

UNIFORM SYSTEM OF ACCOUNTS

N.J.A.C. 7:26I-1 et seq.

SUBCHAPTER 1. GENERAL PROVISIONS

7:26I-1.1 General provisions

(a) All solid waste collections and disposal utilities shall keep their accounts in accordance with the applicable Uniform System of Accounts for Solid Waste Disposal and Collection Utilities; and such of the prescribed accounts and details shall be kept as are necessary to reflect accurately and clearly the operations and financial condition of the utility concerned, with sufficient particularity to permit a ready and intelligent analysis by the Department; and such systems of account shall supersede and take the place and stead of all present effective systems of accounts for solid waste collection and disposal utilities.

(b) Full jurisdiction of this proceeding and of the accounting records of said solid waste collection and disposal utilities subject to this chapter is hereby retained for the specific purposes of enabling this Department to make and promulgate additional rules.

(c) Each solid waste collection and disposal utility, privately or municipally owned or operated, shall, file a report of its finances and operations with the Department, on the form to be furnished by the Department in accordance with the requirements of N.J.A.C. 7:26H-1.19 .

SUBCHAPTER 2. ANNUAL REPORTS

7:26I-2.1 General instructions

(a) The general instructions regarding annual reports are as follows:

1. This form of annual report contains appropriate schedules for solid waste utilities who are required to file an annual report with the State of New Jersey Department of Public Utilities.

2. An original of this report properly filled in and verified should be filed with the Department, on or before the date established by the Department each year.

3. This form of annual report should be prepared in conformity with the appropriate Uniform System of Accounts for Solid Waste Collection and Disposal Utilities prescribed by the Department, and all accounting words and phrases are to be interpreted in accordance with the respective classification.

4. The word "respondent" wherever used in this report means the person, firm, association, or corporation in whose behalf the report is filed.

5. This report is designed for typewriter spacing and should be typed if practicable. It is also designed to eliminate cents columns. All dollar amounts should be reported to the nearest whole dollar. All entries should be in permanent form.

6. Instructions should be carefully observed and each question should be answered fully and accurately whether or not it has been answered in a previous Annual Report. If the word "No" or "None" truly and completely states the fact, it should be used to answer any particular inquiry or any portion thereof. If any schedule or inquiry is inapplicable to the respondent, the words "Not applicable" should be used to answer.

7. The annual report should be complete in itself in all particulars. Reference to annual reports of previous years or to other reports should not be made in lieu of required entries except as herein specifically directed or authorized.

8. Entries of a contrary or opposite character (such as decreases reported in a column providing for both increases and decreases) should be shown in red or enclosed in parentheses.

9. Wherever schedules call for comparisons of figures of a previous year, the figures reported must be based upon those shown by the annual report of the previous year, or an appropriate explanation given.

10. Additional schedules inserted for the purpose of further explanation of accounts or schedules should be made on durable paper wherever practicable conform to this form in size and width of margin. The inserts should be securely bound in the report. Inserts should bear the name of the respondent, the applicable year of the report, the schedule numbers, and titles of the schedules to which they pertain.

11. If the respondent makes a report for a period less than a calendar year, the beginning and the end of the period covered must be clearly stated on the front cover and throughout the report where the year or period is required to be stated.

SUBCHAPTER 3. UNIFORM SYSTEM OF ACCOUNTS PRESCRIBED FOR [CLASS I] SOLID WASTE DISPOSAL COLLECTION AND DISPOSAL UTILITIES

7:26I-3.1 Definitions

"Accounts" means the accounts prescribed in this system of accounts.

"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.

"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.

"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.

"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.

"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.

"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.

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

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

"Debt expense" means all expenses in connection with the issuance and initial sale of evidence 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 for marketing such evidences of debt; fees and expenses of listing on exchanges; and other like costs.

"Department" means the New Jersey Department of Environmental Protection.

"Depreciation", as applied to depreciable utility property, means the loss in service value not restored by current maintenance, incurred in connection with the consumption or prospective retirement of utility property in the course of 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.

"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.

"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 and debtor that they shall be settled by the issuance of securities or shall not be subject to current settlement.

"Minor items of property" means the associated parts or items of which retirement units are composed.

"Net salvage value" means the salvage value of property retired less the cost of removal.

"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.

"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.

"Original cost", as applied to utility property, means the cost of such property to the person first devoting it to public service.

"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.

"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.

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

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

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

"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.

"Service life" means the time between the date utility property is includible in utility property service, or utility property 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.

"Service value" means the difference between the original cost and the net salvage value of utility property. "Retirement units" means those items of utility property which, when retired, with or without replacement, are accounted for by crediting the book cost thereof to the utility property account in which included.

"Utility" means any solid waste collection or disposal utility to which this system of accounts is applicable.

7:26I-3.2 Records

(a) Each utility shall keep its books of account, and all other books, records, and memoranda which support the entries in such books of account so as to be able to furnish readily full information as to any item included in any account. Each entry shall be supported by such detailed information as will permit a ready identification, analysis, and verification of all facts relevant thereto.

(b) The books and records referred to herein include not only accounting records in a limited technical sense, but all other records, such as minute books, stock books, reports, correspondence, memoranda, and so forth, which may be useful in developing the history of or facts regarding any transaction.

(c) No utility shall destroy any such books or records unless the destruction thereof is permitted by rules and regulations of the Department.

(d) In addition to prescribed accounts, clearing accounts, temporary or experimental accounts, and subdivisions of any account, may be kept, provided the integrity of the prescribed

accounts is not impaired.

(e) All amounts included in the accounts prescribed herein for utility property and operating expenses shall be just and reasonable and any payments or accruals by the utility in excess of just and reasonable charges shall be included in account 426, Other Income Deductions.

(f) The arrangement or sequence of the accounts prescribed herein shall not be controlling as to the arrangement or sequence in report forms which may be prescribed by the Department.

7:26I-3.3 Numbering system

(a) The account numbering scheme used herein consists of a system of three-digit whole numbers as follows:

1. 100-199 Assets and other debits;
2. 200-299 Liabilities and other credits;
3. 300-399 Property accounts;
4. 400-439 Income accounts;
5. 460-499 Revenue accounts;
6. 600-659 Operating revenue deductions;
7. 900-999 General administrative and general operating expenses.

(b) In certain instances, numbers have been skipped in order to allow for possible later expansion or to permit better coordination with the numbering system for other utility departments.

(c) The numbers prefixed to account titles are solely for convenience of reference and are not part of the titles. Each utility may adopt such scheme of account numbers as it deems appropriate; provided, however, that it shall keep readily available a list of the account numbers and subdivisions of accounts which it uses and a reconciliation of such numbers and subdivisions with the account numbers and titles provided herein.

(d) Further, the records must be so kept as to permit classification or summarization of each accounting period according to the prescribed amounts.

7:26I-3.4 Accounting period

(a) Each utility shall keep its books on a monthly basis so that for each month all transactions applicable thereto, as nearly as may be ascertained, shall be entered in the books of the utility.

(b) Amounts applicable or assignable to specific utility departments shall be so segregated monthly.

(c) Each utility shall close its books at the end of each calendar year unless otherwise authorized by the Department.

7:26I-3.5 Submittal of questions

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

7:26I-3.6 Item lists

- (a) 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.
- (b) The lists are intended to be representative, but not exhaustive
- (c) The appearance of an item in a list warrants the incision 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.
- (d) The proper entry in each instance must be determined by the texts of the accounts.

7:26I-3.7 Extraordinary items

- (a) It is the intent that net income shall reflect all items of profit and loss during the period with the sole exception of prior period adjustments as described in N.J.A.C. 7:26I-3.8.
- (b) Those items related to the effects of events and transactions which have occurred during the current period and which are not typical or customary business activities of the company shall be considered extraordinary items. (See N.J.A.C. 7:26I-3.228 and 3.229, accounts 433 and 434.)
- (c) Items relating to transactions which occurred prior to the current calendar year but were not recorded in the books of account shall be included in the same accounts in which they would have been recorded had the item been recorded in the proper period. Such items relate to events or transactions which occurred in a prior period or periods, the accounting effects of which could not be determined with reasonable assurance at the time, usually because of major uncertainty then existing.
- (d) When the amount of a prior period item is relatively so large its inclusion for a single month would distort the accounts for that month, the amount may be distributed in equal amounts to the accounts for the current and remaining months of the calendar year. However, if the amount of any prior period item is so large that the company believes its inclusion in the income statement would seriously distort the net income for the year, the company may request Department approval to record the amount in account 439, Adjustments to Retained Earnings.
- (e) Such a request must be accompanied by adequate justification.

7:26I-3.8 Unaudited items

- (a) Whenever a financial statement is required by the Department, 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, then the amount shall be estimated and such estimated amount included in the proper accounts.
- (b) The utility is not required to anticipate minor items which would not appreciably affect the accounts.

7:26I-3.9 Distribution of pay and expenses of employees

The charges to utility property, operating expenses 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.

7:26I-3.10 Payroll distribution

(a) 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.

(b) 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 between construction, cost of removal, utility operating functions and nonutility operations.

7:26I-3.11 Operating reserves

(a) Accretions to operating reserve accounts made by charges to operating expenses shall not exceed a reasonable provision for the expense.

(b) Material balances in such reserve accounts shall not be diverted from the purpose for which provided unless the permission of the Department is first obtained.

7:26I-3.12 Records for each property account

(a) Separate records shall be maintained by utility property accounts of the book cost of each property account owned including additions by the utility to property leased from others and of the cost of operating and maintaining each property account as owned or operated.

(b) The term "property" as used here means each source of property (small equipment may be grouped), property in each county and municipality, or such other operating area as the Department may require.

7:26I-3.13 Accounting for other departments

If the utility also operates other utility departments, such as Transfer Stations, landfill operations, incinerators, and so forth, it shall keep such accounts for the other departments as may be prescribed by proper authority and in the absence of prescribed accounts, it shall keep such accounts as are proper or necessary to reflect the results of operating each other department.

7:26I-3.14 Transactions with associated companies

(a) Each utility shall keep its accounts and records so as to be able to furnish accurately and expeditiously statements of all transactions with associated companies.

(b) The statements may be required to show the general nature of the transactions, the

amounts involved therein and the amounts included in each account prescribed herein with respect to such transactions.

(c) Transactions with associated companies shall be recorded in the appropriate accounts for transactions of the same nature.

(d) Nothing herein contained, however, shall be construed as restraining the utility from subdividing accounts for the purposes of recording separately transactions with associated companies.

7:26I-3.15 Contingent assets and liabilities

(a) Contingent assets represent a possible source of value to the utility contingent upon the fulfillment of conditions regarded as uncertain.

(b) Contingent liabilities include items which may under certain conditions become obligations of the utility but which are neither direct nor assumed liabilities at the date of the balance sheet.

(c) The utility shall be prepared to give a complete statement of material contingent assets and liabilities (including cumulative dividends on preference stock) in its annual report and at such other times as may be requested by the Department.

7:26I-3.16 Sale, purchase and transfer of assets

The sale, purchase, or transfer of assets normally classified as personal property, namely, equipment, established customer routes, customer stops, either in total or any part thereof, including goodwill recorded on the books of record prior to November 6, 1970, but, excluding assets normally classified as realty, that is, land, land rights, structures, buildings, and so forth, the sale, purchase or transfer which is covered under N.J.A.C. 7:26I-3.21; shall be recorded in the purchaser's books of record at Original Cost as reflected in the books of record of the seller according to rules and procedures promulgated by the Department, covered under N.J.A.C. 7:26I-3.22.

7:26I-3.17 Classification of utility property at effective date of system of a

The utility property accounts provided herein are substantially the same in context as those contained in the Department's other approved system of accounts, but changes in functional groupings, sequence of accounts, account numbers, and account titles have been made.

7:26I-3.18 Utility property to be recorded at cost

(a) All amounts included in the accounts for utility property, acquired as an operating unit or system, shall be stated at the cost incurred by the person first devoting it to utility service and all other utility property shall be included in the accounts at the cost incurred by the utility except as otherwise provided in the texts of the intangible property accounts. Where the term "cost" is used in the detailed property accounts, it shall have the meaning stated in this paragraph. (N.J.A.C. 7:26I-3.21 and 3.22.)

(b) When the consideration given for property is other than cash, the value of such consideration shall be determined on a cash basis. In the entry recording such transaction, the actual consideration shall be described with sufficient particularity to identify it. The utility shall be prepared to furnish the Department the particulars of its determination of the cash value of the consideration if other than cash.

(c) When property is purchased under a plan involving deferred payments, no charge shall be made to the utility property accounts for interest, insurance, or other expenditures occasioned solely by such form of payment.

(d) Utility property contributed to the utility or constructed by it from contributions to it of cash or its equivalent shall be charged to the utility property accounts at cost of construction, estimated if not known. There shall be credited to the accounts for accumulated depreciation and amortization the estimated amount of depreciation and amortization applicable to the property at the time of its contribution to the utility. The difference between the amounts included in the utility plant accounts and the accumulated depreciation and amortization shall be credited to account 271, Contributions in Aid of Construction.

7:26I-3.19 Components of construction cost

(a) The cost of construction properly includible in the utility property accounts shall include, where applicable, the direct and overhead costs as listed and defined hereunder.

1. "Contract work" includes amounts paid for work performed under contract by other companies, firms, or individuals, costs, incident to the award of such contracts, and the inspection of such work.

2. "Labor" includes the pay and expenses of employees of the utility engaged on construction work, and related workmen's compensation insurance payroll taxes and similar items of expense. It does not include the pay and expenses of employees which are distributed to construction through clearing accounts nor the pay and expenses included in other items hereunder.

3. "Materials and supplies" includes the purchase price at the point of free delivery plus customs duties, excise taxes, the cost of inspection, loading and transportation. In determining the cost of materials and supplies used for construction, proper allowance shall be made for unused materials and supplies for materials recovered from temporary structures used in performing the work involved, and for discounts allowed and realized in the purchase of materials and supplies.

NOTE:-The cost of individual items of equipment of small value or of short life, including small portable tools and implements, shall not be charged to utility property accounts unless the correctness of the accounting therefore is verified by current inventories. The cost shall be charged to the appropriate operating expense or clearing accounts, according to the use of such items, or, if such items are consumed directly in construction work, the cost shall be included as part of the cost of the construction unit.

4. "Transportation" includes the cost of transporting employees, materials and supplies, tools, purchased equipment, and other work equipment (when not under own power) to

and from points of construction. It includes amounts paid to others as well as the cost of operating the utility's own transportation equipment. (See (a)5 below.)

5. "Special machine service" includes the cost of labor (optional), materials and supplies, depreciation, and other expenses incurred in the maintenance, operation and use of special machines, such as steam shovels, pile drivers, derricks, ditchers, scrapers, material unloaders, and other labor saving machines; also expenditures for rental, maintenance and operation of machines of others. It does not include the cost of small tools and other individual items of small value or short life which are included in the cost of materials and supplies. (See item 3, above.) When a particular construction job requires the use for an extended period of time of special machines, transportation or other equipment, the net book cost thereof, less the appraised or salvage value at time of release from the job, shall be included in the cost of construction.

6. "Protection" includes the cost of protecting the utility's property from fire or other casualties and the cost of preventing damages to others, or to the property of others, including payments for discovery or extinguishment of fires, cost of apprehending and prosecuting incendiaries, witness fees in relation thereto, amounts paid to municipalities and others for fire protection, and other analogous items of expenditures in connection with construction work.

7. "Injuries and damages" includes expenditures or losses in connection with construction work on account of injuries to persons and damages to the property of others; also the cost of investigation of and defense against actions for such injuries and damages. Insurance recovered or recoverable on account of compensation paid for injuries to persons incident to construction shall be credited to the account or accounts to which such compensation is charged. Insurance recovered or recoverable on account of property damages incident to construction shall be credited to the account or accounts charged with the cost of the damages.

8. "Privileges and permits" includes payments for and expenses incurred in securing temporary privileges, permits or rights in connection with construction work, such as for the use of private or public property, streets, or highways, but it does not include rents, or amounts chargeable as franchises and consents for which. (See N.J.A.C. 7:26I-3.130, account 302, Franchises, Consents, Permits, and so forth.)

9. "Rents" includes amounts paid for the use of construction quarters and office space occupied by construction forces and amounts properly includible in construction costs for such facilities jointly used.

10. "Insurance" includes premiums paid or amounts provided or reserved as self-insurance for the protection against loss and damages in connection with construction, by fire or other casualty, injuries to or death of persons other than employees, damages to property of others, defalcation of employees and agents, and the nonperformance of contractual obligations of others. It does not include workmen's compensation or similar insurance on employees included as "labor" in (a)2, above.

11. "Law expenditures" includes the general law expenditures incurred in connection with construction and the court and legal costs directly related thereto, other than law expenses included in "Protection", (a)6, above and in "Injuries and damages", (a)7 above. included as "labor" in paragraph 2, above.

12. "Taxes" includes taxes on physical property (including land) during the

period of construction and other taxes properly includable in construction costs before the facilities become available for service.

13. "Interest during construction" includes the net cost for the period of construction of borrowed funds used for construction purposes and a reasonable rate on other funds when so used. No interest charges shall be included in these accounts upon expenditures for construction projects which have been abandoned.

NOTE:-When a part only of a property or project is placed in operation or is completed and ready for service but the construction work as a whole is incomplete, that part of the cost of the property placed in operation, or ready for service, shall be treated as "Utility Property in Service" and interest thereon as a charge to construction shall cease. Interest on that part of the cost of the property which is incomplete may be continued as a charge to construction until such time as it is placed in operation or is ready for service, except as limited in (a)13, above.

14. "Earnings and expenses during construction" shall constitute a component of construction costs.

i. The earnings shall include revenues received or earned and produced by the property during the construction period and sold or used by the utility. The revenues shall also include rentals for lands, buildings, and so forth, and miscellaneous receipts not properly includable in other accounts.

ii. The expenses shall consist of the cost of operating the property, and other costs incident to the production and delivery of the service and/or results for which construction is credited under (a)1 through 13, above, including the cost of repairs and other expenses of operating and maintaining lands, buildings, and other property, and other miscellaneous and like expenses not properly includable in other accounts.

7:26I-3.20 Overhead construction costs

(a) All overhead construction costs, such as engineering, supervision, general office salaries and expenses, construction engineering and supervision by others than the accounting utility, law expenses, insurance, injuries and damages, relief and pensions, taxes and interest, shall be charged to particular jobs or units on the basis of the amounts of such overheads reasonably applicable thereto, to the end that each job or unit shall bear its equitable proportion of such costs and that the entire cost of the unit, both direct and overhead, shall be deducted from the plant accounts at the time the property is retired.

(b) As far as practicable, the determination of payroll charges includible in construction overheads shall be based on time card distributions thereof. Where this procedure is impractical, special studies shall be made periodically of the time of supervisory employees devoted to construction activities to the end that only such overhead costs as have a definite relation to construction shall be capitalized. The addition to direct construction costs of arbitrary percentages or amounts to cover assumed overhead costs is not permitted.

(c) The records supporting the entries for overhead construction costs shall be so kept as to show the total amount of each overhead for each year, the nature and amount of each overhead expenditure charged to each construction work order and to each utility plant account,

and the basis of distribution of such costs.

7:26I-3.21 Utility property purchased or sold

(a) When utility property constituting an operating unit or system is acquired by purchase, merger, consolidation, liquidation, or otherwise the cost of acquisition, including expenses incidental thereto properly includible in utility plant, shall be charged to account 102, Utility Property Purchased or Sold. (N.J.A.C. 7:26I-3.16.)

(b) The accounting for the acquisition, shall then be completed as follows:

1. The original cost of property estimated if not known, shall be credited to account 102, Utility Property Purchased, or Sold, and concurrently charged to the appropriate utility property in service accounts and to account 104, Utility Property, Leased to Others, account 105, Property Held For Future Use, and account 107, Construction Work in Progress, as appropriate.

2. The requirements for accumulated provision for depreciation and amortization applicable to the original cost of the properties purchased, if required by the Department to be recorded by the accounting utility, determined with due regard to operating practices of the purchaser and his plans regarding such property, and giving consideration also to the effect on such requirements of any rehabilitation expenditures (See (c) below), shall be charged to account 102, Utility Property Purchased or Sold, and concurrently credited to the appropriate account for accumulated provision for depreciation or amortization.

3. The cost to the utility of any property includible in account 121, Nonutility Property, shall be transferred thereto.

4. The amount of contributions in aid of construction applicable to the property acquired, and which the purchaser may be required to record, shall be charged to account 102, Utility Property Purchased or Sold, and concurrently credited to account 271, Contributions in Aid of Construction.

5. The amount remaining in account 102, Utility Property Purchased or Sold, shall then be closed to account 117, Utility Property Acquisition Adjustments.

(c) If property acquired in the purchase of an operating unit or system is in such physical condition when acquired that it is necessary substantially to rehabilitate it in order to bring the property up to the standards of the utility, the cost of such work, except replacements, shall be accounted for as part of the purchase price of the property.

(d) When any property acquired as an operating unit or system includes duplicate or other plant which will be retired by the accounting utility in the reconstruction of the acquired property or its consolidation with previously owned property, the accounting for such property shall be presented to the Department.

(e) In connection with the acquisition of utility property constituting an operating unit or system, the utility shall procure, if possible, all existing records relating to the property acquired, or certified copies thereof, and shall preserve such records in conformity with regulations or practices governing the preservation of records of its own construction.

(f) When utility property constituting an operating unit or system is sold, conveyed, or transferred to another by sale, merger, consolidation, or otherwise, the book cost of the property

sold or transferred to another shall be credited to the appropriate utility property accounts, including amounts carried in account 117, Utility Property Acquisition Adjustments, and the amounts (estimated if not known) carried with respect thereto in the accounts for accumulated provision for depreciation and amortization and in account 252, Customer Advances for Construction, and account 271, Contributions in Aid of Construction, shall be charged to such accounts and the contra entries made to account 102, Utility Property Purchased or Sold. Unless otherwise ordered by the Department, the difference, if any, between the net amount of debits and credits and the consideration received for the property (less commissions and other expenses of making the sale) shall be included in account 439, Adjustments to Retained Earnings. (See N.J.A.C. 7:26I-3.37, account 102, Utility Property Purchased or Sold.)

NOTE:-In cases where existing utilities merge or consolidate because of financial or operating reasons or statutory requirements rather than as a means of transferring title or purchased properties to a new owner, the accounts of the constituent utilities, with the approval of the Department, may be combined. In the event original cost has not been determined, the resulting utility shall proceed to determine such cost as outlined herein.

