

Definitions

When used in this system of accounts:

1. "Accounts" means the accounts prescribed in this system of accounts.
2. "Actually issued," as applied to securities issued or assumed by the utility, means those which have been sold to bona fide purchasers for a valuable consideration, those issued as dividends on stock, and those which have been issued in accordance with contractual requirements direct to trustees of sinking funds.

Suggested edit from Washington

"Actually issued," as applied to securities issued or assumed by the utility, means those which have been sold to bona fide purchasers ~~or for a valuable consideration,~~ those issued as dividends on stock, ~~and those which have been issued in accordance with contractual requirements direct to trustees of sinking funds.~~

Sinking funds has been stricken on the premise that no one uses sinking fund anymore.

3. "Actually outstanding," as applied to securities issued or assumed by the utility, means those which have been actually issued and are neither retired nor held by or for the utility; provided, however, that securities held by trustees shall be considered as actually outstanding.

Suggested edit from Washington

"Actually outstanding," as applied to securities issued or assumed by the utility, means those which have been actually issued and are neither retired nor held by or for the utility; ~~provided, however, that securities held by trustees shall be considered as actually outstanding.~~

Question as to what "assumed" means and the necessity for the last clause.

Definitions

4. "Amortization" means the gradual extinguishment of an amount in an account by distributing such amount over a fixed period, over the life of the asset or liability to which it applies, or over the period during which it is anticipated the benefit will be realized.

Suggested edit from South Carolina.

"Amortization" means the gradual extinguishment of an amount in an account by distributing such amount over a fixed period, over the life of the asset or liability to which it applies, or over the period during which it is anticipated the benefit will be realized, or as otherwise prescribe by Commission Order.

Amortization is the gradual reduction of an amount reflected in a USOA account, by allocating the amount over a period of time which can be the life of the asset or liability, the time period over which the anticipated the benefit will be realized, or as prescribed by commission order.

Suggested edit from Washington

"Amortization" means the gradual extinguishment reduction of an amount in an account by allocating it distributing such amount over a fixed period, of time which can be over the life of the asset or liability to which it applies, or over a the period of time during which it is anticipated the benefit will be realized.

Definitions

5. A. "Associated companies" means companies or persons that, directly or indirectly, through one or more intermediaries, control, or are controlled by, or are under common control with, the accounting company.

Suggested edit from South Carolina.

"Associated companies" or "Related Parties," means companies or persons that, directly or indirectly, through one or more intermediaries, control, or are controlled by, or are under common control with, the accounting company.

Question asked is what is the "accounting company."

- B. "Control" (including the terms "controlling," "controlled by," and "under common control with") means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a company, whether such power is exercised through one or more intermediary companies, or alone, or in conjunction with, or pursuant to an agreement, and whether such power is established through a majority or minority ownership or voting of securities, common directors, officers, or stockholders, voting trusts, holding trusts, associated companies, contract or any other direct or indirect means.

Suggested edit from Washington

"Control" ~~(including the terms "controlling," "controlled by," and "under common control with")~~ means the possession, directly or indirectly, of the power to direct or cause the direction of ability to direct the management decisions or and policies of a company, whether such power is direct or indirect, exercised through one or more intermediary companies, or alone, or in conjunction with, or pursuant to an agreement, and whether such power is established through a majority or minority ownership or voting of securities, common directors, officers, or stockholders, voting trusts, holding trusts, associated companies, contract or any other direct or indirect means.

Definitions

6. "Book cost" means the amount at which property is recorded in these accounts without deduction of related provisions for accrued depreciation, amortization, or for other purposes.

Suggested edit from South Carolina.

"Book cost" means the amount at which property is recorded in these accounts without deduction of related provisions for accrued accumulated depreciation, amortization, or for other purposes.

Suggested edit from Washington

"Book cost" means the amount at which cost of property is as recorded on the books and records of the company. ~~in these accounts without deduction of related provisions for accrued depreciation, amortization, or for other purposes.~~

7. "Commission," unless otherwise indicated by the context, means the commission prescribing this system of accounts.

Defintions

8. "Composite depreciation rate" is a percentage based on the weighted average service life of a number of units of plant, each of which may have a different individual life expectancy. Composite depreciation rates may be determined for (a) a single depreciable plant account, (b) a single rate for several depreciable accounts or (c) a single composite rate may be determined for all depreciable plant of the utility.

