same manner. The cost accumulation system must identify 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 capital.

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 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 must 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. The compensation may be estimated and must be computed monthly. The amount of compensation must 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 12 months and how it was calculated