7:26I-3.22 Utility assets sold, purchased or transferred; personal property

(a) When utility assets are sold, purchased or transferred the purchaser shall record the excess of the purchased price covering the acquisition of the assets, excluding assets normally classified as realty assets, (land, land right, structures, buildings, and so on) over and above the original cost reflected in the Seller's books of record, wherein said excess shall be designated and reflected in the Buyer's books of record as "Customers Accounts Purchased". (See N.J.A.C. 7:26I-3.21.)

(b) The accounting for the acquisition shall be recorded as follows:

1. Account 180 "Customers Accounts Purchased", shall be reflected as a Deferred Asset and, the excess cost so represented shall be amortized over a period not greater than the term indicated by the evidence of indebtedness or five years, whichever first expires.
2. The yearly amortized portion of account 424 "Customer Accounts Purchased" written off each year will be deducted from income after operating expenses, maintenance expenses, depreciation and taxes, and, will therefore not be construed as a direct operating expense deduction from Utility Revenues.
3. Both the purchaser and seller are to prepare and submit pro forma journal entries for approval reflecting the application on their respective books of record with the filing of their petition requesting the Department's approval.

7:26I-3.23 Expenditures on leased property

(a) The cost of substantial initial improvements (including repairs, rearrangements, additions, and betterments) made in the course of preparing for utility service property leased for a period of more than one year, and the cost of subsequent substantial additions, replacements, or betterments to such property, shall be charged to the utility property appropriate for the class of

property leased. If the service life of the improvements is terminable by action of the lease, then the cost, less net salvage, of the improvements shall be spread over the life of the lease by charges to account 404, Amortization of Limited-Term Utility Property. However, if the service life is not terminated by action of the lease but by depreciation proper, then the cost of the improvements, less net salvage, shall be accounted for as depreciable property.

(b) If improvements made to property leased for a period of more than one year are of relatively minor cost, or if the lease is for a period of not more than one year, the cost of the improvements shall be charged to the account in which the rent is included either directly or by amortization thereof.

7:26I-3.24 Land and land rights

(a) The accounts for land and land rights include the cost of land owned in fee by the utility and rights, interests, and privileges held by the utility in land owned by others, such as leaseholds, easements, diversion rights, submersion rights, rights of way, and other like interests in land.

(b) Where special assessments for public improvements provide for deferred payments, the full amount of the assessments shall be charged to the appropriate land account and the unpaid balance shall be carried in an appropriate liability account. Interest on unpaid balances shall be charged to the appropriate interest account. If any part of the cost of public improvements is included in the general tax levy, the amount thereof shall be charged to the appropriate tax account.

(c) The net profit from the sale of timber, cord wood, or other property acquired with rights of way or other lands shall be credited to the appropriate land and land rights or clearing land account. Where land is held for a considerable period of time and timber on the land at the time of purchase increases in value, the net profit (after giving effect to the cost of the timber) from the sales of timber or its products shall be credited to account 421, Miscellaneous Nonoperating Income.

(d) Separate entries shall be made for the acquisition, transfer, or retirement of each parcel of land, and each land right or water rights, having a life of more than one year. A record shall be maintained showing the nature of ownership, full legal description, area, map reference, purpose for which used, city, county, and tax district in which situated, from whom purchased or to whom sold, payment given or received, other costs, contract date and number, date of recording of deed, and book and page of record. Entries transferring or retiring land or land rights shall refer to the original entry recording its acquisition.

(e) Any difference between the amount received from the sale of land or land rights, less agents' commissions and other costs incident to the sale, and the book cost of such land or land rights, shall be charged or credited as appropriate to account 439, Adjustments to Retained Earnings, unless a reserve therefor has been authorized and provided. Appropriate adjustments of the accounts shall be made with respect to any structures or improvements located on land sold.

(f) The cost of buildings and other improvements (other than public improvements) shall not be included in the land accounts. If at the time of acquisition of any interest in land such interest extends to buildings or other improvements (other than public improvements), which are then devoted to utility operations, the land and improvements shall be separately appraised and

the cost allocated to land and buildings or improvements on the basis of the appraisals. If the improvements are removed or wrecked without being used in operations, the cost of removing or wrecking shall be charged and the salvage credited to the account in which the cost of the land is recorded.

(g) When the purchase of land for utility operations requires the purchase of more land than needed for such purposes, the charge to the specific land account shall be based upon the cost of the land purchased, less the fair market value of that portion of the land which is not to be used in utility operations. The portion of the cost measured by the fair market value of the land not to be used shall be included in account 105, Property Held For Future Use, or account 121, Nonutility Property, as appropriate.

(h) Provision shall be made for amortizing amounts carried in the accounts for limited-term interests in land so as to apportion equitably the cost of each interest over the life thereof. (See N.J.A.C. 7:26I-3.46, account 114, Accumulated Provision for Amortization of Utility Property Service, and N.J.A.C. 7:26I-3.191, account 404, Amortization of Limited-Term Utility Property.)

(i) The items of cost to be included in the accounts for land and land rights are as follows:

1. Bulkheads, buried, not requiring maintenance or replacement;
2. Cost, first, of acquisition including mortgages and other liens assumed (but not subsequent interest thereon);
3. Clearing (first cost) the land of brush, trees, and debris;
4. Condemnation proceedings, including court and counsel costs;
5. Consents and abutting damages, payment for;
6. Conveyancers' and notaries' fees;
7. Fees, commissions, and salaries to brokers, agents, and others in connection with the acquisition of the land or land rights;
8. Grading the land, except when directly occasioned by the building of a structure;
9. Leases, cost of voiding upon purchase to secure possession of land;
10. Removing, relocating, or reconstructing property of others, such as buildings, highways, railroads, bridges, cemeteries, churches, telephone and power lines, and so forth, in order to acquire quiet possession;
11. Retaining walls unless identified with structures;
12. Special assessments levied by public authorities for public improvements on the basis of benefits for new roads, new bridges, new sewers, new curbing, new pavements, and other public improvements, but not taxes levied to provide for the maintenance of such improvements;
13. Surveys in connection with the acquisition, but not amounts paid for topographical surveys and maps where such costs are attributable to structures or plant equipment erected or to be erected or installed on such land;
14. Taxes assumed, accrued to date of transfer of title;
15. Title, examining, clearing, insuring, and registering in connection with the acquisition and defending against

claims relating to the period prior to the acquisition;

16. Appraisals prior to closing title;
 17. Cost of dealing with distributees or legatees residing outside of the State or county, such as recording power of attorney, recording will or exemplification of will, recording satisfaction of State tax;
 18. Filing satisfaction of mortgage;
 19. Documentary stamps;
 20. Photographs of property at acquisition;
 21. Fees and expenses incurred in the acquisition of buildings for purposes of display or demonstration shall not water rights, and grants; be included in the cost of the building but in the appropriate
 22. Sidewalks and curbs constructed by the utility on equipment account.
- public property;
23. Labor and expenses in connection with securing structures and improvements are as follows:
- rights of way, where performed by company employees and company agents.

7:26I-3.25 Structures and improvements

(a) The accounts for structures and improvements include the cost of all buildings and facilities to house, support, or safeguard property or persons, including all fixtures permanently attached to and made a part of buildings and which cannot be removed therefrom without cutting into the walls, ceilings, or floors, or without in some way impairing the buildings, and improvements of a permanent character on or to land.

(b) The cost of specially provided foundations not intended to outlast the machinery or apparatus for which provided, and the cost of angle irons, castings, and so forth, installed at the base of an item of equipment, shall be charged to the same account as the cost of the machinery, apparatus, or equipment.

(c) Minor buildings and structures, such as control stations, watchman's stations, telephone stations, and so forth, which are used directly in connection with or form a part of a utility operations, and so forth, shall be considered a part of the facility in connection with which constructed or operated and the cost thereof accounted for accordingly.

(d) Where furnaces and boilers are used primarily for furnishing steam for some particular department and only incidentally for furnishing steam for heating a building and operating the equipment therein, the entire cost of such furnaces and boilers shall be charged to the appropriate property account, and no part to the building account.

(e) The cost of disposing of materials excavated in connection with construction of structures shall be considered as a part of the cost of such work, except as follows:

1. When such material is used for filling, the cost of loading, hauling, and dumping shall be equitably apportioned between the work in connection with which the removal occurs and the work in connection with which the material is used;
2. When such material is sold, the net amount realized from such sales shall be credited to the work in connection with which the removal occurs.

(f) If the amount realized from the sale of excavated materials exceeds the removal costs and the costs in connection with the sale, the excess shall be credited to the land account in which the site is carried.

(g) Lighting or other fixtures temporarily attached to buildings for purposes of display or demonstration shall not be included in the cost of the building but in the appropriate equipment account.

1. Architects' plans and specifications including supervision;
2. Ash pits (when located within the building);
3. Boilers, furnaces, piping, wiring, fixtures, and machinery for heating, lighting, signaling, ventilating, and air conditioning systems, plumbing, vacuum cleaning systems, incinerator and smoke pipe, flues, and so forth;
4. Bulkheads, including dredging, riprap fill, piling, decking, concrete, fenders, and so forth, when exposed and subject to maintenance and replacement;
5. Chimneys;
6. Coal bins and bunkers;
7. Commissions and fees to brokers, agents, architects and others;
8. Conduit (not to be removed) with its contents;
9. Damages to abutting property during construction;
10. Docks;
11. Door checks and door stops;
12. Drainage and sewage systems;
13. Elevators, cranes, hoists, and so forth, and the machinery for operating them;
14. Excavation, including shoring, bracing, bridging, refill, and disposal of excess excavated material, cofferdams around foundation, pumping water from cofferdam during construction, test borings;
15. Fences and fence curbs (not including protective fences isolating items of equipment, which should be charged to the appropriate equipment account);
16. Fire protection systems when forming a part of a structure;
17. Flagpole;
18. Floor covering (permanently attached);
19. Foundations and piers for machinery, constructed as a permanent part of a building or other item listed herein;
20. Grading and clearing when directly occasioned by the building of a structure;
21. Intrasite communication system, poles, pole fixtures, wires and cables;
22. Landscaping, lawns, shrubbery, and so forth;
23. Leases, voiding upon purchase, to secure possession of structures;
24. Leased property, expenditures on;
25. Lighting fixtures and outside lighting systems;
26. Mailchutes when part of a building;
27. Marquee, permanently attached to building;
28. Painting, (first cost);
29. Permanent paving, concrete, brick, flagstone, asphalt, and so forth, within

the property lines;

30. Partitions, including movable;
31. Permits and privileges;
32. Platforms, railings and gratings when constructed as a part of a structure;
33. Power boards for services to a building;
34. Refrigerating systems for general use;
35. Retaining walls except when identified with land;
36. Roadways, railroads, bridges, and trestles intrasite except railroads

provided for in equipment accounts;

37. Roofs;
38. Scales, connected to and forming a part of a structure;
39. Screens;
40. Sewer systems, for general use;
41. Sidewalks, culverts, curbs and streets constructed by the utility on its

property;

42. Sprinkling systems;
43. Sump pumps and pits;
44. Stacks-brick, steel, or concrete, when set on

foundation forming part of general foundation and steelwork of a building;

45. Steel inspection during construction;
46. Storage facilities constituting a part of a building;
47. Storm doors and windows;
48. Subways, areaways, and tunnels, directly connected to and forming part of

a structure;

49. Tanks, constructed as part of a budding or as distinct structural unit;
50. Temporary heating during construction (net cost);
51. Temporary water connection during construction (net cost);
52. Temporary shanties and other facilities used during construction (net cost);
53. Topographical maps;
54. Tunnels, intake and discharge, when constructed as part of a structure,

including sluice gates, and those constructed to house mains;

55. Vaults constructed as part of a building;
56. Watchmen's sheds and clock systems (net cost when used during

construction only)@,

57. Water basins or reservoirs;
58. Water front improvements;
59. Water supply piping, hydrants and wells;
60. Water meters and supply system for a building or for general company

purposes;

61. Wharves;
62. Window shades and ventilators;
63. Yard drainage system;
64. Yard lighting system;
65. Yard surfacing, gravel, concrete, or oil, (first cost only).

NOTE:-Structures and Improvement accounts shall be credited with the cost of coal bunkers, stacks, foundations, subways, tunnels, and so forth, the use of which has terminated with the removal of the equipment with which they are associated even though they have not been physically removed.

7:26I-3.26 Equipment

(a) The cost of equipment chargeable to the utility property accounts, unless otherwise indicated in the text of an equipment account, includes the net purchase price thereof, sales taxes, investigation and inspection expenses necessary to such purchase, expenses of transportation when borne by the utility, labor employed, materials and supplies consumed, and expenses incurred by the utility in unloading and placing the equipment in readiness to operate.

(b) Exclude from equipment accounts hand and other portable tools which are likely to be lost or stolen or which have relatively small value or short life, unless the correctness of the accounting therefor as utility property verified by current inventories. Special tools acquired and included in the purchase price of equipment shall be included in the appropriate equipment account.

(c) The equipment accounts shall include angle irons and similar items which are installed at the base of an item of equipment, but piers and foundations which are designed to be as permanent as the buildings which house the equipment, or which are constructed as a part of the building and which cannot be removed without cutting into the walls, ceilings or floors or without in some way impairing the building, shall be included in the proper property accounts.

(d) The equipment accounts shall include the necessary costs of testing or running utility property or part thereof during an experimental or test period prior to becoming available for service. The utility shall furnish the Department with full particulars of and justification for any test or experimental run extending beyond a period of thirty days.

(e) The cost of efficiency or other tests made subsequent to the date equipment becomes available for service shall be charged to the appropriate expense accounts, except that tests to determine whether equipment meets the specifications and requirements as to efficiency, performance, and so forth, guaranteed by manufacturers, made after operations have commenced and within the period specified in the agreement or contract of purchase; may be charged to the appropriate utility property account.

7:26I-3.27 Additions and retirements of utility property

(a) For the purpose of avoiding undue refinement in accounting for additions to and retirements and replacements of utility property all property shall be considered as consisting of retirement units and minor items of property. Each utility shall use such list of retirement units as is in use by it at the effective date hereof or as may be prescribed by the Department, with the option, however, of using smaller units (\$50.00) provided the utility's practice in this respect is consistent.

(b) The addition and retirement of retirement units shall be accounted for as follows:
1. When a retirement unit is added to the utility property the cost thereof shall

be added to the appropriate utility property account, except that when units are acquired in the acquisition of any utility property constituting an operating system, they shall be accounted for as provided in N.J.A.C. 7:26I-3.21 and 3.22.

2. When a retirement unit is retired from utility property with or without replacement, the book cost thereof shall be credited to the utility property account in which it is included, determined in the manner set forth in (d), below. If the retirement unit is of a depreciable class, the book cost of the unit retired and credited to utility property shall be charged to the accumulated provision for depreciation applicable to such property. The cost of removal and the salvage shall be charged or credited, as appropriate, to such depreciation account.

(c) The addition and retirement of minor items of property shall be accounted for as follows:

1. When a minor item of property which did not previously exist is added to property the cost thereof shall be accounted for in the same manner as for the addition of a retirement unit, as set forth in (b), above, if a substantial addition results, otherwise the charge shall be to the appropriate maintenance expense account.

2. When a minor item of property is retired and not replaced the book cost thereof shall be credited to the utility property account in which it is included; and, in the event the minor item is a part of a depreciable plant, the account for accumulated provision for depreciation shall be charged with the book cost and cost of removal and credited with the salvage. If, however, the book cost of the minor item retired and not replaced has been or will be accounted for by its inclusion in the retirement unit of which it is a part when such unit is retired, no separate credit to the property account is required when such minor item is retired.

3. When a minor item of depreciable property is replaced independently of the retirement unit of which it is a part, the cost of replacement shall be charged to the maintenance account appropriate for the item, except that if the replacement effects a substantial betterment (the primary aim of which is to make the property affected more useful, more efficient, of greater durability, or of greater capacity), the excess cost of the replacement over the estimated cost at current prices of replacing without betterment shall be charged to the appropriate utility property account.

(d) The book cost of the utility property retired shall be the amount at which such property is included in the utility plant accounts, including all components of construction costs. The book cost shall be determined from the utility's records and if this cannot be done, it shall be estimated. When it is impracticable to determine the book cost of each unit, due to the relatively large number or small cost thereof, an appropriate average book cost of the units, with due allowance for any differences in size and character, shall be used as the book cost of the units retired.

(e) The book cost of land retired shall be credited to the appropriate land account. If the land is sold, the difference between the book cost (less any accumulated provision for depreciation or amortization therefor which has been authorized and provided) and the sale price of the land (less commissions and other expenses of making the sale) shall be charged or credited as appropriate to account 439, Adjustments to Retained Earnings. If the land is not used in utility service but is retained by the utility, the book cost shall be charged to account 105, Property Held for Future Use, or account 121, Nonutility Property, as appropriate.

(f) The book cost less net salvage of depreciable utility property retired shall be

charged in its entirety to account 111, Accumulated Provision for Depreciation of Utility Property in Service. Any amounts which, by approval or order of the Department, are charged to account 182, Extraordinary Property Losses, shall be credited to account 111, Accumulated Provision for Depreciation of Utility Plant in Service.

(g) The accounting for the retirement of amounts included in account 303, Miscellaneous Intangible Property and the items of limited-term interest in land included in the accounts for land and land rights shall be as provided for in the text of account 114, Accumulated Provision for Amortization of Utility Property in Service, account 404, Amortization of Limited-Term Utility Property and account 405, Amortization of Other Utility Property.

7:26I-3.28 Work order and property record system required

(a) Each utility shall record all construction and retirements of utility property by means of work orders or job orders. Separate work orders may be opened for additions to and retirements of utility property or the retirements may be included with the construction work order, provided, however, that all items relating to the retirements shall be kept separate from those relating to construction and provided, further, that any maintenance costs involved in the work shall likewise be segregated.

(b) Each utility shall keep its work order system so as to show the nature of each addition to or retirement of utility property the total cost thereof, the source or sources of costs, and the utility plant account or accounts to which charged or credited. Work orders covering jobs of short duration may be cleared monthly.

(c) Each utility shall maintain records in which, for each property account, the amounts of the annual additions and retirements are classified so as to show the number and the cost of the various retirement units or other appropriate record units included therein.

7:26I-3.29 Transfers of property

(a) When property is transferred from one account for utility property to another to or from accounts 101, Utility Property in Service Classified, 104, Utility Property Leased to Others, 105, Property Held for Future Use, and 121, Nonutility Property, the transfer shall be recorded by transferring the original cost thereof from the one account, to the other.

(b) Any related amounts carried in the accounts for accumulated provisions for depreciation or amortization shall be transferred in accordance with the segregation of such accounts.

7:26I-3.30 Common utility property

(a) If the utility is engaged in more than one utility service such as transfer station, landfill operation and any of its-utility property is used in common for several utility services or for other purposes to such an extent and in such manner that it is impracticable to segregate it by utility services currently in the accounts, such property with the approval of the Department, may be designed and classified as "common utility property".

(b) Utility property designated as common utility plant shall be classified according to

the detailed utility property accounts appropriate for the property.

(c) The utility shall be prepared to show at any time and to report to the Department annually, or more frequently, if required, and by utility property accounts (301 to 399) the following:

1. The book cost of common utility property;
2. The allocation of such cost to the respective departments using the common utility property; and
3. The basis of the allocation.

(d) The accumulated provision for depreciation and amortization of the utility shall be segregated so as to show the amount applicable to the property classified as common utility property.

(e) The expenses of operation, maintenance, rent, depreciation and amortization of common utility property shall be recorded in the accounts prescribed herein but designated as common expenses, and the allocation of such expenses to the departments using the common utility property shall be supported in such manner as to reflect readily the basis of allocation used.

7:26I-3.31 Distribution of wages and expenses of employees

(a) The charges to investments, operation and maintenance expenses, and other accounts for services and expenses of employees engaged in activities chargeable to various accounts, 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 study of the time actually engaged during a representative period.

(b) The pay and expenses of an employee of one department who occasionally performs incidental services involving but small expense for another department, may be included in the expense of the department in which the employee is regularly employed.

7:26I-3.32 Distribution of repairs-revenue equipment (accounts 602 and 603)

All repairs to rolling equipment-mobile is to be distributed and properly allocated to the proper operation where the utility operation consists of more than one classification of operations.

7:26I-3.33 Insurance

(a) Provision has been made under Operation and Maintenance Expenses for recording amounts of premiums paid outside insurance companies in accounts as follows:

1. 648. Public Liability and Property Damage Insurance;
2. 650-651. Workmen's Compensation-Insurance;
3. 652. Fire and Theft Insurance;
4. 653. Bonds, Security and Performance Agreement;
5. 654. Officers, Partners, Proprietor Insurance;
6. 655. Other Insurance.

(b) Premiums paid in advance shall be charged to account 165, Prepayments, and

equitably distributed to the appropriate accounts over the period for which the premiums have been paid, except minor premiums which may be charged direct and premiums chargeable to construction.

(c) Utilities authorized by the Department to self-insure for automobile bodily injury liability, property damage liability, or other liability shall record periodic charges to the appropriate expense accounts in amounts sufficient to cover estimated losses based on the carrier's experience.

(d) The following accounts have been provided for the purpose of creating reserves for losses not covered by outside insurance and for losses incurred in excess of outside insurance coverage:

1. 649. Injuries and Damages;
2. 651. Workmen's Compensation-Self-Insurer;
3. 652. Fire and Theft Insurance;
4. 655. Other Insurance.

(e) Reserves created for self-insurance of injuries and damages, workmen's compensation, and other losses shall be included in account 262, Injuries, Loss and Damage Reserves.

(f) Periodic charges to expense accounts for the purpose of creating reserves for self-insurance liability shall be determined currently by the carrier from its best source of information and the rates used may be based on percentage of revenue, mileage, amount of payrolls, or other equitable basis.

7:26I-3.34 Rents

(a) The rent expense accounts provided under the several functional groups of expense accounts shall include all rents, including taxes paid by the lessee on leased property, for property used in utility operations, except:

1. Minor amounts paid for occasional or infrequent use of any property or equipment which shall be treated as an expense item and included in the appropriate functional account; and

2. If rents cover property used for more than one function, or by more than one department, the rents shall be apportioned to the appropriate rent expense or clearing accounts of each department on an actual, or, if necessary, an estimated basis.