Suggested edit from Maine. With respect to (c), Maine questions the necessity of that clause as the possibility of a state advocating for a single composite rate for all depreciable plant would be unlikely.

"Composite depreciation rate" is a percentage based on the weighted average service life of a number of units of plant, each of which may have a different individual life expectancy. A ~~Composite~~ depreciation rates may be determined for ~~(a) a single depreciable plant account or, (b) a single composite rate may be determined for several depreciable accounts or (c) a single composite rate may be determined for all depreciable plant of the utility.~~

Suggested edit from Washington

"Composite depreciation rate" is a rate stated as a percentage based on reflecting the weighted average service life of a number of units of plant, each of which may have a different individual life expectancy. Composite depreciation rates may be determined for (a) a single depreciable plant account, (b) a single rate for several depreciable plant accounts or (c) a single composite rate may be determined for all depreciable plant of the utility.

Definitions

Suggested Edit by New York to include the definition of "Continuing Plant Inventory Record," or "Continuing Property Record."

"Continuing Plant Inventory Record" or "Continuing Property Record" means company plant records for retirement units and mass property that provide, as either a single record, or in separate records readily obtainable by references made in a single record, the following information: A. For each retirement unit: (1) The name or description of the unit, or both; (2) The location of the unit; (3) The date the unit was placed in service; (4) The cost of the unit as set forth in Accounting Instructions 18 and 19; and (5) The plant control account to which the cost of the unit is charge; and B. For each category of mass property: (1) A general description of the property and quantity; (2) The quantity placed in service by vintage year; (3) The average cost as set forth in Accounting Instructions 18 and 19; and (4) The plant control account to which the costs are charged.

9. "Cost" means the amount of money actually paid for property or service. When the consideration given is other than cash, the value of such consideration shall be determined on a cash basis.

Suggested edit from Washington

"Cost" means the amount ~~of money actually~~ paid for property or service. When ~~the~~ consideration other than cash is given (boot) ~~is other than cash~~, the value of such consideration shall be determined on a ~~cash~~ fair market value basis.

Definitions

10. "Cost of removal" means the cost of demolishing, dismantling, tearing down or otherwise removing utility plant, including the cost of transportation and handling incidental thereto.

Suggested Edit by New York

"Cost of removal" means the cost of demolishing, dismantling, tearing down or otherwise removing utility plant, including the cost of transportation and handling incidental thereto. It does not include the cost of removal activities associated with asset retirement obligations that are capitalized as part of the tangible long-lived assets that give rise to the obligation.

Suggested edit from Washington

"Cost of removal" means the cost of demolishing, dismantling, tearing down, or ~~otherwise~~ removing utility plant, including the cost of transportation and disposal handling incidental thereto.

11. "Debt expense" means all expenses in connection with the issuance and initial sale of evidences of debt, such as fees for drafting mortgages and trust deeds; fees and taxes for issuing or recording evidences of debt; cost of engraving and printing bonds and certificates of indebtedness; fees paid trustees; specific costs of obtaining governmental authority; fees for legal services; fees and commissions paid underwriters, brokers, and salesmen or marketing such evidences of debt; fees and expenses of listing on exchanges; and other like costs.

Question raised whether this definition is necessary since it is not used anywhere in the USoA.

Definitions

12. "Depreciation", as applied to depreciable utility plant, means the loss in service value not restored by current maintenance, incurred in connection with the consumption or prospective retirement of utility plant in the course of providing service from causes which are known to be in current operation and against which the utility is not protected by insurance. Among the causes to be given consideration are wear and tear, decay, action of the elements, inadequacy, obsolescence, changes in the art, changes in demand, and requirements of public authorities.

Suggested edit from Florida.

"Depreciation", as applied to depreciable utility plant, means the loss in service value not restored by current maintenance, incurred in connection with the consumption or prospective retirement of utility plant in the course of providing service from causes which are known to be in current operation and against which the utility is not protected by insurance. Among the causes to be given consideration are wear and tear, decay, action of the elements, inadequacy, obsolescence, changes in the art, changes in demand, and requirements of public authorities. The intent of depreciation is to provide for recovery of invested capital and to apportion this recovery over the useful life of the depreciable investment.

