

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

customer accounts, customer service informational, sales, and general and administrative expenses.

In certain instances, numbers have been dropped in order to allow for poster expansion or to permit better coordination with the numbering for other utility departments.

The numbers prefixed to accounts are to be considered as parts of names. Each utility, however, may use its own purposes a different set of account numbers (see also instruction 2D) provided that the numbers herein prescribed shall appear under the descriptive headings of the accounts and in the various copies of original entry; however, if a utility uses a different group of account numbers and it is not practicable to use the prescribed account numbers, the various sources of original entry shall refer to the prescribed account numbers. Such reference to the prescribed account numbers may be omitted from the various sources of original entry. However, each utility using different account numbers for its own purposes shall keep readily available a list of account numbers, which it uses for reconciliation of such accounts with the account numbers used herein. It is intended that the utility's records shall be so kept as to permit ready analysis by prescribed accounts (by direct reference to sources of original entry to the extent practicable) and to permit preparation of financial and operating statements derived from such records at the end of each accounting period according to the prescribed accounts.

Accounting Period.

Each utility shall keep its books on a monthly basis so that for each month transactions applicable thereto, as far as may be ascertained, shall be entered in the books of the utility. Transactions applicable or assignable to other utility departments shall be so reported monthly. Each utility shall close its books at the end of each calendar year unless otherwise authorized by the Commission.

Submission of Questions.

To maintain uniformity of accounting, utilities shall submit questions of doubtful interpretation to the Commission for consideration and decision.

Item Lists.

Federal Energy Regulatory Commission

Lists of items appearing in the texts of the accounts or elsewhere herein are for the purpose of more clearly indicating the application of the prescribed accounting. The lists are intended to be representative, but not exhaustive. The appearance of an item in a list warrants the inclusion of the item in the account mentioned only when the text of the account also indicates inclusion inasmuch as the same item frequently appears in more than one list. The proper entry in each instance must be determined by the texts of the accounts.

7. Extraordinary Items.

It is the intent that net income shall reflect all items of profit and loss during the period with the exception of prior period adjustments as described in paragraph 7.1 and long-term debt as described in paragraph 17 below. Those items related to the effects of events and transactions which have occurred during the current period and which are of unusual nature and infrequent occurrence shall be considered extraordinary items. Accordingly, they will be events and transactions of significant effect which are abnormal and significantly different from the ordinary and typical activities of the company, and which would not reasonably be expected to recur in the foreseeable future. (In determining significance, items should be considered individually and not in the aggregate. However, the effects of a series of related transactions arising from a single specific and identifiable event or plan of action should be considered in the aggregate. To be considered as extraordinary under the above guidelines, an item should be more than approximately 5 percent of income, computed before extraordinary items. Commission approval must be obtained to treat an item of less than 5 percent, as extraordinary. (See accounts 434 and 435.)

7.1 Prior period items.

A. Items of profit and loss related to the following shall be accounted for as prior period adjustments and excluded from the determination of net income for the current year:

(1) Correction of an error in the financial statements of a prior year.

(2) Adjustments that result from realization of income tax benefits of pre-

acquisition operating loss carryforwards of purchased subsidiaries.

B. All other items of profit and loss recognized during the year shall be included in the determination of net income for that year.

8. Unaudited Items (Major Utility).

Whenever a financial statement is required by the Commission, if it is known that a transaction has occurred which affects the accounts but the amount involved in the transaction and its effect upon the accounts cannot be determined with absolute accuracy, the amount shall be estimated and such estimated amount included in the proper accounts. The utility is not required to anticipate minor items which would not appreciably affect the accounts.

9. Distribution of Pay and Expenses of Employees.

The charges to electric plant, operating expense and other accounts for services and expenses of employees engaged in activities chargeable to various accounts, such as construction, maintenance, and operations, shall be based upon the actual time engaged in the respective classes of work, or in case that method is impracticable, upon the basis of a study of the time actually engaged during a representative period.

10. Payroll Distribution.

Underlying accounting data shall be maintained so that the distribution of the cost of labor charged direct to the various accounts will be readily available. Such underlying data shall permit a reasonably accurate distribution to be made of the cost of labor charged initially to clearing accounts so that the total labor cost may be classified among construction, cost of removal, electric operating functions (steam generation, nuclear generation, hydraulic generation, transmission, distribution, etc.) and nonutility operations.

11. Accounting to be on Accrual Basis.

A. The utility is required to keep its accounts on the accrual basis. This requires the inclusion in its accounts of all known transactions of appreciable amount which affect the accounts. If bills covering such transactions have not been received or rendered, the