(b) When a portion of property or equipment rented from others for use in connection with utility operations is subleased, the revenue derived from such subleasing shall be credited to the rent revenue account in operating revenues; provided, however, that in case the rent was charged to a clearing account, amounts received from subleasing the property shall be credited to such clearing account.

(c) The cost, when incurred by the lessee, of operating and maintaining leased property, shall be charged to the accounts appropriate for the expense if the property were owned.

(d) The cost incurred by the lessee of additions and replacements to utility property leased from others shall be accounted for as provided in N.J.A.C. 7:26I-3.23.

NOTE:-The aggregate of the rents included in the functional operating expense accounts shall be included in the income statement in account 401, Operation Expense. However, where the rents are significant in amount, the aggregate thereof shall be known separately in the income statement.

7:26I-3.35 Balance sheet accounts

(a) The balance sheet accounts concerning assets and other debits are as follows:

1. Utility property:
 - i. 101-06. Utility Property;
 - ii. 107. Construction Work in Progress;
 - iii. 111-13. Accum. - Prov. for Depreciation (Cr.);
 - iv. 114-16. Accum. Prov. for Amort. of Ut. Prop. (Cr.);
 - v. 117-19. Utility Property Adjustments.
2. Other Property and Investments:
 - i. 121. Nonutility Property;
 - ii. 122. Accum. Prov. for Dept. and Amort. of Nonutility Property
 - iii. 123. Investment in Assoc. Companies;
 - iv. 124. Other Investments;
 - v. 125. Sinking Funds;
 - vi. 126. Depreciation Fund;
 - vii. 128. Other Special Funds.
3. Current and accrued assets:
 - i. 131. Cash;
 - ii. 132-4. Special Deposits;
 - iii. 135. Working Funds;
 - iv. 136. Temporary Cash Investments;
 - v. 141. Notes Receivable;
 - vi. 142. Customer Accounts Receivable;
 - vii. 143. Other Accounts Receivable;
 - viii. 144. Accum. Prov. for Uncollect. Accts. (Cr.);
 - ix. 145. Notes Rec. from Assoc. Companies;
 - x. 146. Accts. Rec. from Assoc. Companies;
 - xi. 151-163. Materials and Supplies;
 - xii. 165. Prepayments;
 - xiii. 171. Interest and Dividends Receivable;
 - xiv. 172. Rents Receivable;
 - xv. 173. Accrued Utility Revenue;
 - xvi. 174. Misc. Current and Accrued Assets.
4. Deferred debits:
 - i. 180. Customers' Accounts Purchased;
 - ii. 181. Unamort. Debt Disc. and Expense;
 - iii. 182. Extraordinary Property Losses;
 - iv. 183-186. Other Deferred Debits;

(Cr.);

5. Proprietary capital:
 - i. 201-3. Common Capital Stock;
 - ii. 204-6. Preferred Capital Stock;
 - iii. 207-11. Other Paid-In Capital;
 - iv. 212. Installments Rec. on Cap. Stock;
 - v. 214. Capital Stock Expense (Dri);
 - vi. 215. Appropriated Retained Earnings;
 - vii. 216. Unappropriated Retained Earnings;
 - viii. 217. Reacquired Capital Stock (Dr.);
 - ix. 218. Sole Proprietorship Capital;
 - x. 219. Partnership Capital.
6. Long-term debt:
 - i. 221-22. Bonds;
 - ii. 223. Advances from Assoc. Companies;
 - iii. 224. Other Long-Term Debt.
7. Current and accrued:
 - i. 231. Notes Payable;
 - ii. 232. Accounts Payable;
 - iii. 233. Notes Payable to Assoc. Companies;
 - iv. 234. Accts. Payable to Assoc. Companies;
 - v. 235. Customer Deposits;
 - vi. 236. Taxes Accrued;
 - vii. 237. Interest Accrued;
 - viii. 238. Dividends Declared;
 - ix. 239. Matured Long-Term Debt;
 - x. 240. Matured Interest;
 - xi. 241. Tax Collections Payable;
 - xii. 242. Misc. Cur. and Accrued Liabilities.
8. Deferred credits:
 - i. 251. Unamortized Premium on Debt;
 - ii. 253. Other Deferred Credits.
9. Operating reserves:
 - i. 261. Property Insurance Reserve;
 - ii. 262. Injuries and Damages Reserve;
 - iii. 263. Pensions and Benefits Reserve;
 - iv. 265. Miscellaneous Operating Reserves.
10. Contributions in aid of construction:
 - i. 271. Contributions in Aid of Construction.
11. Accumulated deferred income taxes:
 - i. 281. Accumulated Deferred Income Taxes-Accelerated
 - ii. 282. Accumulated Deferred Income Taxes Liberalized
 - iii. 283. Accumulated Deferred Income Taxes-Other.

Amortization;

Depreciation;

7:26I-3.36 Utility property in service classified; account 101

(a) This account shall include the original cost of utility property included in the property accounts prescribed herein and in similar accounts for other utility operations owned and used by the utility in its utility operations, and having an expectation of life in service of more than one year from date of installation, including such property owned by the utility but held by nominees. Separate subaccounts shall be maintained hereunder for each utility department.

(b) The cost of additions to and betterments of property leased from others, which are includible in this account, shall be recorded in subdivisions separate and distinct from those relating to owned property. (See N.J.A.C. 7:26I-3.22.)

7:26I-3.37 Utility property purchased or sold; account 102

(a) This account shall be charged with the cost of utility property acquired as an operating unit or system by purchase, merger, consolidation, liquidation, or otherwise, and shall be credited with the selling price of like property transferred to others pending the distribution to appropriate accounts in accordance with utility plant instruction 5.

(b) Within six months from the date of acquisition or transfer of property recorded herein, the utility shall file with the Department the proposed journal entries to clear from this account the amounts recorded herein.

7:26I-3.38 Utility property in process of reclassification; account 103

(a) This account shall include temporarily the balance of utility property as of the effective date of the system of accounts, which has not yet been reclassified as of the effective date of this system of accounts. The detailed or primary accounts in support of this account employed prior to such date shall be continued pending reclassification into the utility plant accounts herein prescribed (301-399), but shall not be used for additions, betterments, or new construction.

(b) No charges other than as provided in (a), above, shall be made to this account, but retirements of such unclassified utility property shall be credited hereto and to the supporting (old) fixed capital accounts until the reclassification shall have been accomplished.

7:26I-3.39 Utility property leased to others; account 104

(a) This account shall include the original cost of utility property owned by the utility, but leased to others as operating units or systems, where the lessee has exclusive possession.

(b) The property included in this account shall be classified according to the detailed accounts prescribed for utility property in service and this account shall be maintained in such detail as though the property were used by the owner in its utility operations.

7:26I-3.40 Property held for future use; account 105

(a) This account shall include the original cost of property owned and held for future use in utility service under a definite plan for such use. There shall be included herein property acquired but never used by the utility in utility service, but held for such service in the future under a definite plan, and property previously used by the utility in utility service, but retired from such service and held pending its reuse if used by the utility in utility service, but retired from such service and held pending its reuse in the future, under a definite plan, in utility service.

(b) The property included in this account shall be classified according to the detailed accounts prescribed for utility property in service and the account shall be maintained in such detail as though the property were in service. Separate subaccounts shall be maintained hereunder for each utility department for which property is held for future use.

7:26I-3.41 Completed construction not classified; account 106

At the end of the year or such other date as a balance sheet may be required by the Department, this account shall include the total of the balances of work orders for utility property which has been completed and placed in service but which work orders have not been classified for transfer to the detailed utility plant accounts.

7:26I-3.42 Construction work in progress; account 107

(a) This account shall include the total of the balances of work orders for utility property in process of construction but not ready for service at the date of the balance sheet.

(b) Work orders shall be cleared from this account as soon as practicable after completion of the job. Further, if a project is designed to consist of two or more units which may be placed in service at different dates, any expenditures which are common to and which will be used in the operation of the project as a whole shall be included in utility property in service upon the completion and the readiness for service of the first unit. Any expenditures which are identified exclusively with units of property not yet in service shall be included in this account.

NOTE:-See also N.J.A.C. 7:26I-3.41, account 106, Completed Construction Not Classified.

7:26I-3.43 Accumulated provision for depreciation of utility property in service; account III

- (a) This account shall be credited with the following:
1. Amounts charged to account 403, Depreciation Expense, or to clearing accounts for current depreciation expense. Amortization of limited term utility property to account 405. Amortization of other utility property to account 413, expenses of utility property leased to others or to clearing accounts for currently accruing depreciation and amortization.
 2. Amounts charged to account 439, Adjustments to Retained Earnings, for past accrued depreciation;
 3. Amounts of depreciation applicable to utility properties acquired as operating units or systems (See N.J.A.C. 7:26I-3.21);

4. Amounts charged to account 182, Extraordinary Property Losses, when authorized by the Department;
5. Amounts of depreciation applicable to utility property donated to the utility.

(b) At the time of retirement of depreciable utility property in service, 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. When retirements, cost of removal and salvage are entered originally in retirement work orders, the net total of such work orders may be included in a separate subaccount hereunder. Upon completion of the work order, the proper distribution to subdivisions of this account shall be made as provided in [the] (c) below.

(c) For general ledger and balance sheet purposes, this account shall be regarded and treated as a single composite provision for depreciation. For purposes of analysis, however, each utility shall maintain subsidiary records in which this account is segregated according to the utility department to which applicable. These subsidiary records shall reflect the current credits and debits to this account in sufficient detail to show separately for each such functional classification:

1. The amount of accrual for depreciation;
2. The book cost of property retired;
3. Cost of removal;
4. Salvage; and
5. Other items, including recoveries from insurance.

(d) When transfers of plant are made from one utility property account to another, or from or to nonutility property, the accounting shall be as provided in N.J.A.C. 7:26I-3.29.

(e) The utility is restricted in its use of the accumulated provisions to another, or from or to nonutility property, the accounting shall be as for depreciation to the purposes set forth above. It shall not divert any portion of this account to surplus or make any other use thereof without provided in N.J.A.C. 7:26I-3.29. authorization by the Department.

7:26I-3.44 Accumulated provision for depreciation of utility property

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(a) This account shall be credited with amounts charged to account 413, Expenses of Utility Property Leased to Others, for currently accruing depreciation or to account 435, Miscellaneous Debits to Surplus, for past accrued depreciation of property included in account 104, Utility Property Leased to Others. Include, also, credits for depreciation applicable to plant acquired as operating units or systems, to property donated to the utility or for losses transferred to account 182, Extraordinary Property Losses.

(b) The requirements of account 111, Accumulated Provision for Depreciation of Utility Property in Service, regarding retirements chargeable thereto and of subsidiary data to be maintained shall be applicable likewise to this account.

(c) The utility is restricted in its use of the accumulated provisions for depreciation to the purposes set forth above. It shall not divert any portion of this account to surplus or make any other use thereof without authorization by the Department.

7:26I-3.45 Accumulated provision for depreciation of property held for

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This account shall be credited with amounts charged to account 421, Miscellaneous Nonoperating Income, for depreciation expense on property included in account 105, Property Held for Future Use. Include, also, the balance of accumulated provision for depreciation or amortization on property which may be transferred to account 105, Property Held for Future Use, from other property accounts.

NOTE:-Normally, this account will not be used for current depreciation provisions because, as provided herein, the service life during which depreciation is computed commences with the date property is includible in utility property service. However, if special circumstances indicate the propriety of current accruals for depreciation, such charges shall be made to account 421, Miscellaneous Nonoperating Income.

7:26I-3.46 Accumulated provision for amortization of utility property

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(a) This account shall be credited with amounts charged to account 404, Amortization of Limited-Term Utility Property for the current amortization of limited-term utility investments, or to account 435, Miscellaneous Debits to Surplus for past accrued amortization. It shall be credited also with amounts which may be charged to account 405, Amortization of Other Utility Property, to account 425, Miscellaneous Amortization, or to account 435, Miscellaneous Debits to Surplus to amortize intangible or other utility plant which does not have a definite or terminable life and is not subject to charges for depreciation expense.

(b) When any property to which this account applies is sold, relinquished, or otherwise retired from service, this account shall be charged with the amount previously credited in respect to such property. The book cost of the property so retired less the amount chargeable to this account and less the net proceeds realized at retirement shall be included in account 434, Miscellaneous Credits to Surplus, or account 435, Miscellaneous Debits to Surplus, as appropriate.

(c) Records shall be maintained so as to show separately the balance applicable to each class of property which is being amortized.

(d) The utility is restricted in its use of the accumulated provisions for amortization to the purposes set forth above. It shall not divert any portion of this account to surplus or make any other use thereof without authorization of the Department.

7:26I-3.47 Accumulated provision for amortization of utility property

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(a) This account shall be credited with amounts charged to account 413, Expenses of Utility Property Leased to Others, for the current amortization of limited-term or other investments subject to amortization included in account 104, Utility Property Leased to Others, or to account 435, Miscellaneous Debits to Surplus, for past accrued amortization.

(b) When any property to which this account applies is sold, relinquished or otherwise retired from service, this account shall be charged with the amount previously credited in respect to such property. The book cost of the property so retired less the amount chargeable to this account and less the net proceeds realized at retirement shall be included in account 434,

Miscellaneous Credits to Surplus, or account 435, Miscellaneous Debits to Surplus as appropriate.

(c) Records shall be maintained so as to show separately the balance applicable to each class of property which is being amortized.

7:26I-3.48 Accumulated provision for amortization of property held for

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This account shall be credited with amounts charged to account 421, Miscellaneous Nonoperating Income, for amortization expense on property included in account 105, Property Held for Future Use. Include also, the balance of accumulated provision for amortization on property which may be transferred to account 105, Property Held for Future Use, from other property accounts.

NOTE:-See also N.J.A.C. 7:26I-3.45, note to account 113, Accumulated Provision for Depreciation of Property Held for Future Use.

7:26I-3.49 Utility property plant acquisition adjustments; account 117

(a) This account shall include the difference between the cost to the accounting utility of utility property acquired as an operating unit or system by purchase, merger, consolidation, liquidation, or otherwise, and the original cost, estimated, if not known, of such property, less the amount or amounts credited by the accounting utility at the time of acquisition to accumulated provisions for depreciation and amortization and contributions in aid of construction with respect to such property.

(b) With respect to acquisitions after the effective date of this system of accounts, this account shall be subdivided so as to show the amounts included herein for each property acquisition and the amounts applicable to each utility operation and to utility property in service and utility property leased to others. (See N.J.A.C. 7:26I-3.21 and 3.22.)

(c) The amounts recorded in this account with respect to each property acquisition shall be amortized, or otherwise disposed of, as the Department may approve or direct.

7:26I-3.50 Accumulated provision for amortization of utility property acquisition adjustments; account 118

This account shall be credited or debited with amounts which are includible in account 406, Amortization of Utility Property Acquisition Adjustments, account 425, Miscellaneous Amortization, or account 435, Miscellaneous Debits to Surplus, for the purpose of providing for the extinguishment of amounts in account 117, Utility Property Acquisition Adjustments, in instances where the amortization of account 117 is not being made by direct write-off of the account.

7:26I-3.51 Other utility property adjustments; account 119

(a) This account shall include the difference between the original cost, estimated if not

known, and the book cost of utility property to the extent that such difference is not properly includible in account 117, Utility Property Acquisition Adjustments.

(b) Amounts included in this account shall be classified in such manner as to show the origin of each amount and shall be disposed of as the Commission may approve or direct.

NOTE:-The provisions of this account shall not be construed as approving or authorizing the recording of appreciation of utility plant.

7:26I-3.52 Nonutility property; account 121

(a) This account shall include the book cost of land, structures, equipment or other tangible or intangible property owned by the utility, but not used in utility service and not properly includible in account 105, Property Held for Future Use.

(b) This account shall be subdivided so as to show the amount of property used in operations which are nonutility in character but nevertheless constitute a distinct operating activity of the company and the amount of miscellaneous property not used in operations. The records in support of each subaccount shall be maintained so as to show an appropriate classification of the property.

7:26I-3.53 Accumulated provision for depreciation and amortization of non

This account shall include the accumulated provision for depreciation and amortization applicable to property other than utility property.

7:26I-3.54 Investment in associated companies; account 123

(a) This account shall include the book cost of investments in securities issued or assumed by associated companies and investment advances to such companies, including interest accrued thereon when such interest is not subject to current settlement. Include also the offsetting entry to the recording of amortization of discount or premium on interest bearing investments. (See N.J.A.C. 7:26I-3.216, account 419, Interest and Dividend Income.)

(b) The account shall be maintained in such manner as to show the investment in securities of, and advances to, each associated company together with full particulars regarding any of such investments that are pledged.

NOTE A:-Securities and advances of associated companies owned and pledged shall be included in this account, but such securities, if held in special deposits or in special funds, shall be included in the appropriate deposit or fund account. A complete record of securities pledged shall be maintained.

NOTE B:-Securities of associated companies held as temporary cash investments are includible in account 136, Temporary Cash Investments.

NOTE C:-Balances in open accounts with associated companies, which are subject to

current settlement, are includible in account 146, Accounts Receivable from Associated Companies.

NOTE D:-The utility may write down the cost of any security in recognition of a decline in the value thereof. Securities shall be written off or written down to a nominal value if there be no reasonable prospect of substantial value. Fluctuations in market value shall not be recorded but a permanent impairment in the value of securities shall be recognized in the accounts. When securities are written off or written down, the amount of the adjustment shall be charged to account 435, Miscellaneous Debits to Surplus, or to an appropriate account for provisions for loss in value established as a separate subdivision of this account.

7:26I-3.55 Other investments; account 124

(a) This account shall include the book cost of investments in securities issued or assumed by nonassociated companies, investment advances to such companies, and any investments not accounted for elsewhere. Include also the offsetting entry to the recording of amortization of discount or premium on interest bearing investments. (See N.J.A.C. 7:26I-3.216, account 419, Interest and Dividends Income.)

(b) The records shall be maintained in such manner as to show the amount of each investment and the investment advances to each person.

NOTE A:-Securities owned and pledged shall be included in this account, but securities held in special deposits or in special funds shall be included in appropriate deposit or fund account. A complete record of securities pledged shall be maintained.

NOTE B:-Securities held as temporary cash investments shall not be included in this account.

NOTE C:-See N.J.A.C. 7:26I-3.54, note D of account 123.

7:26I-3.56 Sinking funds; account 125

This account shall include the amount of cash and book cost of investments held in sinking funds. A separate account, with appropriate title, shall be kept for each sinking fund. Transfers from this account to account 134, Other Special Deposits, may be made as necessary for the purpose of paying matured sinking-fund obligations, or obligations called for redemption but not presented, or the interest thereon.

7:26I-3.57 Depreciation fund; account 126

This account shall include the amount of cash and the book cost of investments which have been segregated in a special fund for the purpose of identifying such assets with the accumulated provisions for depreciation.

7:26I-3.58 Other special funds; account 128

This account shall include the amount of cash and book cost of investments which have been segregated in special funds for insurance, employee pensions, savings, relief hospital, and other purposes not provided for elsewhere. A separate account, with appropriate title, shall be kept for each fund.

NOTE:-Amounts deposited with a trustee under the terms of an irrevocable trust agreement for pensions or other employee benefits shall not be included in this account.

7:26I-3.59 Current and accrued assets; scope

(a) Current and accrued assets are cash, those assets which are readily convertible into cash or are held for current use in operations or construction, current claims against others, payment of which is reasonably assured, and amounts accruing to the utility which are subject to current settlement, except such items for which accounts other than those designated as current and accrued assets are provided.

(b) There shall not be included in the group of accounts designated as current and accrued assets any item, the amount or collectibility of which is not reasonably assured, unless an adequate provision for possible loss has been made therefor.

(c) Items of current character but of doubtful value may be written down and for record purposes carried in these accounts at nominal value.

7:26I-3.60 Cash; account 131

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

7:26I-3.61 Interest special deposits; account 132

This account shall include special deposits with fiscal agents or others for the payment of interest.

7:26I-3.62 Dividend special deposits; account 133

This account shall include special deposits with fiscal agents or others for the payment of dividends.

7:26I-3.63 Other special deposits; account 134

This account shall include deposits with fiscal agents or others for special purposes other than the payment of interest and dividends. Such special deposits may include cash deposited with Federal, State, or municipal authorities as a guarantee for the fulfillment of obligations; cash

deposited with trustees to be held until mortgaged property sold, destroyed, or otherwise disposed of is replaced; cash realized from the sale of the accounting utility's securities and deposited with trustees to be held until invested in property of the utility, and so forth. Entries to this account shall specify the purpose for which the deposit is made.

NOTE:-Assets available for general corporate purposes shall not be included in this account. Further, deposits for more than one year, which are not offset by current liabilities, shall not be charged to this account but to account 128, Other Special Funds.

7:26I-3.64 Working funds; account 135

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

7:26I-3.65 Temporary cash investments; account 136

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

(b) This account shall be so maintained as to show separately temporary cash investments in securities of associated companies and of others.

(c) Records shall be kept of any pledged investments.

7:26I-3.66 Notes receivable; account 141

This account shall include the book cost, not includible elsewhere, of all collectible obligations in the form of notes receivable and similar evidences (except interest coupons) of money due on demand or within one year from the date of issue, except, however, notes receivable from associated companies. (See N.J.A.C. 7:26I-3.65, account 136, Temporary Cash Investments, and N.J.A.C. 7:26I-3.70, account 146, Notes Receivable from Associated Companies.)

NOTE:-The face amount of notes receivable discounted, sold or transferred, without releasing the utility from liability as endorser thereon, shall be credited to a separate subdivision of this account and appropriate disclosure shall be made in financial statements of any contingent liability arising from such transactions.

7:26I-3.67 Customer accounts receivable; account 142

(a) This account shall include amounts due from customers for utility service, and for merchandising, jobbing and contract work. This account shall not include amounts due from associated companies.

(b) This account shall be maintained so as to show separately the amounts due for jobbing and contract work.

7:26I-3.68 Other accounts receivable; account 143

(a) This account shall include amounts due the utility upon open accounts, other than amounts due from associated companies and from customers for utility services and merchandising, jobbing and contract work.

(b) This account shall be maintained so as to show separately amounts due on subscriptions to capital stock and from officers and employees, but the account shall not include amounts advanced to officers or others as working funds. (See N.J.A.C. 7:26I-3.64, account 135, Working Funds.)