Suggested Edit by Washington

"Depreciation"; (1) Accounting – the allocation of the cost of an asset over the periods in which an asset is expected to provide service. (2) Finance – Return of capital. (3) Engineering - as applied to depreciable utility plant, means the loss in service value not restored by current maintenance, incurred in connection with the consumption or prospective retirement of utility plant in the course of providing service from causes which are known to be in current operation and against which the utility is not protected by insurance. Among the causes to be given consideration are wear and tear, decay, action of the elements, inadequacy, obsolescence, changes in the art, changes in demand, and requirements of public authorities.

Definitions

13. "Discount", as applied to the securities issued or assumed by the utility, means the excess of the par (stated value of no-par stocks) or face value of the securities plus interest or dividends accrued at the date of the sale over the cash value of the consideration received from their sale.

Suggested edit from Washington

"Discount," ~~as applied to the securities issued or assumed by the utility,~~ means (1) the excess of the par value (or stated value of no-par stocks), over the consideration received. or (2) the face value of the securities plus interest or dividends accrued at the date of the sale over the ~~cash value of~~ the consideration received from their sale.

14. "Fire main" means any main forming part of an integrated system used exclusively for fire protection purposes.

Suggested edit from South Carolina.

"Fire main" means any water main forming part of an integrated system used exclusively for fire protection purposes.

Definitions

15. "Gross-up of contributions in aid of construction" is the method by which a utility extracts, from developers or others, a sum of money sufficient to pay all or a portion of the tax obligation due to the change in the federal tax law in 1987 which resulted in contributions made to utilities in aid of construction (CIAC) being considered ordinary income instead of contributions of capital. Because the sum extracted to pay the tax is also considered income subject to tax, the term tax-on-tax has been used to describe the additional sum of money that must be extracted in order to pay the tax on the initial amount.

Common gross-up methods include the full gross-up method and the net present value method. Under the full gross-up method, a sum sufficient to meet the full tax obligation, including the tax-on- tax, is extracted. Under the net present value method, the sum extracted is the net present value of the estimated future stream of tax benefits resulting from the depreciation deductions for the contributed asset to be taken on the tax returns of the utility.

Suggested Edit by Maine

"Gross-up of contributions in aid of construction" is the method by which a utility charges ~~extracts, from developers or others,~~ a sum of money sufficient to pay all or a portion of the tax obligation ~~due to the change in the federal tax law in 1987 which resulted in~~ where contributions made to utilities in aid of construction (CIAC) ~~are being~~ considered ordinary income instead of contributions of capital. Because the sum ~~extracted~~ charged to pay the tax is also considered income subject to tax, the term tax-on-tax has been used to describe the additional sum of money that must be ~~extracted~~ charged in order to pay the tax on the initial amount.

Definitions

Maine asks “Is this (the following paragraph) necessary as the calculation method would not change how to account for the charge.

Common gross-up methods include the full gross-up method and the net present value method. Under the full gross-up method, a sum sufficient to meet the full tax obligation, including the tax-on- tax, is extracted. Under the net present value method, the sum extracted is the net present value of the estimated future stream of tax benefits resulting from the depreciation deductions for the contributed asset to be taken on the tax returns of the utility.

General Comment – do we even need a gross-up definition?

Suggested edit from Washington

"Gross-up of contributions in aid of construction" is the a method used to collect sufficient income tax from developers or prospective customers who, in order to receive service, must contribute utility plant or pay charges or fees to the company (see contributions in aid of construction). ~~by which a utility extracts, from developers or others, a sum of money sufficient to pay all or a portion of the tax obligation due to the change in the federal tax law in 1987 which resulted in contributions made to utilities in aid of construction (CIAC) being considered ordinary income instead of contributions of capital. Because the sum extracted to pay the tax is also considered income subject to tax, the term tax-on-tax has been used to describe the additional sum of money that must be extracted in order to pay the tax on the initial amount.~~

Definitions

Common gross-up methods include the full gross-up method and the net present value method. Under the full gross-up method, a sum sufficient to meet the full tax obligation, including the tax-on-tax, is extracted. Under the net present value method, the sum computed extracted is the net present value of the estimated future stream of tax benefits resulting from the depreciation deductions for the contributed asset to be taken on the tax returns of the utility.