7:26I-3.69 Accumulated provision for uncollectible accounts-Cr.; account 14

(a) This account shall be credited with amounts provided for losses on accounts receivable which may become uncollectible, and also with collections on accounts previously charged hereto. Concurrent charges shall be made to account 940, Uncollectible Accounts, for amounts applicable to utility operations, and to corresponding accounts for other operations. Records shall be maintained so as to show the write-offs of accounts receivable for each utility department.

(b) This account shall be subdivided to show the provision applicable to the following classes of accounts receivable:

1. Utility customers;
2. Jobbing and contract work;
3. Officers and employees;
4. Other.

NOTE A:-Accretions to this account shall not be made in excess of a reasonable provision against losses of the character provided for.

NOTE B:-If provisions for uncollectible notes receivable or for uncollectible receivables from associated companies are necessary, separate subaccounts therefor shall be established under the account in which the receivable is carried.

7:26I-3.70 Accounts receivable from associated companies; account 146

These accounts shall include notes and drafts upon which associated companies are liable, and which mature and are expected to be paid in full not later than one year from date of issue, together with any interest thereon, and debit balances subject to current settlement in open accounts with associated companies. Items which do not bear a specified due date but which have been carried for more than twelve months and items which are not paid within twelve months from due date shall be transferred to account 123, Investment in Associated Companies.

NOTE A:-On the balance sheet, accounts receivable from an associated company may be set off against accounts payable to the same company.

NOTE B:-The face amount of notes receivable discounted, sold or transferred without releasing the utility from liability as endorser thereon, shall be credited to a separate subdivision of this account and appropriate disclosure shall be made in financial statements of any contingent liability arising from such transactions.

7:26I-3.71 Materials and supplies; account 151

(a) This account shall include the cost of fuel on hand and unapplied materials and supplies. It shall include also the book cost of materials recovered in connection with construction, maintenance or the retirement of property, such materials being credited to construction, maintenance, or accumulated depreciation provision, respectively, and included herein.

(b) Materials and supplies issued shall be credited hereto and charged to the appropriate account, operating expense, or other account on the basis of a unit price determined by the use of cumulative average, first-in-first-out, or such other method of inventory accounting as conforms with accepted accounting standards consistently applied.

(c) Inventories of materials, supplies, fuel, oil, tires and tubes, and the like, shall be taken at least annually and the necessary adjustments shall be made to bring this account into agreement with the actual inventories. In effecting the adjustments, large differences which can be assigned to important classes of materials shall be equitably adjusted among the accounts to which such classes of materials have been charged since the previous inventory. Other differences shall be equitably apportioned among the accounts to which materials have been charged.

(d) The appropriate items include:

1. Invoice price of materials less cash or other discounts;
2. Freight, switching or other transportation charges when practicable to include as part of the cost of particular materials to which they relate;
3. Customs duties and excise taxes;
4. Costs of inspection and special tests prior to acceptance;
5. Insurance and other directly assignable charges.

NOTE A:-Where expenses applicable to materials purchased cannot be directly assigned to particular purchases, they may be charged to a stores expense clearing account and distributed therefrom to the appropriate account.

NOTE B:-When materials and supplies are purchased for immediate use, they need not be carried through this account but may be charged directly to the appropriate utility expense account.

7:26I-3.72 Other materials and supplies; account 156

(a) This account shall include the book cost of materials and supplies held primarily for nonutility purposes.

(b) The principles prescribed in accounting for utility materials and supplies shall be

observed in respect to items carried in this account.

7:26I-3.73 Stores expense; account 163

(a) This account shall include the cost of supervision, labor and expenses incurred in the operation of general storerooms, including purchasing, storage, handling and distribution of materials and supplies.

(b) This account shall be cleared by adding to the cost of materials and supplies issued a suitable loading charge which will distribute the expense equitably over stores issues. The balance in the account at the close of the year shall not exceed the amount of stores expenses reasonably attributable to the inventory of materials and supplies exclusive of fuel, as any amount applicable to fuel costs should already have been included in account 152, Fuel Stock Expenses.

(c) The appropriate items include:

1. Labor:
 - i. Inspecting and testing materials and supplies when not assignable to specific items;
 - ii. Unloading from shipping facility and putting in storage;
 - iii. Supervision of purchasing and stores department to extent assignable to materials handled through stores,
 - iv. Getting materials from stock and in readiness to go out;
 - v. Inventorying stock received or stock on hand by stores employees but not including inventories by general department employees as part of internal or general audits;
 - vi. Purchasing department activities in checking material needs, investigating sources of supply, analyzing prices, preparing and placing orders, and related activities to extent applicable to materials handled through stores. (Optional. Purchasing department expenses may also be included in administrative and general expenses.);
 - vii. Maintaining stores equipment;
 - viii. Cleaning and tidying storerooms and stores offices;
 - ix. Keeping stock records, including recording and posting of material receipts and issues and maintaining inventory record of stock;
 - x. Collecting and handling scrap material in stores.
2. Supplies and expenses:
 - i. Adjustments of inventories of material and supplies but not including large differences which can readily be assigned to important classes of material and can be equitable distributed among the accounts to which such classes of material have been charged since the previous inventory;
 - ii. Cash and other discounts not practically assignable to specific materials;
 - iii. Freight, express, and the like, when not assignable to specific items;
 - iv. Heat, light and power for storerooms and store offices;
 - v. Brooms, brushes, sweeping compounds and other supplies used in cleaning and tidying storerooms and store offices;
 - vi. Injuries and damages;

- vii. Insurance on materials and supplies and on stores equipment;
- viii. Losses due to breakage, leakage, evaporation, fire or other causes, less credits for amounts received from insurance, transportation companies or others in compensation of such losses;
- ix. Postage, printing, stationery and office supplies;
- x. Rent of storage space and facilities;
- xi. Communication service;
- xii. Excise and other similar taxes not assignable to specific materials;
- xiii. Transportation expense on inward movement of stores and on transfer, between storerooms but not including charges on materials recovered from retirements which shall be accounted for as part of cost of removal.

NOTE:-A physical inventory of each class of materials and supplies shall be made at least every two years.

7:26I-3.74 Prepayments; account 165

This account shall include representing prepayments of insurance, rents, taxes, interest and miscellaneous items, and shall be kept or supported in such manner as to disclose the amount of each class of prepayment.

7:26I-3.75 Interest and dividends receivable; account 171

This account shall include the amount of interest on bonds, mortgages, notes, commercial paper, loans, open accounts, deposits, and the like, the payment of which is reasonably assured and the amount of dividends declared or guaranteed on stocks owned.

NOTE A:-Interest which is not subject to current settlement shall not be included herein but in the account in which is carried the principal on which the interest is accrued.

NOTE B:-Interest and dividends receivable from associated companies shall be included in account 146, Accounts Receivable from Associated Companies.

7:26I-3.76 Rents receivable; account 172

This account shall include rents receivable or accrued on property rented or leased by the utility to others.

NOTE:-Rents receivable from Associated Companies shall be included in account 146, Accounts Receivable from Associated Companies.

7:26I-3.77 Accrued utility revenues; account 173

(a) At the option of the utility, the estimated amount accrued for service rendered, but

not billed at the end of any accounting period, may be included herein.

(b) In case accruals are made for unbilled revenues, they shall be made likewise for unbilled expenses.

7:26I-3.78 Miscellaneous current and accrued assets; account 174

This account shall include the book cost of all other current and accrued assets, appropriately designated and supported so as to show the nature of each asset included herein.

7:26I-3.79 Unamortized debt discount expense; account 181

(a) This account shall include the total of the debit balances in the discount, expense, and premium accounts for all classes of long-term debt, determined as provided in (b) through (f) below.

(b) A discount, expense, and premium account shall be maintained for each class and series of long-term debt (including receivers' certificates) issued or assumed by the utility, in which shall be recorded the discount, expense, and premium associated with the issuance and sale of each such class and series of debt. In stating the balance sheet, the total of the debit balances remaining in those accounts having debit balances shall be reported under this account and the total of the credit balances remaining in those accounts having credit balances shall be reported under account 251, Unamortized Premium on Debt. Accounts with debit balances shall not be set off against accounts with credit balances.

(c) The discount, expense, and premium shall be amortized over the life of the respective issues under a plan which will distribute the amounts equitably over the life of the securities. The amortization shall be on a monthly basis, and the amounts thereof shall be charged to account 428, Amortization of Debt Discount and Expense, or credited to account 429, Amortization of Premium on Debt (Cr.), as may be appropriate. The utility may, however, accelerate the writing off of discount and expense where the amounts are insignificant.

(d) When any long-term debt is reacquired or redeemed without being converted into another form of long-term debt and when the transaction is not in connection with a refunding operation, the difference between the amount paid upon reacquirement and the face value plus the unamortized premium or less the unamortized discount and expense, as the case may be, applicable to the debt redeemed, retired and canceled, shall be debited or credited as appropriate to account 421, Miscellaneous Nonoperating Income.

(e) When the redemption of one issue or series of bonds or other long-term obligations is financed by another issue or series before the maturity date of the first issue, account 421, Miscellaneous Nonoperating Income, shall be credited or debited, as appropriate, with any unamortized discount, expense, or premium on the first issue and any premium paid or discount earned on the redemption, after reducing the aggregate of such amounts by an amount equal to the saving in income taxes from the refunding transactions, as to which a special charge of similar amount shall be entered in account 428, Amortization of Debt Discount and Expense. If the utility desires to amortize any of the discount, expense, or premium associated with the issuance or redemption of the first issue over a period subsequent to the date of redemption, the permission of the Commission must be obtained; provided, however, that special permission of

the Commission shall not be necessary, if the utility proceeds with a plan of disposition of the discount, expense, and redemption premiums associated with the refunded bonds, as follows:

1. A special charge is recorded in the year of refunding in account 428, Amortization of Debt Discount and Expense, equal to the saving in income taxes arising from the refunding transactions;

2. There is charged to account 426, Miscellaneous Income Deductions, in the year of refunding, any amounts of unamortized discount and expenses or redemption premium relating to bonds or other long-term obligations previously refunded by the refunded bonds under immediate consideration, such amounts sometimes being referred to as "grandfather items"; and

3. The utility proceeds to amortize by equal monthly charges, from the date of refunding, the remainder of the charges associated with the refunded bonds, over a period not longer than that in which the saving in net annual interest and amortization charges equals the remainder of charges to be amortized, after taking into consideration the estimated additional taxes on income attributable to the saving in net annual interest and amortization charges.

(f) Discount, expense, or premium on debt shall not be included as part of the cost of constructing or acquiring any property, tangible or intangible, except under the provisions of account 420, Allowance for Funds Used for Construction.

7:26I-3.80 Extraordinary property losses; account 182

(a) When authorized or directed by the Commission, this account shall include extraordinary losses on property abandoned or otherwise retired from service which are not provided for by the accumulated provisions for depreciation or amortization and which could not reasonably have been foreseen and provided for, and extraordinary losses, such as unforeseen damages to property, which could not reasonably have been anticipated and which are not covered by insurance or other provisions.

(b) The entire cost, less net salvage, of depreciable property retired shall be charged to accumulated provision for depreciation. If all, or a portion, of the loss is to be included in this account, the accumulated provision for depreciation shall then be credited and this account charged with the amount properly chargeable hereto.

(c) Application to the Commission for permission to use the account shall be accompanied by a statement giving a complete explanation with respect to the items which it is proposed to include herein, the period over which, and the accounts to which it is proposed to write off the charges, and other pertinent information.

7:26I-3.81 Preliminary survey and investigation charges; account 183

(a) This account shall be charged with all expenditures for preliminary surveys, plans, investigations, and so forth, made for the purpose of determining the feasibility of projects under contemplation. If construction results, this account shall be credited and the appropriate utility plant account charged. If the work is abandoned, the charge shall be to account 426, Miscellaneous Income Deductions, to the appropriate operating expense account.

(b) The records supporting the entries to this account shall be so kept that the utility can furnish complete information as to the nature and the purpose of the survey, plans, or

investigations and the nature and amounts of the several charges.

NOTE:-The amount of preliminary survey and investigation charges transferred to utility plant shall not exceed the expenditures which may reasonably be determined to contribute directly and immediately and without duplication to utility plant.

7:26I-3.82 Clearing accounts; account 184

(a) This caption shall include undistributed balances in clearing accounts at the date of the balance sheet.

(b) Balances in clearing accounts shall be substantially cleared not later than the end of the calendar year unless items held therein relate to a future period.

7:26I-3.83 Temporary facilities; account 185

Such work orders shall be charged with the cost of temporary facilities and credited with payments received from customers and net salvage realized on removal of the temporary facilities. Any net credit or debit resulting shall be cleared to account 471, Miscellaneous Service Revenues.

7:26I-3.84 Miscellaneous deferred debits; account 186

(a) This account shall include Au debits not elsewhere provided for.

(b) The records supporting the entries to this account shall be so kept that the utility can furnish full information as to each deferred debit.

7:26I-3.85 Preferred stock issued; account 204

(a) These accounts shall include the par value or the stated value of stock without par value if such stock has a stated value, and, if not, the cash value of the consideration received for such nonpar stock, of each class of capital stock actually issued, including the par or stated value of capital stock in account 124, Other Investments, and account 217, Reacquired Capital Stock.

(b) When the actual cash value of the consideration received is more or less than the par or stated value of any stock having a par or stated value, the difference shall be credited or debited, as the case may be, to the premium or discount account for the particular class and series.

(c) When capital stock is retired, these accounts shall be charged with the amount at which such stock is carried herein.

(d) A separate ledger account, with a descriptive title, shall be maintained for each class and series of stock. The supporting records shall show the shares nominally issued, actually issued, and nominally outstanding.

NOTE:-When a levy or assessment, except a call for payment on subscriptions, is made against holders of capital stock, the amount collected upon such levy or assessment shall be credited to account 207, Premium on Capital Stock; provided, however, that the credit shall be made to account 213, Discount on Capital Stock, to the extent of any remaining balance of dis-

count on the issue of stock.

7:26I-3.86 Preferred stock subscribed; account 205

(a) These accounts shall include the amount of legally enforceable subscriptions to capital stock of the utility. They shall be credited with the par or stated value of the stock subscribed, exclusive of accrued dividends, if any. Concurrently, a debit shall be made to subscriptions to capital stock, included as a separate subdivision or account 145, Other Accounts Receivable, for the agreed price and any premium shall be credited to the appropriate premium account. When properly executed stock certificates have been issued representing the shares subscribed, this account shall be debited, and the appropriate capital stock account credited, with the par or stated value of such stock.

(b) The records shall be kept in such manner as to show the amount of subscriptions to each class and series of stock.

7:26I-3.87 Preferred stock liability for conversion; account 206

(a) These accounts shall include the par value or stated value, as appropriate, of capital stock which the utility has agreed to exchange for outstanding securities of other companies in connection with the acquisition of properties of such companies under terms which allow the holders of the securities of the other companies to surrender such securities and receive in return therefor capital stock of the accounting utility.

(b) When the securities of the other companies have been surrendered and capital stock issued in accordance with the terms of the exchange, these accounts shall be charged and accounts 201, Common Stock Issued, or 204, Preferred Stock Issued, as the case may be, shall be credited.

(c) The records shall be kept so as to show separately the stocks of each class and series for which a conversion liability exists.

7:26I-3.88 Premium on capital stock; account 207

(a) This account shall include in a separate subdivision for each class and series of stock, the excess of the actual cash value of the consideration received on original issues of capital stock over the par or stated value and accrued dividends of such stock, together with assessments against stockholders representing payments required in excess of par or stated values.

(b) Premium on capital stock shall not be set off against expenses. Further, a premium received on an issue of a certain class or series of stock shall not be set off against expenses of another issue of the same class or series.

(c) When capital stock which has been actually issued is retired, the amount in this account applicable to the shares retired shall be transferred to account 210, Gain on Resale or Cancellation of Reacquired Capital Stock.

7:26I-3.89 Donations received from stockholders; account 208

This account shall include the balance of credits for donations received from stockholders consisting of capital stock of the utility, of cancellation or reduction of debt of the utility, and the cash value of other assets (except utility plant) received as a donation.

7:26I-3.90 Reduction in par or stated value of capital stock; account 209

This account shall include the balance of credits arising from a reduction in the par or stated value of capital stock.

7:26I-3.91 Gain on resale or cancellation of reacquired capital stock, acc

This account shall include the balance of credits arising from the resale or cancellation of reacquired capital stock. (See N.J.A.C. 7:26I-97, account 217, Reacquired Capital Stock.)

7:26I-3.92 Miscellaneous paid-in capital; account 211

This account shall include the balance of all other credits for paid-in capital which are not properly includible in the foregoing accounts.

NOTE 1:-For report purposes this account may include the totals of the accounts 207, 208, 209, 210 and 211.

NOTE 2:-Amounts included in capital surplus at the effective date of this system of accounts which cannot be classified as to the source thereof shall be included in this account.

7:26I-3.93 Installments received on capital stock; account 212

(a) This account shall include in a separate subdivision for each class and series of capital stock the amount of installments received on capital stock on a partial or installment payment plan from subscribers who are not bound by legally enforceable subscription contracts.

(b) As subscriptions are paid in full and certificates issued, this account shall be charged and the appropriate capital stock account credited with the par or stated value of such stock. Any discount or premium on an original issue shall be included in the appropriate discount or premium account.

7:26I-3.94 Capital stock expense; account 214

(a) This account shall include in a separate subdivision for each class and series of stock all commissions and expenses incurred in connection with the original issuance and sale of capital stock, including additional capital stock of a particular class or series as well as first issues. Expenses applicable to capital stock shall not be deducted from premium on capital stock.

(b) When capital stock which has been actually issued by the utility is retired, the amount in this account applicable to the shares retired shall be written off to account 210, Gain on Resale or Cancellation of Reacquired Capital Stock, provided, however, that the amount shall be

charged to account 439, Adjustments to Retained Earnings, to the extent that it exceeds the balance in account 210, and provided, further, that in no event shall debits in excess of accumulated credits from the retirement of stock be charged to account 210.

(c) The utility may amortize the balance carried in this account by systematic charges to account 425, Miscellaneous Amortization, or it may write off capital stock expense in whole or in part by charges to account 439, Adjustments to Retained Earnings.

NOTE:-Expenses in connection with the reacquisition or resale of the utility's capital stock shall not be included herein.

7:26I-3.95 Appropriated retained earnings; account 215

This account shall include the amount of retained earnings which has been appropriated or set aside for specific purposes. Separate subaccounts shall be maintained under such titles as will designate the purpose for which each appropriation was made.

7:26I-3.96 Unappropriated retained earnings; account 216

This account shall include the balance, either debit or credit, ' of unappropriated retained earnings arising from earnings. It shall not include items includible in any of the accounts for paid-in capital.

7:26I-3.97 Reacquired capital stock; account 217

(a) This account shall include the par value of capital stock actually issued by the utility, and reacquired by it and not retired or canceled, except, however, stock which is held by trustees in sinking or other funds. Stock without par value shall be included in this account at the proportionate amount at which the particular class and series of stock is included in account 201, Common Stock, or account 204, Preferred Stock.

(b) The difference between the amount at which capital stock is included in this account and the amount paid by the utility for such stock including commissions and expenses paid in connection with the reacquisition, shall be debited or credited, as appropriate, to account 439, Adjustments to Retained Earnings.

(c) When reacquired capital stock is resold by the utility, the par value (or amount included in this account for stock without par value) of the stock resold shall be credited to this account, and the difference between such amount and the amount received by the utility from the resale, less commissions and expenses incurred in the resale, shall be accounted for as outlined in (b), above.

(d) This account shall be maintained or supported in such manner as to show the amount herein applicable to each class and series of stock.

7:26I-3.98 Sole proprietorship capital; account 218

(a) This account shall include the investment in an unincorporated utility by the proprietor thereof and shall be charged with all withdrawals from the business by its proprietor.

(b) At the end of each calendar year the net income for the year as developed in the income account shall be transferred to this account.

(c) There shall also be entered in this account such items as in corporate organizations are handled through earned surplus accounts 215-126. (See optional accounting procedure provided in Note B, hereunder.)

NOTE A:-Amounts payable to the proprietor as fair and reasonable compensation for services performed, shall be charged to the appropriate operation and maintenance expense or other accounts.

NOTE B:-This account may be restricted to the amount considered by the proprietor to be the permanent investment in the business, subject to change only by additional investment by the proprietor or the withdrawals of portions thereof not representing net income. When this option is taken the surplus accounts shall be maintained and entries thereto shall be made in accordance with the texts thereof.

7:26I-3.99 Partnership capital; account 219

(a) This account shall be credited, where the business is conducted by an unincorporated firm, copartnership or under any style other than that of an incorporated company or sole proprietorship, with the respective amounts paid into the business by the partners therein, and shall be charged with all withdrawals from the business by each partner.

(b) At the end of each calendar year the net income for the year as developed in the income account shall be transferred to this account.

(c) There shall also be entered in this account such items as in corporate organizations are handled through earned surplus accounts 215-216. (See optional accounting procedure provided in Note C hereunder.)

NOTE A:-Amounts payable to the partners as fair and reasonable compensation for services performed, shall be charged to the appropriate operation and maintenance expense or other accounts.

NOTE B:-Separate accounts shall be kept to show the net equity of each member of the copartnership and the transactions affecting the interest of each such partner. The total of the balances in such accounts shall be shown as one amount in the balance sheet.

NOTE C:-This account may be restricted to the amount considered by the members of the copartnership to be their permanent investment in the business, subject to change only by additional investments by the copartners or the withdrawals of portions thereof not representing net income. When this option is taken the surplus accounts shall be maintained and entries thereto shall be made in accordance with the texts thereof.

7:26I-3.100 Credit balance transferred from income account; account 220

This account shall include the net credit balance brought forward from the income account for the current calendar year.

7:26I-3.101 Bonds; account 221

This account shall include, in a separate subdivision for each class and series of bonds, the face value of actually issued and unmatured bonds which have not been retired or canceled; also, the face value of such bonds issued by others the payment of which has been assumed by the utility.

7:26I-3.102 2 Reacquired bonds; account 222

(a) This account shall include the face value of bonds actually issued or assumed by the utility and reacquired by it and not paid, retired, or canceled. The account for reacquired debt shall not include securities which are held by trustees in sinking or other funds.

(b) When bonds are reacquired, the difference between face value, adjusted for unamortized discount, expense or premium and the amount paid upon reacquisition, shall be debited or credited as appropriate, to account 439, Adjustments to Retained Earnings. (See, however, account 181, at N.J.A.C. 7:26I-3.79(e), as to refunding operations.)

7:26I-3.103 Advances from associated companies; account 223

(a) This account shall include the face value of notes payable to associated companies and the amount of open book accounts representing advances from associated companies. It does not include notes and open accounts representing indebtedness subject to current settlement which are includible in account 233, Notes Payable to Associated Companies, or account 234, Accounts Payable to Associated Companies.

(b) The records supporting the entries to these accounts shall be so kept that the utility can furnish complete information concerning each note and open account.

7:26I-3.104 Other long-term debt; account 224

(a) This account shall include, until maturity, all longterm debt not otherwise provided for. This covers such items as receivers' certificates, real estate mortgages executed or assumed, assessments for public improvements, notes and unsecured certificates of indebtedness not owned by associated companies, receipts outstanding for long-term debt, and other obligations maturing more than one year from date of issue or assumption, financing of and/or purchase of equipment.

(b) Separate accounts shall be maintained for each class of obligation, and records shall be maintained to show separately for each class all details as to date of obligations, date of maturity, interest dates and rates, security for the obligation, and so forth.

NOTE:-Miscellaneous long-term debt reacquired shall be accounted for in accordance with the procedure set forth in account 222, Reacquired Bonds.

7:26I-3.105 Current and accrued liabilities

(a) Current and accrued liabilities are those obligations which have either matured or which become due within one year from the date thereof, except, however, bonds, receivers' certificates and similar obligations which shall be classified as long-term debt until date of maturity; accrued taxes, such as income taxes, which shall be classified as accrued liabilities even though payable more than one year from date; compensation awards, which shall be classified as current liabilities regardless of date due; and minor amounts payable in installments which may be classified as current liabilities.

(b) If a liability is due more than one year from date of issuance or assumption by the utility, it shall be credited to a long-term debt account appropriate for the transaction, except, however, the current liabilities previously mentioned.

7:26I-3.106 Notes payable; account 231

This account shall include the face value of all notes, drafts, acceptances, or other similar evidences of indebtedness, payable on demand or within a time not exceeding one year from date of issue, to other than associated companies.

7:26I-3.107 Accounts payable; account 232

This account shall include all amounts payable by the utility within one year, which are not provided for in other accounts.

7:26I-3.108 Accounts payable to associated companies; account 234

These accounts shall include amounts owing to associated companies on notes, drafts, acceptances, or other similar evidences of indebtedness, and open accounts payable on demand or not more than one year from date of issue or creation.

NOTE:-Exclude from these accounts notes and accounts which are includible in account 223, Advances from Associated Companies.

7:26I-3.109 Customer deposits; account 235

This account shall include all amounts deposited with the utility by customers as security for the payment of bills.

7:26I-3.110 Taxes accrued; account 236

(a) This account shall be credited with the amount of taxes accrued during the accounting period, corresponding debits being made to the appropriate accounts for tax charges. Such credits may be based upon estimates, but from time to time during the year as the facts become known, the amount of the periodic credits shall be adjusted so as to include as nearly as can be determined in each year the taxes applicable thereto. Any amount representing a

prepayment of taxes applicable to the period subsequent to the date of the balance sheet, shall be shown under account 165, Prepayments.

(b) If accruals for taxes are found to be insufficient or excessive, correction therefor shall be made through current tax accruals. However, if such corrections are so large as to seriously distort current expenses, See N.J.A.C. 14:9A-3.9.

(c) Accruals for taxes shall be based upon the net amounts payable after credit for any discount, but shall not include any amounts for interest on tax deficiencies or refunds. Interest received on refunds shall be credited to account 419, Interest and Dividend Income, and interest paid on deficiencies shall be charged to account 431, Other Interest Expense.

(d) The records supporting the entries to this account shall be kept so as to show for each class of taxes, the amount accrued, the basis for the accrual, the accounts to which charged, and the amount of tax paid.

7:26I-3.111 Interest accrued; account 237

This account shall include the amount of interest accrued but not matured on all liabilities of the utility not including, however, interest which is added to the principal of the debt on which incurred. Supporting records shall be maintained so as to show the amount of interest accrued on each obligation.

7:26I-3.112 Dividends declared; account 238

This account shall include the amount of dividends which have been declared but not paid. Dividends shall be credited to this account when they become a liability.

7:26I-3.113 Matured long-term debt; account 239

This account shall include the amount of long-term debt (including any obligation for premiums) matured and unpaid, without specific agreement for extension of the time of payment and bonds called for redemption but not presented.

7:26I-3.114 Matured interest; account 240

This account shall include the amount of matured interest on long-term debt or other obligations of the utility at the date of the balance sheet unless such interest is added to the principal of the debt on which incurred.

7:26I-3.115 Tax collections payable; account 241

This account shall include the amount of taxes, sewage charges or rentals, surcharges, and the like, collected by the utility through payroll deductions or otherwise for the account of, and pending transmittal to the proper taxing authority or political subdivision.

NOTE:-Do not include liability for taxes assessed directly against the utility which are

accounted for as part of the utility's own tax expense.

7:26I-3.116 Miscellaneous current and accrued liabilities; account 242

This account shall include the amount of all other current and accrued liabilities not provided for elsewhere appropriately designated and supported so as to show the nature of each liability.

7:26I-3.117 Unamortized premium on debt; account 251

This account shall include the total of the credit balances in the discount, expense and premium accounts, for all classes of long-term debt, including receivers' certificates. (See N.J.A.C. 7:26I-3.79, account 181, Unamortized Debt Discount and Expense.)

7:26I-3.118 Other deferred credits; account 253

This account shall include advance billings and receipts and other deferred credit items, not provided for elsewhere, including amounts which cannot be entirely cleared or disposed of until additional information has been received.

7:26I-3.119 Property insurance reserve; account 261

(a) This account shall include amounts reserved by the utility for self-insurance against losses through accident, fire, flood, or other hazards to its own property or property leased from others. The amounts charged to account 648, Property Insurance, or other appropriate accounts to cover such risks shall be credited to this account. A schedule of risks covered by this reserve shall be maintained, giving a description of the property involved, the character of the risks covered and the rates used.

(b) Charges shall be made to this account for losses covered by self-insurance. Details of these charges shall be maintained according to the year the casualty occurred which gave rise to the loss.

7:26I-3.120 Injuries and damages reserve; account 262

(a) This account shall be credited with amounts charged to an account, Injuries and Damages, or other appropriate accounts, to meet the probable liability, not covered by insurance, for deaths or injuries to employees and others, and for damages to property neither owned nor held under lease by the utility and account 651, Workmen's Compensation Not Covered By Insurance.

(b) When liability for any injury or damage is admitted by the utility either voluntarily or because of the decision of a court or other lawful authority, such as a workmen's compensation board, the admitted liability shall be charged to this account and credited to the appropriate liability account. Details of these charges shall be maintained according to the year the casualty occurred which gave rise to the loss.

NOTE:-Recoveries or reimbursements for losses charged to this account shall be credited hereto; the cost of repairs to property of others if provided for herein, shall be charged to this account.

7:26I-3.121 Pensions and benefits reserve; account 263

(a) This account shall include provisions made by the utility and amounts contributed by employees, for pensions, accident and death benefits, savings, relief, hospital and other provident purposes, where the funds represented by the reserve are included in the assets of the utility either in general or in segregated fund accounts.

(b) Amounts paid by the utility for the purposes for which this reserve is established shall be charged hereto.

(c) A separate account shall be kept for each kind of reserve included herein.

NOTE:-If employee pension or benefit plan funds are not included among the assets of the utility but are held by outside trustees, payments into such funds, or accruals therefor, shall not be included in this account.

7:26I-3.122 Miscellaneous operating reserves; account 265

(a) This account shall include all operating reserves maintained by the utility which are not provided for elsewhere.

(b) This account shall be maintained in such manner as to show the amount of each separate reserve and the nature and amounts of the debits and credits thereto.

NOTE:-This account includes only such reserves as may be created for operating purposes and does not include any reservations of income the credits for which should be carried in account 215, Appropriated Earned Surplus.

7:26I-3.123 Contributions in aid of construction; account 271

(a) This account shall include donations or contributions in cash, services, or property from states, municipalities or other governmental agencies, individuals, and others for construction purposes, or operating plant.

(b) The credits to this account shall not be transferred to any other account without the approval of the Department.

(c) The records supporting the entries to this account shall be so kept that the utility can furnish information as to the purpose of each donation, the conditions, if any, upon which it was made, the amount of donations from:

1. States;
2. Municipalities;
3. Customers; and
4. Others, and the amount applicable to each utility department.

NOTE:-There shall not be included in this account advances for construction which are ultimately to be repaid wholly or in part.

7:26I-3.124 Accumulated deferred income taxes

- (a) Public utilities shall use the accounts described at N.J.A.C. 7:26I-3.125 through 3.127 for prior accumulation of deferred taxes or income and for additional provisions.
- (b) Prior to any use of these accounts the utility must file with the Department, for the purpose of obtaining authorization, its proposed plan of accounting for deferred taxes on income.
- (c) The utility shall not use these accounts unless such use has been authorized by the Department.
- (d) However, deferred tax accounting is initiated with respect to any property. Such accounting shall not be discontinued on that property without prior approval of the Department.
- (e) The utility is restricted in its use of these accounts to the purposes set forth therein. It shall not make any transfers from these accounts or make any use thereof except as provided in the text of the account without prior approval of the Department. Any balance remaining in these accounts, where the estimated useful life of the related property on which the deferred tax calculations were based has expired, or upon retirement of such related property or predominant part thereof, shall be credited to account 411, Income Taxes Deferred in Prior Year-Credit, or otherwise be applied as the Department may authorize or direct.

NOTE:- Public utilities having more than one department and nonutility property and which have deferred taxes on income with respect thereto shall classify such deferrals in the accounts described at N.J.A.C. 7:26I-3.125 through 127 so as to allow ready identification of items relating to each utility department and to other income and deductions.

7:26I-3.125 Accumulated deferred income taxes accelerated amortization; account 281

- (a) This account shall be credited and account 410, Provision for Deferred Income Taxes, shall be debited with an amount equal to that by which taxes on income payable for the year are lower because of accelerated (five-year) amortization of (1) certified defense facilities in computing such taxes, as permitted by Section 168 of the Internal Revenue Code and (2) certified pollution control facilities in computing such taxes, as permitted by Section 169 of the Internal Revenue Code of 1954, as compared to the depreciation deduction otherwise appropriate and allowable for tax purposes according to the straight line or other nonaccelerated depreciation method and appropriate estimated useful life for such property.
- (b) This account shall be debited and account 411, Income Taxes deferred in Prior Years-Credit, shall be credited with an amount equal to that by which taxes on income payable for the year are greater because of the use in prior years of accelerated instead of nonaccelerated or nonliberalized depreciation resulting in the deferral of taxes in such prior years as described in (a), above. Such debit to this account and credit to account 411 shall, in general, represent the effect on taxes payable for the current year of the unavailability or reduced amount of a depreciation deduction for tax purposes as a result of accelerated amortization being used in prior years as

explained in (a), above.

(c) Records with respect to entries to this account, as described above, and the account balance' shall be so maintained as to show the factors of calculation and the separate amounts applicable to the facilities of each certification or amortization for tax purposes.

(d) Upon the sale, exchange, abandonment, premature retirement or taxable transfer of any certified pollution control facility on which there is a related balance herein, this account shall be charged and account 411, Income Taxes Deferred in Prior Years-Credit, shall be credited with the amount of such balance; provided, however, that if the related income tax attributable to the disposition is significantly less than such related balance, the Department shall otherwise direct or authorize how the residuals shall be treated. Upon transfers of plant to a wholly owned subsidiary, the related balance in this account shall also be transferred. If transfers of plant are made to other than a wholly owned subsidiary and such transfer does not involve a tax transaction, the accounting shall be as authorized or directed by the Department.

7:26I-3.126 Accumulated deferred income taxes; liberalized depreciation; account 282

(a) This account shall be credited and account 410, Provision for Deferred Income Taxes, shall be debited with an amount equal to that by which taxes on income payable for the year are lower because of the use of liberalized depreciation in computing such taxes, as permitted by Section 167 of the Internal Revenue Code of 1954, as compared to the depreciation deduction otherwise appropriate and allowable for tax purposes for similar property of the same estimated useful life according to the straight line or other nonliberalized method of depreciation.

(b) This account shall be debited and account 411, Income Taxes Deferred, shall be credited with an amount equal to that by which taxes on income payable for the year are greater because of the use in prior years of liberalized depreciation for income tax purposes, and deferral of taxes in such prior years as described in (a), above. Such debit to this account and credit to account 411, shall, in general represent the effect on taxes payable for the current year of the smaller amount of depreciation permitted for tax purposes for the current year as a result of liberalized depreciation being used in prior years as explained in (a), above.

(c) Records with respect to entries to this account, as described above, and account balance, shall be so maintained as to show the factors of calculation and the separate amounts applicable to the plant additions of each vintage year for each class, group, or unit as to which different liberalized depreciation methods and estimated useful lives have been used. The underlying calculations to segregate and associate deferred tax amounts with the respective vintage years may be based on reasonable methods of approximation, if necessary, consistently applied.

7:26I-3.127 Accumulated deferral income taxes; other; account 283

(a) This account, when its use has been authorized by the Department for specific types of tax deferrals shall be credited and account 410, Provision for Deferred Income Taxes, shall be debited with an amount equal to that by which taxes on income payable for the year are lower because of the current use of deductions other than accelerated amortization or liberalized depreciation in the computation of income taxes, which deductions for general accounting

purposes will not be fully reflected in the utility's determination of annual net income until subsequent years.

(b) This account, when its use has been authorized by the Department, shall be debited and account 411, Income Taxes Deferred in Prior Years-Credit, shall be credited with an amount equal to that by which taxes on income payable for the year are greater because of deferral of taxes on income in previous years, as provided by (a), above. Such debit to this account and credit to account 411, shall, in general, represent the effect on taxes payable in the current year of the smaller deduction permitted for tax purposes, as a result of other deductions being used in prior years as explained in (a), above.

(c) Records with respect to entries to this account, as described above, and the account balance, shall be so maintained as to show the factors of calculation with respect to each annual amount of the item or class of items, other than accelerated amortization or liberalized depreciation, for which tax deferral accounting by the utility is authorized by the Department.

7:26I-3.128 Utility property accounts

- (a) Utility property accounts include the following:
1. Intangible property:
 - i. 301. Organization;
 - ii. 302. Franchises and Consents, Permits, and so forth;
 - iii. 303. Miscellaneous Intangible Property.
 2. Collection utility property:
 - i. 310. Land and Land Rights-Improvements (Including Leaseholds);
 - ii. 311. Structures and Improvements (Including Leaseholds);
 - iii. 312. Rolling Equipment (Mobile);
 - iv. 313. Container Bins, Storage Facilities and so forth;
 - v. 317. Other Collection Utility Property.
 3. Transfer station utility property:
 - i. 320. Land and Land Rights;
 - ii. 321. Structures and Improvements;
 - iii. 322. Boiler Plant Equipment;
 - iv. 323. Other Power Equipment, Generators, Pumps, and so forth;
 - v. 324. Rolling Equipment-Mobile;
 - vi. 325. Scale(s);
 - vii. 326. Presses, Compressors, Compactors, Hydraulic and/or
Powered;
 - viii. 327. Cranes-Powered (Fixed);
 - ix. 328. Sprinkler Systems (Permanent and/or Mobile);
 - x. 329. Other Transfer Station Utility Equipment.
 4. Landfill operations:
 - i. 330. Land, Landsite and Land Rights and Improvements;
 - ii. 331. Structures and Improvements;
 - iii. 332. Roads-Including Access Roads;
 - iv. 333. Lights and Lighting Facilities;

- v. 334. Fences;
 - vi. 335. Surveys
 - vii. 336. Other Improvements;
 - viii. 340. Stationary Equipment;
 - ix. 341. Sprinkler Systems-Equipment;
 - x. 342. Storage Facilities, Tanks, Vats, Bins, Containers, and so forth;
 - xi. 343. Rolling, Equipment-Mobile;
 - xii. 344. R.R. Sidings, Tracks, Equipment and Facilities, and so forth;
 - xiii. 345. Other Landfill Operating Equipment.
5. Incinerator, treatment and disposal plant and equipment:
- i. 350. Land, Landsite and Land Rights and Improvements (Including Leasehold);
 - ii. 351. Roads-Including Access Roads;
 - iii. 352. Lights and Lighting Facilities;
 - iv. 353. Fences;
 - v. 354. Surveys;
 - vi. 355. Preparations;
 - vii. 356. Other Landsite Improvements;
 - viii. 357. Structures and Improvements, (Including Leasehold);
 - ix. 358. Boiler Plant Equipment;
 - ;;x. 359. Stationary Equipment;
 - xi. 360. Other Power Equipment, Generators, Pump, and so forth;
 - xii. 361. Scale(s);
 - xiii. 362. Pit(s);
 - xiv. 363. Staciss;
 - xv. 364. Rolling Equipment-Mobile;
 - xvi. 365. R.R. Sidings, Tracks, Equipment & Facilities;
 - xvii. 366. Other Structures.
6. General utility property:
- i. 388. Land, Land Rights and Improvements (Incl. Leaseholds);
 - ii. 390. Structures and Improvements (Incl. Leaseholds);
 - iii. 391. Office Furniture and Equipment;
 - iv. 392. transportation Equipment-Other;
 - v. 393. Power Operated Equipment;
 - vi. 394. Stores Equipment;
 - vii. 395. Communication Equipment;
 - viii. 398. Other General Utility Property.

7:26I-3.129 Organization; account 301

(a) This account shall include all fees paid to Federal or State governments for the privilege of incorporation and expenditures incident to organizing the corporation, partnership or other enterprise and putting it into readiness to do business.

- (b) Such items include:
1. Cost of obtaining certificates authorizing an enterprise to engage in the public utility business;
 2. Fees and expenses for incorporation;
 3. Fees and expenses for mergers or consolidations;
 4. Office expenses incident to organizing the utility;
 5. Stock and minute books and corporate seal.

NOTE A:-This account shall not include any discounts upon securities issued or assumed; nor shall it include any costs incident to negotiating loans, selling bonds or other evidences of debt, or expenses in connection with the authorization, issuance and sale of capital stock.

NOTE B:-Exclude from this account and include in the appropriate expense account the cost of preparing the filing papers in connection with the extension of the term of incorporation unless the first organization costs have been written off. Where charges are made to this account for expenses incurred in mergers, consolidations or reorganizations, amounts previously included herein or in similar accounts in the books of the companies concerned shall be excluded from this account.

7:26I-3.130 Franchises, consents, permits, and so forth; account 302

(a) This account shall include amounts paid to the Federal government, to a state or to a political subdivision thereof in consideration for franchises, consents or certificates, running in perpetuity or for a specified term of more than one year, together with necessary and reasonable expenses incident to procuring such franchises, consents or certificates of permission, and approval, including expenses of organizing and merging separate corporations, where statutes require solely for the purpose of acquiring franchises.

(b) If a franchise, consent, permit or certificate is acquired by assignment, the charge to this account in respect thereof shall not exceed the amount paid therefor by the utility to the assignor, nor shall it exceed the amount paid by the original grantee, plus the expense of acquisition to such grantee. Any excess of the amount actually paid by the utility over the amount above specified shall be charged to account 439, Adjustments to Retained Earnings.

(c) When any franchise has expired, the book cost thereof shall be credited hereto and charged to account 439, Adjustments to Retained Earnings, or to account 114, Accumulated Provision for Amortization of Utility Property in Service, as appropriate.

(d) Records supporting this account shall be kept as to show separately the book cost of each franchise or consent.

NOTE:-Annual or other periodic payments under franchises shall not be included herein but in the appropriate operating expense account.

7:26I-3.131 Miscellaneous intangible property; account 303

(a) This account shall include the cost of patent rights, licenses, privileges and other

intangible property necessary or valuable in the conduct of utility operations and not specifically chargeable to any other account.

(b) When any item included in this account is retired or expires, the book cost thereof shall be credited hereto and charged to account 439, Adjustments to Retained Earnings, or to account 114, Accumulated Provision for Amortization of Utility Property in Service, as appropriate.

(c) This account shall be maintained in such a manner that the utility can furnish full information with respect to the amounts included herein.

7:26I-3.132 Land and land rights and improvements; account 310

This account shall include the cost of land and land rights used in connection with collection operation. (See N.J.A.C. 7:26I-24.)

7:26I-3.133 Structures and improvements; account 311

This account shall include the cost in place of structures and improvements used in connection with the collection operation. (See N.J.A.C. 7:26I-3.24.)

7:26I-3.134 Rolling equipment; mobile; account 312

(a) This account shall include the cost of all rolling stock used and useful (including also railroad locomotives and cars, barges, tugs, and the like), to the utility the operational cost of which shall be allocated to the respective category of operations based on either direct charges or apportioned on a percentage or other acceptable equitable measure of apportionment applicable to the operation subject to the Department prior approval.

(b) Appropriate items include:

1. Trucks;
2. Trailers;
3. Containerized trucks;
4. Containers;
5. Bulldozers;
6. Graders;
7. Shovels-powered;
8. Cranes-powered;
9. Locomotives and cars, and so forth;
10. Barges;
11. Tugs;
12. Service cars;
13. Salesmen's and utility cars;
14. And all other cars and equipment of rolling-type stock.

7:26I-3.135 Containers, bins, storage facilities, and so forth; account 313

(a) This account shall include the cost installed thereof used and useful to the utility operations.

(b) This account shall include all types of facilities used by the utility, portable and/or fixed with the exclusion of containers supplied to customers in the regular course of business.

7:26I-3.136 Other collection utility property; account 317

This account shall include the cost of other collection property which is not properly includible in other accounts.

7:26I-3.137 Land and land rights; account 320

This account shall include cost of land and land rights used in connection with transfer station operation. (See N.J.A.C. 7:26I-3.24.)

7:26I-3.138 Structures and improvements; account 321

This account shall include cost in place of structures and improvements used in transfer station operation. (See N.J.A.C. 7:26I-3.24.)

7:26I-3.139 Boiler plant equipment; account 322

(a) This account shall include the cost installed of furnaces, boilers, equipment, piping, boiler apparatus and accessories.