16. "Investment advances" means advances, represented by notes or by book accounts only, with respect to which it is mutually agreed or intended between the creditor or debtor that they shall be settled by the issuance of securities or shall not be subject to current settlement.

Question – do any states use this term? Is the definition necessary?

17. "Minor items of property" means the associated parts or items of which retirement units are composed.
18. "Multiple family dwelling" means a residential structure or group of structures which is capable of separately housing more than one family unit.
19. "Net salvage value" means the salvage value of property retired less the cost of removal.
20. "Nominally issued", as applied to securities issued or assumed by the utility means those which have been signed, certified, or otherwise executed, and placed with the proper officer for sale and delivery, or pledged, or otherwise placed in some special fund of the utility, but which have not been sold, or issued direct to trustees of sinking funds in accordance with contractual requirements.

Definitions

21. "Nominally outstanding", as applied to securities issued or assumed by the utility, means those which, after being actually issued, have been reacquired by or for the utility under circumstances which require them to be considered as held alive and not retired; provided, however, that securities held by trustees shall be considered as actually outstanding.
22. "Original cost", as applied to utility plant, means the cost of such property to the person first devoting it to ~~the~~ public service.

Suggested edit from Florida

"Original cost" means the cost of acquiring an asset and placing it into service for first utility use. This includes the direct costs of acquiring the asset and the cost of labor, materials, and associated costs of installation to prepare the asset for first utility use. In the event that an asset is acquired that is already in public service, the original historic cost of the asset should be recorded in plant in service, and the historic accumulated depreciation should be charged to the accumulated depreciation account.

Or

"Original cost", as applied to utility plant, means the cost of such property ~~to the person when first devoted~~ devoting it to ~~the~~ public service. Original cost includes the direct costs of acquiring the asset and the cost of labor, materials, and associated costs for installing and preparing the asset for first utility use.

Suggested edit from Washington

"Original cost", as applied to utility plant, means the cost of utility plant such property to the person when first devoteding it to ~~the~~ public service.

Definitions

23. "Person" means an individual, a corporation, a partnership, an association, a joint stock company, a business trust, or any organized group of persons whether incorporated or not, or any receiver or trustee.
24. "Premium", as applied to the securities issued or assumed by the utility, means the excess of the cash value of the consideration received from their sale over the sum of their par (stated value of no-par stocks) or face value and interest or dividends accrued at the date of sale.
25. "Property retired", as applied to utility plant, means property which has been removed, sold, abandoned, destroyed, or which for any cause has been permanently withdrawn from service.

Suggested edit from Florida.

"Property retired", as applied to utility plant, means property which has been removed, sold, abandoned, destroyed, or which for any cause has been permanently ~~removed~~ withdrawn from service.

Suggested edit from Washington

"Property retired", ~~as applied to utility plant,~~ means property which has been removed, sold, abandoned, destroyed, or which for any cause has been permanently withdrawn from service

26. "Reclaimed water" means water that has received at least secondary treatment and basic disinfection and is reused after flowing out of a wastewater treatment plant.

Suggested edit from Florida.

"Reclaimed water" means ~~waste~~ water that has received at least secondary treatment and basic disinfection ~~and is reused after flowing out of a wastewater treatment plant~~ in compliance with Federal and State environmental rules and regulations.

Definitions

27. "Regulatory Assets and Liabilities" are assets and liabilities that result from rate actions of regulatory agencies. Regulatory assets and liabilities arise from specific revenues, expenses, gains or losses that would have been included in determination of net income in one period under the general requirements of the Uniform System of Accounts but for it being probable that; 1) such items will be included in a different period(s) for purposes of developing the rates the utility is authorized to charge for its utility services; or 2) in the case of regulatory liabilities, that refunds to customers, not provided for in other accounts, will be required. Regulatory assets and liabilities can also be created in reconciling differences between the requirements of generally accepted accounting principles, regulatory practice, and tax laws.

Suggested edit from Washington

"Regulatory Assets and Liabilities" ~~are assets and liabilities that~~ result from rate actions of regulatory agencies. Regulatory assets and liabilities arise from ~~specific~~ certain revenues, expenses, gains or losses that would have been included in determination of net income in one period under the general requirements of ~~the~~ this Uniform System of Accounts ~~except but~~ for it being probable that; 1) such items will be included in a different period(s) for purposes of developing the rates the utility is authorized to charge for its utility services; or 2) in the case of regulatory liabilities, that refunds to customers, not provided for in other accounts, will be required. Regulatory assets and liabilities can also be created in reconciling differences between the requirements of generally accepted accounting principles, regulatory practice, and tax laws.

Definitions

Alternative Language designed to track the Accounting Standards Codification for Regulatory Assets

“Regulatory assets” are assets that normally would be expensed under the general requirements of the Uniform System of Accounts, but based on reasonable assurance by rate actions of a regulator, the assets are capitalized. The utility shall capitalize all or part of an incurred cost if the following criteria are met:

(1) it is probable that future revenue in an amount at least equal to the capitalized cost will result from inclusion of that cost in allowable costs for ratemaking and (2) based on available evidence, the future revenues will be provided to permit recovery of the previously incurred cost rather than to provide for expected levels of similar future costs. If the revenue will be provided through an automatic rate-adjustment clause, this criterion requires that the regulator’s intent clearly be to permit recovery of the previously incurred cost.

“Regulatory liabilities” are obligations of the utility that normally would be fulfilled in one period under the general requirements of the Uniform System of Accounts, but based on rate actions of a regulator, the obligation extends beyond one period.

Definitions

28. "Replacing" or "replacement," when not otherwise indicated in the context, means the construction or installation of utility plant in place of property of retired, together with the removal of the property retired.

"Replacing" or "replacement," otherwise indicated in the context, means the construction or installation of utility plant in place of property of retired, together with the removal of the property retired.

Question was asked what the shaded section means.

Suggested edit from Florida

"Replacing" or "replacement," unless ~~when not~~ otherwise indicated in the context, means the construction or installation of utility plant in place of property ~~of~~ retired, together with the removal of the property retired.

Suggested edit from Washington

~~"Replacing" or "replacement," when not otherwise indicated in the context, means the construction or installation of utility plant in place of property of retired, together with the removal of the property retired.~~

Washington asked whether the definition is necessary.

Definitions

29. "Research and development" means expenditures incurred by public utilities which represent research and development costs in the experimental or laboratory sense. The term includes generally all such costs incident to the development of an experimental or pilot model, a plant process, a product, a formula, an invention, or similar property, and the improvement of already existing property of the type mentioned.

Suggested edit from Washington

~~"Research and development" means expenditures incurred by public utilities which represent research and development costs in the experimental or laboratory sense. The term includes generally all such costs incident to the development of an experimental or pilot model, a plant process, a product, a formula, an invention, or similar property, and the improvement of already existing property of the type mentioned.~~

30. "Retained earnings" means the accumulated net income of the utility less distributions to stockholders and transfers to other capital accounts, and other adjustments (See account 439 - Adjustments to Retained Earnings).

Suggested edit from Washington

~~"Retained earnings" means the accumulated net income of the utility less distributions to stockholders and transfers to other capital accounts, and other adjustments (See account 439 - Adjustments to Retained Earnings).~~

Washington suggested deleting the definition.

31. "Retirement units" means those items of utility plant which, when retired, with or without replacement, are accounted for by crediting the original costs.

Suggested edit from Florida.

"Retirement units" means those items of utility plant which, when retired, with or without replacement, are accounted for by crediting the book cost to the utility plant account in which it is included original costs.

Definitions

32. "Reuse" means the deliberate application of reclaimed water, in compliance with Federal and State environmental rules and regulations, for a beneficial purpose.

Suggested edit from Florida.

"Reuse" means the deliberate application of reclaimed water, ~~in compliance with Federal and State environmental rules and regulations~~ for a beneficial purpose.

Suggested edit from Washington

~~"Reuse" means the deliberate application of reclaimed water, in compliance with Federal and State environmental rules and regulations, for a beneficial purpose.~~

Washington suggested deleting the definition.

33. "Salvage value" means the amount received for property retired, less any expenses incurred in connection with the sale or in preparing the property for sale, or, if retained, the amount at which the material recoverable is chargeable to materials and supplies, or other appropriate account.