(b) Appropriate items include:

1. Ash handling equipment-including hoppers, gates, cars, conveyors, hoists, sluicing equipment; including pumps and motors, sluicing water pipe and fittings, sluicing trenches and accessories, and so forth, except sluices which are a part of a budding;
2. Boiler feed system-including feed water heaters, evaporative condensers, heater drain pumps, heater drainers, deaerators and vent condensers, boiler feed pumps, surge tanks, feed water regulators, feed water measuring equipment and all associated drives;
3. Boiler plant cranes and hoists and associated drives;
4. Boilers and equipment-including boilers and baffles, economizers, superheaters, soot blowers, foundations and settings, water walls, arches, grates, insulation, blow-down system, drying out of new boilers, also associated motors or other power equipment;
5. Breaching and accessories-including breaching, dampers, soot spouts, hoppers and gates, cinder eliminators, breaching insulation, soot blowers and associated motors;
6. Coal handling and storage equipment-including coal towers, coal lorries, coal cars, locomotives and tracks when devoted principally to the transportation of coal, hoppers, downtakes, unloading and hoisting equipment, skip hoists and conveyors, weighing equipment, magnetic separators, cable ways, housings and supports for coal handling equipment;
7. Draft equipment-including air preheaters and accessories, induced and forced draft fans, air ducts, combustion control mechanisms and associated motors or other power equipment;

8. Gas burning equipment-including holders, burner equipment and piping control equipment, and so forth;
9. Instruments and devices-including all measuring, indicating and recording equipment for boiler plant service together with mountings and supports;
10. Lighting systems;
11. Oil burning equipment-including tanks, heaters, pumps with drive, burner equipment and piping, control equipment, and so forth;
12. Pulverized fuel equipment-including pulverizers, accessory motors, primary air fans, cyclones and ducts, dryers, pulverized fuel bins, pulverized fuel conveyors and equipment, burners, burner piping, priming equipment, air compressors, motors, and so forth;
13. Stacks, including foundations and supports-stack steel and ladders, stack brick work, stack concrete, stack lining, stack painting (first), when set on separate foundations, independent of substructure or superstructure of building;
14. Station piping-including pipe, valves, fittings, separators, traps, desuperheaters, hangers excavation, covering, and so forth; for station piping system, including all steam, condensate, boiler feed and water supply piping, and so forth;
15. Stoker or equivalent feeding equipment-including stokers and accessory motors, clinker grinders, fans and motors, and so forth;
16. Ventilating equipment;
17. Water purification equipment-including softeners and accessories, evaporators and accessories, heat exchangers, filters, tanks for filtered or softened water, pumps, motors, and so forth;
18. Water supply systems-including pumps, motors, strainers, raw water storage tanks, boiler wash pumps, intake and discharge pipes and tunnels not a part of a building;
19. Wood fuel equipment-including hoppers, fuel hogs and accessories, elevators and conveyors, bins and gates, spouts, measuring equipment and associated drives.

7:26I-3.140 Other power equipment, generators, pumps, and so forth; account 323

(a) This account shall include the cost installed of any equipment used other than boiler plant equipment.

(b) Subdivisions shall be maintained hereunder for the cost of equipment used such as hydraulic works, generators, and so forth.

7:26I-3.141 Rolling equipment; mobile; account 324

(a) This account shall include the cost of all rolling stock used and useful (including also railroad locomotives and cars, barges, tugs, and so forth), to the operators of the utility, the operational cost of which shall be allocated to the respective category of operations based on either direct charges or apportioned on a percentage or other acceptable equitable measure of apportionment applicable to the operation subject to the Department's prior approval.

(b) Appropriate items include:

1. Truck;
2. Trailers;

3. Containerized trucks;
4. Containers;
5. Bulldozers;
6. Graders;
7. Shovels-powered;
8. Cranes-powered;
9. Locomotives and cars, and so forth;
10. Barges;
11. Tugs;
12. Service cars;
13. Salesmen's and utility cars;
14. And all other mobile-type stock.

7:26I-3.142 Scale(s); account 325

(a) This account shall include the cost installed of scales and equipment power and/or mechanically operated.

(b) Appropriate items include:

1. Motor for driving pumps-including setting, gearing, shafting and belting;
2. Water piping within station, including valves;
3. Auxiliary equipment for motors and pumps such as oiling systems, cooling system, condensers, and so forth;
4. Electric power lines and switching;
5. Regulating, recording and measuring devices;
6. Foundations, frames and bed plates;
7. Ladders, stairs and platforms if a part of unit.

7:26I-3.143 Presses, compressors, compactors, hydraulic and/or powered; account 326

(a) This account shall include the cost installed of power and/or mechanically operated equipment.

(b) Appropriate items include:

1. Motors for driving equipment-including setting, gearing, shafting and belting;
2. Water piping within station, including valves;
3. Auxiliary equipment for engines and/or power equipment such as oiling systems, cooling systems, condensers, and so forth;
4. OH supply lines and accessories;
5. Regulating, recording and measuring devices;
6. Foundations, frames and bed plates;
7. Ladders, stairs and platforms if a part of unit.

7:26I-3.144 Cranes, powered and/or mechanical (fixed); account 327

(a) This account shall include the cost installed of equipment powered and/or mechanically operated.

(b) Appropriate items include:

1. Motors for driving equipment-including setting, gearing, shafting and belting;
2. Water piping within station including valves;
3. Auxiliary equipment for engines and/or power equipment such as oiling systems, cooling systems, condensers, and so forth;
4. Regulating, recording and measuring devices;
5. Foundations, frames and bed plates;
6. Ladders, stairs and platforms if a part of unit.

7:26I-3.145 Sprinkler systems and equipment; account 328

This account shall include cost of equipment installed used in operations portable and/or fixed other than for fire protection.

7:26I-3.146 Other transfer station utility equipment; account 329

This account shall not include the cost installed of other equipment not otherwise recorded.

7:26I-3.147 Land and land rights; account 330

This account shall include the cost of land and land rights used in connection with the landfill operations. (See N.J.A.C. 7:26I-3.23.)

7:26I-3.148 Structures and improvements; account 331

This account shall include the cost in place of structures and improvements used in connection with the landfill operation. (See N.J.A.C. 7:26I-3.25.)

7:26I-3.149 Roads; including access roads; account 332

This account shall include the cost installed of all roads and access roads, sidewalks, curbs, ramps, approaches, parking areas, paving, docks and wharves, and/or other facilities.

7:26I-3.150 Lights and lighting facilities; account 333

This account shall include the cost installed of all lights and lighting facilities used in landfill operations.

7:26I-3.151 Fences; account 334

This account shall include the cost in place of all fences and improvements used in enclosing and protecting utility property.

7:26I-3.152 Surveys; account 335

This account shall include the cost of all professional fees, materials and supplies used in securing proper and adequate acceptable legal bounds and meet descriptions of utility property.

7:26I-3.153 Other improvements; account 336

This account shall include the cost installed of improvements not otherwise accounted for and recorded.

7:26I-3.154 Stationary equipment; account 340

This account shall include the cost installed of all stationary equipment permanently used and useful in the landfill operation.

7:26I-3.155 Sprinkler systems and equipment; account 341

This account shall include cost of equipment installed used in operations portable and/or fixed other than for fire protection.

7:26I-3.156 Storage facilities, tanks, vats, bins, containers, and so forth; account 342

This account shall include the cost installed thereof used and useful to the utility operations. This account shall include all types of facilities used by the utility, portable and/or fixed with the exclusion of containers supplied to customers in the regular course of business.

7:26I-3.157 Rolling equipment; mobile; account 343

(a) This account shall include the cost of all rolling stock used and useful (including also railroad locomotives and cars, barges, tugs, and so forth), to the operators of the utility the operational cost of which shall be allocated to the respective category of operations based on either direct charges or apportioned on a percentage or other acceptable equitable measure of apportionment applicable to the operation subject to the Department's prior approval.

(b) Appropriate items include:

1. Trucks;
2. Trailers;
3. Containerized trucks;
4. Containers;
5. Bulldozers;
6. Graders;

7. Shovels-powered;
8. Cranes-powered;
9. Locomotives and cars, and so forth;
10. Barges;
11. Tugs;
12. Service cars;
13. Salesmen's and utility cars;
14. And all other cars of rolling-type stock.

7:26I-3.158 Railroad sidings, tracks, equipment and facilities; account 344

This account shall include the cost installed of sidings, tracks, equipment and facilities used and useful in landfill operations.

7:26I-3.159 Other landfill operating equipment; account 345

This account shall include the cost installed of all other equipment not otherwise accounted for and recorded.

7:26I-3.160 Land, landsite and land rights and improvements (Incl. leaseholds); account 350

This account shall include the cost of land and land rights used in connection with the incinerator treatment and disposal property and equipment.

7:26I-3.161 Roads; including access roads; account 351

This account shall include the cost installed of all roads and access roads, sidewalks, curbs, ramps, approaches, parking areas, paving, docks and wharves, and/or other facilities.

7:26I-3.162 Lights and lighting facilities; account 352

This account shall include the cost installed of all lights and lighting facilities used in incinerator treatment and disposal property and equipment.

7:26I-3.163 Fences; account 353

This account shall include the cost in place of all fences and improvements used in enclosing and protecting utility property.

7:26I-3.164 Surveys; account 354

This account shall include the cost of all professional fees, materials and supplies used in securing proper and adequate acceptable legal bounds and meet descriptions of utility property.

7:26I-3.165 Other landsite improvements; account 355

This account shall include the cost installed of improvements not otherwise accounted for and recorded.

7:26I-3.166 Structures and improvements, including leaseholds; account 356

This account shall include the cost in place of structures and improvements used in connection with the incinerator treatment and disposal property and equipment.

7:26I-3.167 Boiler plant equipment; account 357

(a) This account shall include the cost installed of furnaces, boilers, equipment, piping, boiler apparatus and accessories.

(b) Appropriate items include:

1. Ash handling equipment-including hoppers, gates, cars, conveyors, hoists, sluicing equipment; including pumps and motors, sluicing water pipe and fittings, sluicing trenches and accessories, and so forth, except sluices which are a part of a building.

2. Boiler feed system-including feed water heaters, evaporative condensers, heater drain pumps, heater drainers, deaerators and vent condensers, boiler feed pumps, surge tanks, feed water regulators, feed water measuring equipment and all associated drives.

3. Boiler plant cranes and hoists and associated drives.

4. Boilers and equipment-including boilers and baffles, economizers, superheaters, soot blowers, foundations and settings, water walls, arches, grates, insulation, blow-down system, drying out of new boilers, also associated motors or other power equipment.

5. Breaching and accessories-including breaching, dampers, soot spouts, hoppers and gates, cinder eliminators, breaching insulation, soot blowers and associated motors.

6. Coal handling and storage equipment-including coal towers, coal lorries, coal cars, locomotives and tracks when devoted principally to the transportation of coal, hoppers, downtakes, unloading and hoisting equipment, skip hoists and conveyors, weighing equipment, magnetic separators, cable ways, housings and supports for coal handling equipment.

7:26I-3.168 Stationary equipment; account 358

This account shall include the cost installed of all stationary equipment permanently used and useful in the incinerator treatment and disposal property and equipment.

7:26I-3.169 Other power equipment, generators, pumps, and so forth, account 359

(a) This account shall include the cost installed of any equipment used other than boiler plant equipment.

(b) Subdivisions shall be maintained hereunder for the cost of equipment used such as hydraulic works, generators, and so forth.

7:26I-3.170 Scale(s); account 360

(a) This account shall include the cost installed of Scales and Equipment power and/or mechanically operated.

(b) Appropriate items include:

1. Motors for driving pumps-including setting, gearing, shafting and belting;
2. Water piping within station, including valves;
3. Auxiliary equipment for motors and pumps such as oiling systems, cooking system, condensers, and so forth;
4. Electric power lines and switching;
5. Regulating, recording and measuring devices;
6. Foundations, frames and bed plates;
7. Ladders, stairs and platforms if a part of unit.

7:26I-3.171 Pit(s), account 361

This account shall include the cost of all expenditures incurred in the installation of said facility used and useful to the utility's operation.

7:26I-3.172 Stack(s); account 362

This account shall include the cost of all expenditures incurred in the installation of said facility used and useful to the utility's operation.

7:26I-3.173 Sprinkler systems and equipment; account 363

This account shall include cost of equipment installed used in operations portable and/or fixed other than for fire protection.

7:26I-3.174 Rolling equipment; mobile; account 364

(a) This account shall include the cost of all rolling stock used and useful (including also railroad locomotives and cars, barges, tugs, and so forth), to the operators of the utility the operational cost of which shall be allocated to the respective category of operations based on either direct charges or apportioned on a percentage or other acceptable equitable measure of apportionment applicable to the operation subject to the Board's prior approval.

(b) Appropriate items include:

1. Trucks;
2. Trailers;
3. Containerized trucks;
4. Containers;
5. Bulldozers;
6. Graders;

7. Shovels-powered;
8. Cranes-powered;
9. Locomotives and cars, and so forth;
10. Barges;
11. Tugs;
12. Service cars;
13. Salesmen's and utility cars;
14. And all other cars of rolling-type stock.

7:26I-3.175 Railroad sidings, tracks, equipment and facilities; account 365

This account shall include the cost installed of sidings, tracks, equipment and facilities used and useful in the incinerator treatment and disposal property and equipment.

7:26I-3.176 Other structures and property equipment; account 366

This account shall include the cost installed of all other equipment not otherwise accounted for and recorded.

7:26I-3.177 Land and land rights and improvements, including leaseholds; account 388

This account shall include the cost of land and land rights used for utility purposes, the cost of which is not properly includible in other land and land rights accounts. (See N.J.A.C. 7:26I-3.24.)

7:26I-3.178 Structures and improvements, including leaseholds; account 389

This account shall include the cost in place of structures and improvements used for utility purposes, the cost of which is not properly includible in other structures and improvements accounts. (See N.J.A.C. 7:26I-3.25.)

7:26I-3.179 Garage and shop equipment; account 390

(a) This account shall include the cost installed of machinery and equipment used in shops and garages when such machinery and equipment is not an integral part of the housing structure, together with specially provided foundations and settings not expected to outlast the machinery mounted thereon. Records shall be kept so as to show separately the cost of each major item of equipment.

(b) If the utility has shops or garages at more than one location, the records shall be maintained to reflect the carrier's investment at each location.

(c) Appropriate items include:

1. Air compressors and hose, gauges and tanks;
2. Anvils;
3. Arbor presses;

4. Battery charging outfits;
5. Belts, shafts and countershafts;
6. Boring or reaming machines;
7. Car washing equipment;
8. Cranes and hoists (portable);
9. Creepers;
10. Drill presses;
11. Electric equipment;
12. Engines and boilers;
13. Forges;
14. Gasoline and oil pumps and portable tanks;
15. Greasing Racks and pumps;
16. Grinders;
17. Jacks;
18. Lockers;
19. Machine tools;
20. Motor driven hand tools;
21. Motor starters;
22. Off reclaiming machines;
23. Paint sprayers;
24. Pneumatic tools;
25. Storage bins and shelving (movable);
26. Store room equipment (except office equipment);
27. Stoves;
28. Testing apparatus;
29. Tire changing equipment;
30. Tool racks;
31. Vises;
32. Vulcanizing equipment;
33. Weighing devices;
34. Welding apparatus;
35. Wheel pullers;
36. Workbenches.

NOTE A:-The cost of small portable tools and implements of slight value or short life shall be charged to the appropriate expense account.

NOTE B:-The cost of cranes, hoists, and other appliances, devices, and tools forming the equipment of service cars and trucks shall be charged to account 390.

7:26I-3.180 Office furniture and equipment; account 391

(a) This account shall include the cost of office furniture and equipment owned by the utility and devoted to utility service, and not permanently attached to buildings, except the cost of

such furniture and equipment which the utility elects to assign to other property accounts on a functional basis.

(b) If the utility has equipment includible in this account at more than one location, separate records shall be maintained for each location.

(c) Appropriate items include:

1. Book cases;
2. Cash registers;
3. Chairs, stools and benches;
4. Clocks;
5. Counters;
6. Desks;
7. Equipment in rest, dining, recreation and medical rooms;
8. Fans, electric;
- 9.9. Filing cabinets;
10. Fire extinguisher equipment;
11. Floor coverings;
12. Heaters and lamps (movable);
13. Kitchen equipment;
14. Lighting fixtures (movable);
15. Lockers;
16. Loud speaker systems;
17. Newsstand equipment;
18. Office equipment (mechanical);
19. Parcel room equipment;
20. Partitions and railings;
21. Restaurant equipment;
22. Safes (movable);
23. Show cases and shelves;
24. Tables and counters;
25. Teletypewriters;
26. Ticket cases;
27. Ticket machines;
28. Time clocks;
29. Time-table racks;
30. Typewriters;
31. Vacuum cleaners;
32. Water coolers.

NOTE:-Small articles of slight value or of short life shall be charged to the appropriate expense accounts.

7:26I-3.181 Transportation equipment; other; account 392

(a) This account shall include the cost of transportation vehicles used for General Utility Operating Purposes not otherwise accounted for and recorded.

(b) Appropriate items include:

1. Airplanes;
2. Automobiles, special use;
3. Bicycles;
4. Electrical vehicles;
5. Motor trucks;
6. Motorcycles;
7. Other transportation vehicles.

7:26I-3.182 Stores equipment; account 393

(a) This account shall include the cost of equipment used for the receiving, shipping, handling and storage of materials and supplies.

(b) If the utility has equipment includible in this account at more than one location, separate records shall be maintained for each location.

(c) Appropriate items include:

1. Chain falls;
2. Counters;
3. Cranes (portable);
4. Elevating and stacking equipment (portable);
5. Hoists;
6. Lockers;
7. Scales;
8. Shelving;
9. Storage bins;
10. Trucks, hand and power driven;
11. Wheelbarrows.

7:26I-3.183 Laboratory equipment; account 394

(a) This account shall include the cost installed of laboratory equipment used for general laboratory purposes and not specifically provided for or includible in other departmental or functional property accounts.

(b) If the utility has equipment includible in this account at more than one location, separate records shall be maintained for each location.

(c) Appropriate items include:

1. Autoclaves;
2. Barometers;
3. Cameras;
4. Centrifuge;
5. Distilling apparatus;
6. Furnaces;

7. Microscopes;
8. Ovens;
9. Pitometers;
10. Rain gauges;
11. Refrigerators;
12. Scales;
13. Sterilizers;
14. Stop watches;
15. Testing machines;
16. Thermometers;
17. Voltmeters;
18. Other bacteriological, electric, chemical hydraulic or research equipment.

7:26I-3.184 Communication equipment; account 395

(a) This account shall include the cost installed of telephone, telegraph and wireless equipment for general use in connection with utility operations.

(b) Appropriate items include:

1. Antennae;
2. Booths;
3. Cables;
4. Distribution boards;
5. Extension cords;
6. Gongs;
7. Handsets, manual and dial;
8. Insulators;
9. Intercommunicating sets;
10. Loading coils;
11. Operators desks;
12. Poles and fixtures used wholly for telephone and telegraph wires;
13. Radio transmitting and receiving sets;
14. Remote control equipment and lines;
15. Sending keys;
16. Storage batteries;
17. Switchboards;
18. Telautograph circuit connections;
19. Telegraph receiving sets;
20. Telephone and telegraph circuits;
21. Testing instruments;
22. Towers;
23. Underground conduit used wholly for telephone or telegraph wires and cable wires;
24. Other communication equipment.

7:26I-3.185 Other general utility equipment; account 398

(a) This account shall include the cost of equipment, apparatus, and so forth, used in utility operations and which is not includible in any other account.

(b) Appropriate items include:

1. Blocks and falls;
2. Canvas covers (tarpaulins);
3. Carts;
4. Chain hoists;
5. Dollies (platform);
6. Electric motor trucks;
7. Hamper trucks;
8. Platform trucks;
9. Rollers;
10. Scales;
11. Signal equipment;
12. Signs (electric and portable);
13. Skidboards;
14. Warehouse trucks;
15. Weighing devices.

NOTE:-Miscellaneous equipment of the nature indicated above wherever practicable shall be included in the utility property accounts on a functional basis.

7:26I-3.186 Income accounts

(a) Income accounts include:

1. Utility operating income:
 - i. 400. Operating Revenues;
 - ii. 401. Operating Expenses;
 - iii. 402. Maintenance Expense;
 - iv. 403. Depreciation Expense;
 - v. 404-7. Amortization Expense;
 - vi. 408. Taxes Other Than Income Tax;
 - vii. 409. Income Taxes
 - viii. 410. Provisions for Deferred Income Taxes;
 - ix. 411. Income Taxes Deferred in Prior Years;
 - x. 412. Investment Tax Credit Adjustments;
 - xi. 413. Income from Utility Property Leased to Others.
2. Other income:
 - i. 416. Income from Investments;
 - ii. 417. Income from Nonutility Operations;
 - iii. 418. Nonoperating Rental Income;
 - iv. 419. Interest and Dividend Income;

- v. 420. Allowances for Funds Used During Construction;
- vi. 421. Miscellaneous Nonoperating Income;
- vii. 422. Gains (losses) from Disposition of Property.
- 3. Other income deductions:
 - i. 424. Customers' Accounts Purchased;
 - ii. 425. Miscellaneous Amortization;
 - iii. 426. Other Income Deductions.
- 4. Interest charges:
 - i. 427. Interest on Long-Term Debt;
 - ii. 428. Amortization of Debt Discount and Expenses;
 - iii. 429. Amortization of Premium on Debt-Cr.;
 - iv. 430. Interest on Debt to Associated Companies;
 - v. 431. Other Interest Expense.
- 5. Extraordinary items:
 - i. 433. Extraordinary Income;
 - ii. 434. Extraordinary Deductions.
- 6. Retained earnings accounts:
 - i. 216. Unappropriated Retained Earnings (at beginning of period);
 - ii. 435. Balance Transferred from Income;
 - iii. 436. Appropriations of Retained Earnings;
 - iv. 437. Dividends Declared-Preferred Stock;
 - vi. 439. Adjustments to Retained Earnings;
 - vii. 216. Unappropriated Retained Earnings (at end of period).

v. 438. Di

7:26I-3.187 Operating revenues; account 400

- (a) There shall be shown under this caption the total amount included in the operating revenue accounts provided herein and in similar accounts for other utility departments.
- (b) Separate subaccounts shall be maintained for each utility department.

7:26I-3.188 Operation expense; account 401

There shall be shown under this caption the total amount included in the operation expense accounts provided herein and in similar accounts for other utility departments. Separate subaccounts shall be maintained for each utility department.

7:26I-3.189 Maintenance expense; account 402

- (a) There shall be shown under this caption the total amount included in the maintenance expense accounts provided herein and in similar accounts for other utility departments.
- (b) Separate subaccounts shall be maintained for each utility department.

7:26I-3.190 Depreciation expense; account 403

(a) This account shall include the amount of depreciation expense for all classes of depreciable utility property in service except such depreciation expense as is chargeable to clearing accounts.

(b) The utility shall keep such records of property and property retirements as will reflect the service life of property which has been retired and aid in estimating probable service life by mortality, turnover, or other appropriate methods; and also such records as will reflect the percentage of salvage and cost of removal for property retired from each account, or subdivision thereof, for depreciable utility property.

(c) If the utility is engaged in more than one utility service, a separate account shall be kept hereunder for each utility service.

NOTE A:-Depreciation expense applicable to property, included in account 104, Utility Property Leased to Others, shall be charged to account 413, Expenses of Utility Property Leased to Others.

7:26I-3.191 Amortization of limited-term utility property; account 404

(a) This account shall include amortization charges applicable to amounts included in the utility property accounts for limited-term franchises, licenses, patent rights, limited term interests in land, and expenditures on leased property where the service of life of the improvements is terminable by action of the lease.

(b) The charges to this account shall be such as to distribute the book cost of each investment as evenly as may be over the period of its benefit to the utility. (See N.J.A.C. 7:26I-3.46, account 114, Accumulated Provision for Amortization of Utility Property in Service.)

7:26I-3.192 Amortization of other utility property; account 405

(a) When authorized by the Department, this account shall include charges for amortization of intangible or other utility property in service which does not have a definite or terminable life and which is not subject to charges for depreciation expense.

(b) This account shall be supported in such detail as to show the amortization applicable to each investment being amortized, together with the book cost of the investment and the period over which it is being written off.

7:26I-3.193 Amortization of utility property acquisition adjustment; account 406

This account shall be debited or credited, as the case may be, with amounts includible in operating expenses, pursuant to approval or order of the Department, for the purpose of providing for the extinguishment of the amount in account 117, Utility Property Acquisition Adjustments.

7:26I-3.194 Amortization of property losses; account 407

This account shall be charged with amounts credited to account 182, Extraordinary Property Losses, when the Department has authorized the amount in the latter account to be amortized by charges to operating expenses.

7:26I-3.195 Taxes other than income taxes; account 408

(a) This account shall include the amount of ad valorem, gross revenue or gross receipts taxes, State unemployment insurance, franchise taxes, Federal excise taxes, social security taxes, and all other taxes assessed by Federal, State, county, municipal, or other local governmental authorities, which are properly chargeable to utility operations, except income taxes. The utility shall be prepared to report each class of tax separately, and to report separately the amounts payable to Federal, State and Local Tax Districts. Amounts for Franchise Tax paid to the State shall be reported under State Taxes and the amounts paid to local municipalities under "Local Taxes".

(b) This account shall be charged in each accounting period with the amount of taxes which is applicable thereto, with concurrent credits to account 236, Taxes Accrued, or account 165, Prepayments, as appropriate. When it is not possible to determine the exact amounts of taxes, the amount shall be estimated and adjustments made in current accruals as the actual tax levies become known.

(c) The charges to this account shall be made or supported so as to show the amount of each tax and the basis upon which each charge is made. In the case of a utility rendering a number of utility services, taxes includible in this account shall be assigned directly to the utility department the operation of which gave rise to the tax in so far as practicable. Where the tax is not attributable to a specific utility department, it shall be distributed among the utility departments or nonutility operations on an equitable basis.

7:26I-3.196 Income taxes; account 409

(a) This account shall include the amount of State and Federal taxes on income properly accruable during the period covered by the income statement to meet the actual liability for such taxes. Concurrent credits for the tax accruals shall be made to account 236, Taxes Accrued, and as the exact amount of taxes becomes known, the current tax accruals shall be adjusted accordingly so that this account, as nearly as can be ascertained, shall include the actual taxes payable which are chargeable to utility operations.

(b) The accruals for income taxes shall be apportioned among utility operations and nonutility operations so that, as nearly as practicable, each tax shall be included in the expenses of the utility operation or nonutility operation the income from which gave rise to the tax.

7:26I-3.197 Taxes other than income taxes; utility operating income; account 408.1

(a) This account shall include those taxes recorded in account 408, Taxes Other Than Income Taxes, which relate to utility operating income.

(b) This account shall be maintained so as to allow ready identification of taxes

relating to Utility Operating Income (by department), Utility Plant Leased to Others and Other Utility Operating Income.

7:26I-3.198 Taxes other than income taxes; other income and deductions; account 408.2

This account shall include those taxes recorded in account 408, Taxes Other Than Income Taxes which relate to Other Income and Deductions.

7:26I-3.199 Income taxes; utility operating income; account 409.1

(a) This account shall include the amount of those State and Federal income taxes reflected in account 409, Income Taxes, which relate to Utility Operating Income.

(b) This account shall be maintained so as to allow ready identification of tax effects (both positive and negative) relating to Utility Operating Income (by department), Utility Plant Leased to Others and Other Utility Operating Income.

7:26I-3.200 Income taxes; other income and deductions; account 409.2

This account shall include the amount of those State and Federal income taxes reflected in account 409, Income Taxes (both positive and negative), which relate to Other Income and Deductions.

7:26I-3.201 Income taxes; extraordinary items; account 409.3

This account shall include the reflected amount of those State and Federal income taxes in account 409, Income Taxes (both positive and negative), which relate to Extraordinary Items.

7:26I-3.202 Provision for deferred income taxes; account 410

(a) This account shall be debited, and Accumulated Deferred Income Taxes shall be credited with an amount equal to any deferral of taxes on income as provided by the texts of accounts 281, 282 and 283. There shall not be netted against entries required to be made to this account any credit amounts appropriately includible in account 411, Income Taxes Deferred in Prior Years-Credit.

(b) This account shall be maintained according to the subaccounts 410.1 and 410.2 inclusive, as shown below.

7:26I-3.203 Provisions for deferred income taxes, utility operating income; account 410.1

This account shall include the amount of those deferred income taxes reflected in account 410, Provision for Deferred Income Taxes, which relate to Utility Operating Income (by department).

7:26I-3.204 Provisions for deferred income taxes, other income and deductions;

account 410.2

This account shall include the amount of those deferred income taxes reflected in account 410, Provision for Deferred Income Taxes, which relate to Other Income and Deductions.

7:26I-3.205 Income taxes deferred in prior years; credit; account 411

(a) This account shall be credited and Accumulated Deferred Income Taxes debited with an amount equal to the portion of taxes on income payable for the year that is attributable to a deferral of taxes on income in a prior year, in accordance with the plan of deferred tax accounting provided by the texts of accounts 281, 282, and 283. There shall not be netted against entries required to be made to this account any debit amounts appropriately includible in account 410, Provision for Deferred Income Taxes.

(b) This account shall be maintained according to the subaccounts 411.1 and 411.2 inclusive, as shown below.

7:26I-3.206 Income taxes deferred in prior years-credit, utility operating income; account 411.1

This account shall include the amount of those taxes deferred in prior years-credit, reflected in account 411, Income Taxes Deferred in Prior Years-Credit, which relate to Utility Operating Income (by department).

7:26I-3.207 Income taxes deferred in prior years-credit; other income and deductions; account 411.2

This account shall include the amount of those taxes deferred in prior years-credit, reflected in account 411, Income Taxes Deferred in Prior Years-Credit, which relate to Other Income and Deductions.

7:26I-3.208 Investment tax credit adjustments; account 412

(a) This account shall be debited with the amounts of investment tax credits related to electric utility property that are credited to account 255, Accumulated Deferred Investment Tax Credits, by companies which do not apply the entire amount of the benefits of the investment credit as a reduction of the overall income tax expense in the year in which such credit is realized (see account 255).

(b) This account shall be credited with the amounts debited to account 255 for proportionate amounts of tax credit deferrals allocated over the average useful life of electric utility property to which the tax credits relate or such lesser period of time as may be adopted and consistently followed by the company.

(c) This account shall be maintained according to the subaccounts 412.1 and 412.2 inclusive, as shown below.

7:26I-3.209 Investment tax credit adjustments, utility operations; account 412.1

This account shall include the amount of those investment tax credit adjustments reflected in account 411.3, Investment Tax Credit Adjustment, related to property used in Utility Operations (by department).

7:26I-3.210 Investment tax credit adjustments, nonutility operations; account 412.2

This account shall include the amount of those investment tax credit adjustments reflected in account 411.3, Investment Tax Credit Adjustments, related to property used in Nonutility Operations.

7:26I-3.211 Income from utility property leased to others; account 413

(a) These accounts shall include respectively, revenues from utility property leased by the utility to others and which property is properly includible in account 104, Utility Property Leased to Others, and the expenses attributable to such property.

(b) The detail of expenses shall be kept or supported so as to show separately the following:

1. Operation;
2. Maintenance;
3. Rents;
4. Depreciation;
5. Amortization;
6. Taxes other than Income Taxes;
7. Income Taxes.

7:26I-3.212 Income from nonutility operations; account 417

(a) This account shall include revenues and expenses applicable to operations which are nonutility in character but nevertheless constitute a distinct operating activity of the enterprise as a whole, such as the operation of a servicing organization for furnishing supervision, management, engineering, and similar services to others.

(b) The expenses shall include all elements of costs incurred in such operations, and the accounts shall be maintained so as to permit ready summarization as follows:

1. Operation;
2. Maintenance;
3. Rents;
4. Depreciation.

7:26I-3.213 Income from investments; account 416

(a) This account shall include income derived from utility funds invested in property

other than used and useful in its operation.

7:26I-3.214 Income accounts

- (a) Income accounts include the following:
 - 1. Amortization;
 - 2. Taxes other than Income Taxes;
 - 3. Income Taxes.

7:26I-3.215 Nonoperating rental income; account 418

(a) This account shall include all rent revenues and related expenses of land, buildings, or other property included in account 121, Nonutility Property, which is not used in operations covered by account 417.

(b) The expenses shall include all elements of costs incurred in the ownership and rental of the property and the account shall be maintained so as to permit ready summarization as follows:

- 1. Operation;
- 2. Maintenance;
- 3. Depreciation;
- 4. Rents;
- 5. Amortization;
- 6. Taxes other than Income Taxes;
- 7. Income Taxes.

7:26I-3.216 Interest and dividend income; account 419

(a) This account shall include interest revenues on securities, loans, notes, advances, special deposits, tax refunds and all other interest-bearing assets, and dividends on stocks of other companies, whether the securities on which the interest and dividends are received are carried as investments or included in sinking or other special fund accounts.

(b) If any interest or dividends are required to be retained in a special fund and the fund is represented by a reserve, the amount of such accretion to the fund shall concurrently be credited to the appropriate reserve account and charged to account 436, Appropriations of Surplus.

(c) This account may include for each accounting period the pro rata amount necessary to extinguish (during the interval between the date of acquisition and the date of maturity) the difference between the cost to the utility and the face value of interest-bearing securities. Amounts thus credited or charged shall be concurrently included in the accounts in which the securities are carried.

(d) All expenses, including operating taxes and income taxes, applicable to security investments and to interest and dividend revenues thereon shall be charged hereto.

NOTE:-Interest accrued, the payment of which is not reasonably assured, dividends

receivable which have not been declared or guaranteed, and interest or dividends upon reacquired securities issued or assumed by the utility shall not be credited to this account.

7:26I-3.217 Allowance for funds used during construction; account 420

This account shall include concurrent credits for interest charged to construction based upon the net cost for the period of construction of borrowed funds used for construction purposes and a reasonable rate upon other funds when so used. (See N.J.A.C. 7:26I-3.19.)

7:26I-3.218 Miscellaneous nonoperating income; account 421

(a) This account shall include all revenue and expense items properly includible in the income account and not provided for elsewhere.

(b) Appropriate items include:

1. Profit on sale of timber (See N.J.A.C. 7:26I-3.23.);
2. Profits from operations of others realized by the utility.

7:26I-3.219 Gains (losses) from disposition of property; account 422

(a) This account shall include as approved by the Department, gains and losses on the sale, conveyance, exchange or transfer of utility or other property to another. (See N.J.A.C. 7:26I-3.21, 3.24, and 3.27.)

(b) This income tax effect attributable to gains and losses recorded in this account shall be recorded in account 409.2, Income Taxes, Other Income and Deductions.

7:26I-3.220 Customers' accounts purchased; account 424

This account shall include amortization charges which are properly deductible in determining the income of the utility after utility operating expenses, maintenance, depreciation and taxes and, will therefore not be construed as a direct operating expense deduction from Utility Revenue. (See N.J.A.C. 7:26I-3.22.)

7:26I-3.221 Miscellaneous amortization; account 425

(a) This account shall include amortization charges not includible in other accounts which are properly deductible in determining the income of the utility before interest charges. Charges includible herein, if significant in amount, must be in accordance with an orderly and systematic amortization program. Similar charges made irregularly without a definite program, or which are dependent upon the amount of net income shall be charged to account 439, Adjustment to Retained Earnings.

(b) Appropriate items include:

1. Amortization of utility property acquisition adjustments, or of intangibles included in utility property in service when not authorized to be included in utility operating

expenses by the Department;

2. Amortization of amounts in account 182, Extraordinary Property Losses, when not authorized to be included in utility operating expenses by the Department;

3. Amortization of capital stock expenses when in accordance with a systematic amortization program.

7:26I-3.222 Other income deductions; account 426

(a) This account shall include miscellaneous expense items which are nonoperating in nature but which are properly deductible before determining total income before interest charges.

(b) Appropriate items include:

1. Donations for charitable, social or community welfare purposes;

2. Life insurance on officers and employees where utility is beneficiary (Net premiums less increase in cash surrender value of policies.);

3. Penalties or fines for violations of statutes pertaining to regulation.

7:26I-3.223 Interest on long-term debt; account 427

(a) This account shall include in each accounting period the amount of interest applicable thereto on outstanding long-term debt issued or assumed by the utility, the liability for which is included in account 221, Bonds, or account 224, Other Long-Term Debt.

(b) This account shall be so kept or supported as to show the interest accruals on each class and series of long-term debt.

NOTE:-This account shall not include interest on nominally issued or nominally outstanding long-term debt, including securities assumed.

7:26I-3.224 Amortization of debt discount and expense; account 428

(a) This account shall include in each accounting period the portion of unamortized debt discount and expense on outstanding long-term debt which is applicable to such period. Amounts charged to this account shall be credited concurrently to account 181, Unamortized Debt Discount and Expense.

(b) This account shall be so kept or supported as to show the debt discount and expense on each -class and series of long-term debt.

7:26I-3.225 Amortization of premium on debt; cr.; account 429

(a) This account shall include in each accounting period the portion of unamortized net premium on outstanding long-term debt which is applicable to such period. Amounts credited to this account shall be charged concurrently to account 251, Unamortized Premium on Debt.

(b) This account shall be so kept or supported as to show the premium on each class and series of long-term debt.

7:26I-3.226 Interest on debt to associated companies; account 430

(a) This account shall include in each accounting period interest accrued on amounts included in account 223, Advances from Associated Companies, and on all other obligations to associated companies.

(b) The records supporting the entries to this account shall be so kept as to show to whom the interest is to be paid, the period covered by the accrual, the rate of interest and the principal amount of the advances or other obligations on which the interest is accrued.

7:26I-3.227 Other interest expense; account 431

(a) This account shall include in each accounting period all interest charges not provided for elsewhere.

(b) Appropriate items include:

1. Interest on notes payable on demand or maturing one year or less from date and on open accounts, except notes and accounts with associated companies;
2. Interest on customers' deposits;
3. Interest on claims and judgements, tax assessments, and assessments for public improvements past due;
4. Income and other taxes levied upon bondholders of utility and assumed by it.

7:26I-3.228 Extraordinary income; account 433

This account shall be credited with nontypical, noncustomary, infrequently recurring gains, which would significantly distort the current year's income computed before extraordinary items, if reported other than as extraordinary items. The applicable income tax effects of this account shall be recorded in account 409, Income Taxes, identified separately. (See N.J.A.C. 7:26I-3.7.)

7:26I-3.229 Extraordinary deductions; account 434

This account shall be debited with nontypical, noncustomary, infrequently recurring losses, which would significantly distort the current year's income computed before extraordinary items, if reported other than as extraordinary items. The applicable income tax effects of this account shall be recorded in account 409, Income Taxes, identified separately. (See N.J.A.C. 7:26I-3.7.)

7:26I-3.230 Balance transferred from income; account 435

(a) This account shall include the net credit or debit transferred from income for the year.

(b) This account shall include the investment in an unincorporated carrier by the proprietor thereof and shall be charged with all withdrawals from the business by its proprietor. At the end of each calendar year, the net income for the year as developed in the income account shall be transferred to this account. There shall also be entered in this account such items as in

corporate organizations are handled through account 436, Appropriations of Retained Earnings. (See optional accounting procedure provided in Note B, hereunder.)

NOTE A:-Amounts payable to the proprietor as fair and reasonable compensation for services performed, shall be charged to the appropriate operation and maintenance expense or other accounts.

NOTE B:-This account may be restricted to the amount considered by the proprietor to be the permanent investment in the business, subject to change only by additional investment by the proprietor of the withdrawals of portions thereof not representing net income. When this option is taken, the surplus accounts shall be maintained and entries thereto shall be made in accordance with the texts thereof.

(c) This account shall be credited, where the business is conducted by an unincorporated firm, copartnership or under any style other than that of an incorporated company or sole proprietorship, with the respective amounts paid into the business by the partners therein, and shall be charged with all withdrawals from the business by each partner. At the end of each calendar year, the net income for the year as developed in the income account shall be transferred to this account. There shall also be entered in this account such items as in corporate organizations are handled through account 436, Appropriations of Retained Earnings. (See optional accounting procedure provided in Note C hereunder.)

NOTE A:-Amounts payable to the partners as fair and reasonable compensation for services performed, shall be charged to the appropriate operation and maintenance expense or other accounts.

NOTE B:-Separate accounts shall be kept to show the net equity of each member of the copartnership and the transactions affecting the interest of each such partner. The total of the balances in such accounts shall be shown as one amount in the balance sheet.

NOTE C:-This account may be restricted to the amount considered by the members of the copartnership to be their permanent investment in the business, subject to change only by additional investments by the copartners or the withdrawals of portions thereof not representing net income. When this option is taken, the surplus accounts shall be maintained and entries thereto shall be made in accordance with the texts thereof

7:26I-3.231 Appropriations of retained earnings; account 436

- (a) This account shall include appropriations of retained earnings.
- (b) Appropriate include:
 - 1. Appropriations required under terms of mortgages, orders of courts, contracts, or other agreements;
 - 2. Appropriations required by action of regulatory authorities;
 - 3. Other appropriations made at option of utility for specific purposes.

7:26I-3.232 Dividends declared; preferred stock; account 437

(a) This account shall include amounts declared payable out of retained earnings as dividends on actually outstanding preferred or prior lien capital stock issued by the utility.

(b) Dividends shall be segregated for each class and series of preferred stocks as to those payable in cash, stock and other forms. If not payable in cash, the medium of payment shall be described with sufficient detail to identify it.

7:26I-3.233 Dividends declared; common stock; account 438

(a) This account shall include amounts declared payable out of retained earnings as dividends on actually outstanding common capital stock issued by the utility.

(b) Dividends shall be segregated for each class of common stock as to those payable in cash, stock and other forms. If not payable in cash, the medium of payment shall be described with sufficient detail to identify it.

7:26I-3.234 Adjustments to retained earnings; account 439

(a) This account shall include significant nonrecurring transactions relating to prior periods. Other than transactions of capital stock as specified in (b) below, all entries to this account must receive prior Commission approval. These transactions are limited to those adjustments which (a) can be specifically identified with and related to the business activities of particular prior periods, and (b) are not attributable to economic events occurring subsequent to the date of the financial statements for the prior period, and (c) depend primarily on determinations by persons other than the management and (d) were not susceptible of reasonable estimation prior to such determination. This account shall also include the related income tax effects (State and Federal) on items included herein. All items included in this account shall be sufficiently described in the entries relating thereto as to permit ready analysis.

(b) Adjustments, charges or credits due to losses on reacquisition, resale or retirement of the company's own capital stock shall be included in this account. (See N.J.A.C. 7:26I-3.97, account 217, Gain and Resale or Cancellation of Reacquired Capital Stock, for the treatment of gains.)

(c) Appropriate items include:

1. Significant nonrecurring adjustments or settlements of income taxes;
2. Significant amounts resulting from litigation or similar claims;
3. Significant amounts relating to adjustments or settlements of utility revenue under rate processes;
4. Significant adjustments to plant in service depreciation and amortization as a result of Commission direction;
5. Write-off of unamortized capital stock expenses.

7:26I-3.235 Operating revenue accounts

- (a) Operating revenue accounts include:
 - 1. Collection revenues:
 - i. 460. Municipal and Other Govt. Agency Contracts;
 - ii. 461. Commercial;
 - iii. 462. Industrial;
 - iv. 463. Residential;
 - v. 464. Special Contracts;
 - vi. 465. Sales of Waste Material Salvage;
 - vii. 466. Other Collection Revenues.
 - 2. Disposal revenues:
 - i. 470. Landfill Fees Collected;
 - ii. 471. Dirt and Fill Sales;
 - iii. 472. Sales of Waste Material Salvage;
 - iv. 473. Incinerator Fees Collected;
 - v. 474. Other Disposal Fees and/or Revenues.
 - 3. Rentals equipment and facilities:
 - i. 480. Rental Equipment and Facilities-Incl. Leaseholds;
 - ii. 482. Other Rental Revenues.
 - 4. Other operating revenues:
 - i. 417. Income from Non-Utility Operations;
 - ii. 418. Nonoperating Rental Income;
 - iii. 419. Interest and Dividends Income;
 - iv. 420. Income from Investments;
 - v. 421. Miscellaneous Nonoperating Income.

7:26I-3.236 Municipal and other governmental agency contracts; account 460

(a) This account shall include the net billing¹ for solid waste collection for service rendered to any governmental subdivision and/or agency either orally and/or written under contract bid or other acceptable legal binding terms of agreement.