Suggested edit from Washington

"Salvage value" means the estimate residual amount for utility property or the amount received for property retired, less any expenses incurred in connection with ~~the sale or in preparing the property for sale or disposal, or, if retained, the amount at which the material recoverable is chargeable to materials and supplies, or other appropriate account.~~

Definitions

34. "Service life" means the time between the date utility plant is includible in utility plant in service, or utility plant leased to others, and the date of its retirement. If depreciation is accounted for on a production basis rather than on a time basis, then service life should be measured in terms of the appropriate unit of production.

Maine suggests adding the following definition given recent discussions about utility ownership of service mains, i.e. Flint Michigan.

"Service main" means any main the primary purpose of which is to convey water from the distribution main to the customer's premise.

Suggested edit from Washington

"Service life" means the time between the date ~~utility plant is includible in~~ utility plant ~~is placed~~ in service, ~~or utility plant leased to others,~~ and the date of its retirement. If depreciation is accounted for on a production basis rather than on a time basis, then service life should be measured in terms of the appropriate unit of production.

35. "Service value" means the difference between the original cost and net salvage value of utility plant.

Definitions

36. "Straight-line remaining life method," as applied to depreciation accounting, means the plan under which the service value of property is charged to operating expenses (and to clearing accounts if used), and credited to the accumulated depreciation account through equal annual charges during its service life. "Remaining life" implies that estimates of future life and salvage will be reexamined periodically and that depreciation rates will be corrected to reflect any changes in these estimates.

Suggested edit from Florida.

"Straight-line remaining life method," as applied to depreciation accounting, means the plan under which the service value of property is charged to operating expenses (and to clearing accounts if used), and credited to the accumulated depreciation account through equal annual charges during its service life. "Remaining life" implies that estimates of future life and salvage will be reexamined periodically and that depreciation rates will be corrected to reflect any changes in these estimates. In other words, the prospective depreciation amount is based on the remaining portion of the service life expected to be experienced by the investment or account in question and on the net unrecovered capital for that investment or account.

Suggested edit from Washington

"Straight-line remaining life method," ~~as applied to depreciation accounting,~~ means the plan under which the service value of property is charged to operating expenses (and to clearing accounts if used), and credited to the accumulated depreciation account through equal annual charges during its service life. "Remaining life" implies that estimates of future life and salvage will be reexamined periodically and that depreciation rates will be corrected to reflect any changes in these estimates.

Definitions

37. "Straight-line method" as applied to depreciation accounting means the plan under which the service value of property is charged to operating expenses (and to clearing accounts if used), and credited to the accumulated depreciation account through equal annual charges during its service life. Estimates of the service life and salvage will be reexamined periodically and depreciation rates will be corrected to reflect any changes in these estimates.

Question – Are both straight-line definitions necessary?

Suggested edit from Washington

"Straight-line method" ~~as applied to depreciation accounting~~ means the ~~plan method~~ under which ~~recovers~~ the service value of property ~~in equal annual charges to depreciation expense is charged to operating expenses (and to clearing accounts if used),~~ and credited to the accumulated depreciation ~~account through equal annual charges during its service life.~~ Estimates of the service life and salvage will be reexamined periodically and depreciation rates will be corrected to reflect any changes in these estimates.

Definitions

38. "Supply main" means any main, pipe, aqueduct or canal the primary purpose of which is to convey water from one unit to another unit in the source of supply, water treatment or pumping plant and generally providing no service connections with customers.

Suggested edit from Washington

"Supply main" means any main, pipe, aqueduct or canal the primary purpose of which is to convey water from one unit to another unit in the source of supply, water treatment or pumping plant and **generally** providing no service connections with customers.

39. "Transmission and distribution main" means any main the primary purpose of which is to convey water, requiring no further processing except incidental chlorination or pressure boosting, from a unit in the source of supply, water treatment or pumping plant and generally providing no service connection with customers.

Suggested edit from Washington

"Transmission and distribution main" means any main the primary purpose of which is to convey water, requiring no further processing except incidental chlorination or pressure boosting, from a unit in the source of supply, water treatment or pumping plant ~~and generally providing no service connection with customers.~~

Does the original and edited version allow for the situation where bulk water customers are served from a distribution main?

40. "Utility", as used herein and when not otherwise indicated in the context, means any public utility to which this system of accounts is applicable.