(b) Records shall be maintained so that the services rendered and the amount of revenue under each rate schedule shall be readily available.

¹ NET BILLING consists of Gross Charges for services rendered less correcting of billing errors and allowable deductions.

7:26I-3.23 7 Commercial; account 461

(a) This account shall include the net billing¹ for solid waste collection services supplied for commercial accounts under contract or otherwise.

(b) Records shall be maintained so that the services supplied and the amount of revenue under each rate schedule shall be readily available.

¹ NET BILLING consists of gross charges for services rendered, less correction of billing errors and allowable deductions.

7:26I-3.238 Industrial; account 462

(a) This account shall include the net billing I for solid waste collection services supplied for industrial accounts under contract or otherwise.

(b) Records shall be readily available to show the amount of revenue under each rate schedule.

¹ NET BILLING-Consists of gross charges for services rendered, less correction of billing errors and allowable deductions.

7:26I-3.239 Residential; account 463

(a) This account shall include the net billings' for solid waste collection services supplied for residential accounts under contract or otherwise.

(b) Records shall be maintained so that the services supplied and the amount of revenue under each rate schedule shall be readily available.

¹ NET BILLING-Consists of gross charges for services rendered, less correction of billing errors and allowable deductions.

7:26I-3.240 Special contracts; account 464

(a) This account shall include the net billings' for solid waste collection services supplied under special contract terms in writing.

(b) Records shall be maintained so that the services supplied and the amount of revenue under each rate schedule shall be readily available.

¹ NET BILLING-Consists of gross charges for services rendered, less correction of billing errors and allowable deductions.

7:26I-3.241 Sales of waste material salvage; account 465

(a) This account shall include the gross receipts from the sale of any and all salvage materials derived from all sources either cash or on terms.

(b) Records shall be maintained so that the quantities, types of salvage material sold and the amount of revenue under each category of salvage sold.

7:26I-3.242 Other collection revenues; account 466

(a) This account shall include the net billings' for all other revenues derived from collection service or otherwise not recorded.

(b) Records shall be maintained so that any substantial amount of revenue recorded shall be readily available.

¹ NET BILLING-Consists of gross charges for services rendered, less collection of billing efforts and allowable deductions.

7:26I-3.243 Landfill fees collected; account 470

(a) This account shall include the amount of net billings I covering fees charged for landfill and/or dumping fees.

(b) Records shall be maintained so that the fees collected and the amounts of revenue under fee rate schedule shall be readily available.

¹ NET BILLING-Consists of gross charges for services rendered, less correction of billing errors and allowable deductions.

7:26I-3.244 Dirt and fill sales; account 471

(a) This account shall include revenues for all sales of dirt and/or any type of fill materials sold.

(b) Records shall be maintained so that the sales of dirt or fill and the amounts of revenue under each rate schedule is readily available.

7:26I-3.245 Sale of waste material salvage; account 472

(a) This account shall include the gross receipts from the sale of any and all salvage materials derived from all sources either cash or on terms.

(b) Records shall be maintained so that the quantities types of salvage material sold and the amount of revenue under each category of salvage sold.

7:26I-3.246 Incinerator fees collected; account 473

(a) This account shall include net billings I for incinerator fees collected and/or charged.

(b) Records shall be maintained so that the billings' for fees charged and the amounts of revenue under each rate schedule is readily available.

¹ NET BILLING-Consists of gross charges for services rendered, less correction of billing errors and allowable deductions.

7:26I-3.247 Other disposal fees and/or revenues; account 474

This account shall include revenues derived from all miscellaneous services and charges to customers not included in any of the foregoing accounts.

7:26I-3.248 Rental equipment and facilities (Cr.); account 480

(a) This account shall include revenues from rentals of equipment, rolling stock, and/or facilities. (Also see account 413, Leaseholds.)

(b) Detailed expenses shall be kept or supported so as to show separately the following:

1. Operation;
2. Maintenance;
3. Rents;
4. Depreciation;
5. Amortization;
6. Taxes other than income tax;
7. Income tax.

7:26I-3.249 Other rental; direct; account 481

This account shall include rental revenues derived from all other sources not otherwise accounted for or recorded.

7:26I-3.250 Operating revenue deductions

(a) Operating revenue deductions include the following accounts:

1. Equipment maintenance and garage/shop expenses;
 - i. 600. Supervision-Garage and Shop;
 - ii. 601. Mechanical and Helpers Wages;
 - iii. 602. Repairs-Outside-Revenue Equipment;
 - iv. 603. Repairs-Servicing-Revenue Equipment;
 - v. 604. Parts, Labor, Materials and Supplies, Revenue Equipment;
 - vi. 610. Tires, Tubes, Repairs and Maintenance, Revenue Equipment;
 - vii. 611. Other Garage and Shop Expenses;
 - viii. 612. Joint Garage and Shop Expense-Debit;
 - ix. 613. Joint Garage and Shop Expense-Credit;
 - x. 614. Repairs to Garage and Shop Equipment.
2. Operating expenses:
 - i. 620. Landfill and Incinerator Dumping Fees (Debit);
 - ii. 621. Supervision-Dispatchers, Office and Other Wages;
 - iii. 622. Drivers, Operators, Helpers and Other Wages and Bonuses;
 - iv. 623. Wages-Other;
 - v. 624. Fuel-Revenue Equipment;
 - vi. 625. Oil-Revenue Equipment;
 - vii. 626. Rental-Revenue Equipment-Including Leases;
 - viii. 627. Bridge, Tunnel, Tolls and Other Road Use Charges;
 - ix. 628. Wages-Miscellaneous Employees;

- x. 629. Meals and Lodging Expenses;
- xi. 630. Other Operating Expenses.
- 3. Traffic solicitation, and advertising expenses:
 - i. 640. Salaries, Commissions, Bonuses and Expenses;
 - ii. 641. Tariffs and Schedules;
 - iii. 642. Other Traffic Expenses;
 - iv. 643. Advertising and Promotions.
- 4. Insurance and safety expenses:
 - i. 647. Salaries and Expenses;
 - ii. 648. Public Liability and Property Damage Insurance;
 - iii. 649. Injuries and Damages;
 - iv. 650. Workmen's Compensation-Insurance;
 - v. 651. Workmen's Compensation-Self Insurer;
 - vi. 652. Fire and Theft and Collision;
 - vii. 653. Bonds, Security and Performance Agreement;
 - viii. 654. Officers, Partners, Proprietor, Insurance;
 - ix. 655. Other Insurance and Safety Expense.

7:26I-3.251 Operation and maintenance expense accounts

- (a) Operation and maintenance expense accounts include:
 - 1. Administrative-general expenses:
 - i. 920. Salaries-Officers;
 - ii. 921. Expenses-Officers;
 - iii. 922. Salaries-Office Employees;
 - iv. 923. Expenses-Office Employees;
 - v. 925. Administrative Service Contracts;
 - vi. 930. Stationery, Painting, Postage, Supplies and General Office Expense;
 - vii. 932. Employees' Welfare Expenses;
 - viii. 936. Other General Expenses;
 - ix. 937. Management and Supervision Fees and Expenses;
 - x. 938. Other Regulatory Commissions Expenses;
 - xi. 940. Uncollectible Revenues;
 - xii. 942. Joint Operating Expense-Debit;
 - xiii. 943. Joint Operating Expense-Credit;
 - xiv. 945. Rentals-Structures and Improvements (Including Leaseholds);
 - xv. 946. Rentals-Land, Land Rights and Improvements (Including Leaseholds).
 - 2. General operating expenses:
 - i. 950. Light, Heat, Power and Water;
 - ii. 955. Communication Service Expense;
 - iii. 958. Repairs, Structures-Operating Property (Including Leaseholds);
 - iv. 959. Repairs, Undistributed Property;

Leaseholds);

- v. 960. Repairs, Landsites, Rights and Improvements (Including

- vi. 962. Other General Operating Expenses;

- vii. 965. General Maintenance Expense.

7:26I-3.252 Supervision of garage and shop; account 600

This account shall include the pay and expenses (including cost of operating automobiles) of officials and employees engaged in supervising and directing the repairs to revenue automotive equipment and shop and garage property used in utility operations, including superintendents, foremen (except working foremen), inspectors, shop and garage clerks, and time keepers. (See N.J.A.C. 7:26I-31.)

7:26I-3.253 Mechanical and helpers' wages; account 601

(a) This account shall include the cost of labor incurred in the maintenance of revenue equipment and garage and shop expense.

(b) The records supporting this account shall be kept so as to comply with all State and Federal employment regulations and tax requirements and shall be readily identifiable.

7:26I-3.254 Repairs; outside, revenue equipment; account 602

(a) This account shall include the cost of all outside repairs-mechanical or otherwise to roiling equipment. (See N.J.A.C. 7:26I-3.32.)

7:26I-3.255 Repairs; servicing, revenue equipment account 603

(a) This account shall include the cost of repairs to revenue automotive equipment used in utility operations. (For list of equipment, see account 324.)

(b) This account shall also include the preparation of revenue automotive equipment for service, cleaning, washing and otherwise keeping equipment ready for service; and amounts paid to public garage for storage or servicing (including towing). (See N.J.A.C. 7:26I-3.32.)

7:26I-3.256 Parts, labor, materials and supplies; revenue equipment; account 604

This account shall include the costs of parts, labor, materials and supplies used in maintaining and servicing of rolling equipment mobile applicable to accounts 602 and 603, but not including Fuel and Oil, account numbers 624 and 625. (See N.J.A.C. 7:26I-3.32.)

7:26I-3.257 Tires and tubes and maintenance; account 610

(a) This account shall include the cost of labor and material used in repairing and renewing (setting up or mounting) tires on revenue automotive equipment, including shoes, inner

tubes, valves, flaps, and caps. (See N.J.A.C. 7:26I-3.32.)

(b) The entire cost of tires and tubes for all mobile equipment purchased outright may be charged to this account at the time applied to vehicles or charged to account 165, Prepayments, and a prorated portion charged to this account each period based on mileage or other equitable basis. If the latter method is used, adjustments of over or under charges at time of replacement shall be made through this account.

(c) Credit to this account any revenues derived from the sale of used tires and tubes and any adjustments on defective tires and tubes, the cost of which has previously been debited hereto.

(d) When the utility contracts to use tires at a flat sum per period or on a basis of miles run or upon some similar basis, the charges for such tire service, including the cost of abused tires, shall be included each period in this account.

7:26I-3.258 Other garage and shop expense; account 611

This account shall include the cost of miscellaneous garage and shop expenses, including the replacement cost of small tools, such as reamers, taps, files, hammers and all small tools of like nature; material used in the repair of small tools; transportation, loading and unloading charges on parts and supplies, handled in garages and shops, when not specifically assignable to such parts and supplies; and other miscellaneous labor and expenses not provided for elsewhere. (See N.J.A.C. 7:26I-3.32.)

7:26I-3.259 Joint garage expenses; debit; account 612

This account shall include the utility's proportion of costs incurred by others in maintaining and operating joint garage and shop equipment and facilities, including overhead costs.

7:26I-3.260 Joint garage expense; credit; account 613

This account shall include the amounts chargeable to others as their proportion of the costs incurred by the carrier in maintaining and operating joint garage and shop equipment and facilities, including overhead costs.

7:26I-3.261 Repairs to garage and shop equipment; account 614

This account shall include the cost of repairs to tools, equipment and permanently located machinery used in garages and shops. (For list of equipment, see account 309, Garage and Shop Equipment.)

NOTE:-The cost of repairs to portable tools shall be included in account 611, Other Garage and Shop Expenses.

7:26I-3.262 Landfill and incinerator fees (Dr.); account 620

This account shall include all fees and charges further disposing of all solid waste collections at all P.U.C. approved landfill operations or incinerators and/or all other methods approved by P.U.C. used for the disposal of solid waste collections.

7:26I-3.263 Supervision, dispatchers, and other wages; account 621

(a) This account shall include the wages and expenses of employees engaged in supervising and directing, including superintendents, dispatchers, starters, inspectors and employees engaged in overseeing assigning and rereading of equipment. (See N.J.A.C. 7:26I-3.31.)

(b) The records supporting the account shall be kept so as to comply with all State and Federal employment regulations and ta requirements and shall be readily identifiable.

7:26I-3.264 Drivers, operators, helpers and other wages and bonuses; account 622

(a) This account shall include the wages and bonuses of drivers, operators, helpers, engaged in operating equipment (rolling equipment-mobile) including time for which they are required to be on duty in readiness for active service. The wages for special drivers and operators should also be charged to this account.

(b) The records supporting the account shall be kept so as to comply with all State and Federal employment regulations and tax requirements and shall be readily identifiable.

7:26I-3.265 Wages; other; account 623

(a) This account shall include the wages not otherwise accounted for or recorded.

(b) This account shall also include the wages of porters and other employees performing miscellaneous services not otherwise accounted for.

7:26I-3.266 Fuel; revenue equipment; account 624

(a) This account shall include the cost of gasoline, diesel fuel, other fuels and enriching materials used in utility equipment. Include in this account, cost of storing and handling fuel and amounts payable to others for cost of transportation.

NOTE A:-Taxes on fuel shall be charged to account 408, Taxes Other Than Income Taxes.

NOTE B:-Fuel used by service cars shall be charged to account 630, Other Operating Expenses.

(b) Appropriate items include:

1. Diesel fuel;
2. Gasoline;
3. Gas;
4. Other fuel or power.

7:26I-3.267 Oil (revenue equipment); account 625

This account shall include the cost of oils, grease, lubricating oils used in lubricating, waxes, fluids, and so forth, oil additives, anti-freeze, and so forth. Include in this account the cost of storing and handling lubricating oil and so forth and amounts payable to others for the cost of transportation.

NOTE A:-Taxes on lubricating oil shall be charged to account 408, Taxes Other Than Income Taxes.

NOTE B:-The cost of lubricating oil used by service cars shall be charged to account 630, Other Operating Expenses.

7:26I-3.268 Rental; revenue equipment; Include leases; (Dr.); account 626

This account shall include the amounts payable for use of rolling equipment-mobile on whatever basis such rent may be determined. All expenses incurred in connection with the operation of leased equipment which the lessee is obligated to assume in addition to the amount stipulated as rent, shall be included in the operation or other accounts as appropriate. (See N.J.A.C. 7:26I-3.34.)

7:26I-3.269 Bridge, tunnel tolls and other road use expenses; account 627

This account shall include tolls at rates per ton, per vehicle, or other basis for the use of bridges, tunnels and ferries and other road expenses on rolling equipment-mobile.

7:26I-3.270 Meals and lodging expenses; account 629

This account shall include the expenses covering lodgings and meals for operators, drivers, and kindred expenses.

7:26I-3.271 Other operating expenses; account 630

(a) This account shall include expenses not provided for in other accounts in the operating expense group.

(b) Appropriate items include:

1. Badges for employees;
2. Fines for traffic violations;
3. Notices, signs (paper and cardboard);
4. Uniforms including cleaning and care.

7:26I-3.272 Salaries, commissions, bonuses and expenses; account 640

(a) This account shall include all salaries, commissions, bonuses and expenses in connection with the promotion and solicitation of traffic. This includes the salaries of officers and

their assistants who are directly in charge of traffic promotion and solicitation, including salaries of the traffic manager, general express and passenger agents; general commercial, city, general district and excursion agents, and their clerks and assistants.

(b) This account shall also include the cost of supplies used and the amounts of expenses incurred and cost of operating automobiles by officers and their assistants who are directly in charge of traffic promotion and solicitation.

NOTE:-When officers and employees whose pay is chargeable to this account are engaged in work not chargeable to traffic promotion, or have jurisdiction over this and other departments, their salaries and expenses shall be allocated to the accounts appropriate. (See N.J.A.C. 7:26I-3.31.)

7:26I-3.273 Tariffs and schedules, account 641

This account shall include the salaries and expenses of officers and employees engaged in the preparation of tariffs, schedules and time tables, the cost of printing and other expenses incurred in the preparation of tariffs, schedules and time tables, including postage and transportation charges.

7:26I-3.274 Other traffic expenses; account 642

This account shall include the carrier's proportion of expenses of traffic associations, including membership fees, and all other traffic expenses not provided for elsewhere.

7:26I-3.275 Advertising and promotions; account 643

(a) This account shall include the salaries and expenses in connection with advertising for the purpose of securing traffic, such as may be incurred in the preparation, printing and distribution of strictly advertising matter.

(b) This account shall also include the salaries and expenses of employees preparing advertising copy; the commissions paid outside advertising agents; cost of printing, publishing, and other advertising matter, the cost of advertising space in newspapers and periodicals; expenses incurred in connection with radio broadcasting for the purpose of securing traffic, electric, neon and display signs (permanent or portable), for attracting traffic, bulletin boards, cards, cases, display cards and photographs; postage and express charges on advertising matter; cost of bill posting and similar expenses. (See N.J.A.C. 7:26I-3.31.)

NOTE:-This account shall include the cost of operation and maintenance of permanent signs.

7:26I-3.276 Salaries and expenses; account 647

- (a) This account shall include the following items:
1. Salaries and wages, traveling and office expenses of officers, clerks and

other employees of the insurance department, and special costs incurred in procuring insurance, such as brokerage fees (not included in premiums), notarial fees, and insurance inspection service.

2. Salaries and expenses of safety department, cost of safety-first and other campaigns among employees or the public for the purpose of preventing accidents and damages.

3. Salaries and expenses of officers and employees engaged regularly in claim department work; payments for the service of employees and others called in consultation in relation to claim adjustments, pay and expenses.

4. Salaries and expenses of officers and employees of the law department when specifically assigned to and engaged in injury and damage cases, and expenses of such officers and employees incurred on such cases when incidentally so engaged.

5. Payment to attorneys, investigators, adjusters, and so forth, who are not regular employees of the carrier for services and expenses in connection with injury and damage cases.

6. Reimbursements from insurance companies or others for expenses charged to this account on account of injuries and damages shall be credited to this account.

NOTE:-No part of the salaries of officers and employees of the law department shall be included in this account for merely incidental service in connection with injury and damage claims.

7:26I-3.277 Public liability and property damage insurance; account 648

This account shall include premiums payable to outside insurance companies for protection against liability to the public for injuries to persons and damages to the property of others, resulting from the operation of owned and leased vehicles in service. (See N.J.A.C. 7:26I-3.34.)

NOTE:-Amounts payable in settlement of claims for bodily injury or property damage which are not recoverable from insurance companies and for which the carrier has not provided self-insurance shall be charged to account 649, Injuries and Damages.

7:26I-3.278 Injuries and damages; account 649

(a) This account shall be charged each period with amounts sufficient to meet the probable liability, not covered by outside insurance, for deaths of or injuries to persons (other than employees-see account 651, Workmen's Compensation-Self-Insurer). (See N.J.A.C. 7:26I-3.34.)

(b) This account shall also be charged with amounts payable in settlement of claims for injuries to persons and damage to property of others which are not recoverable from insurance companies or for which self-insurance has not been provided.

NOTE:-Payments to or on behalf of employees other than those covered by workmen's compensation insurance, including accident and death benefits; salaries, hospital expenses; medical supplies; also salaries, fees, and expenses of surgeons, doctors, nurses, and so forth, when provided for through a plan for employees' benefits, shall be charged to account 932, Employees' Welfare Expenses.

7:26I-3.279 Workmen's compensation; insurance; account 650

This account shall include premiums payable to outside insurance companies for protection against liability for injuries to or deaths of employees payable under the provisions of workmen's compensation acts. (See N.J.A.C. 7:26I-3.34.)

NOTE:-Amounts payable in settlement of claims under the provisions of Workmen's Compensation Acts which are not recoverable from insurance companies shall be charged to account 651, Workmen's Compensation-Self-Insurer.

7:26I-3.280 Workmen's compensation; self-insurer; account 651

(a) This account shall be charged each period with amounts sufficient to meet the probable liability not covered by outside insurance, on account of claims for injuries to and deaths of employees arising under the workmen's compensation acts. (See N.J.A.C. 7:26I-3.34.)

(b) This account shall also be charged with amounts payable in settlement of claims which are not recoverable from insurance companies or for which self-insurance has not been provided.

NOTE:-Payments to or on behalf of employees other than those covered by.. workmen's compensation insurance, including accident and death benefits; salaries; hospital expenses; medical supplies, also salaries, fees, and expenses of surgeons, doctors, nurses, and so forth, when provided for through a plan for employees' benefits, shall be charged to account 932, Employees' Welfare Expenses.

7:26I-3.281 Fire and theft insurance; account 652

(a) This account shall include premiums payable to outside insurance companies for fire and theft insurance on owned and leased vehicles and for fire insurance on structures, machinery, and equipment used in utility's operations. (See N.J.A.C. 7:26I-3.34.)

(b) In case a carrier shall carry its own fire and theft insurance risks, it shall charge to this account each period an amount sufficient to meet the probable loss, and shall credit the amount so charged to account 261, Insurance Reserves.

(c) This account shall be charged with losses arising under the classes of risks enumerated in (a) above which are not recoverable from insurance companies and for which the carrier has not provided self insurance.

NOTE:-Recoveries from insurance companies or others for damages to the utility's owned or leased property shall be accounted for as provided in (b) above of account 261, Insurance Reserves.

7:26I-3.282 Bonds, security, performance agreement; account 653

This account shall include premiums payable to outside insurance companies for coverage and/or protection for losses from employees, security bonds in lieu of cash deposits, performance of contractual agreements, and so forth. (See N.J.A.C. 7:26I-3.34.)

7:26I-3.283 Officers, partners, proprietor insurance; account 654

This account shall include the premiums payable to outside insurance companies for the utility's protection due to death or incapacity to perform services by officers, partners, proprietor and/or key personnel employed by the utility. (See N.J.A.C. 7:26I-3.34.)

7:26I-3.284 Other insurance and safety expenses; account 655

(a) This account shall include premiums paid to outside insurance companies for boiler; burglar; fidelity; holdup; lightning; plate glass; owners, landlords and tenants liability; and other forms of insurance coverage not elsewhere provided for. (See N.J.A.C. 7:26I-3.34.)

(b) This account shall also include other safety expenses not otherwise accounted for or recorded.

7:26I-3.285 Salaries; officers; account 920

This account shall include the salaries, bonuses and other forms of consideration for services of general officers whose jurisdiction extends over the entire utility operations; and fees payable to receivers. As here used, the term "General Officers" would ordinarily include the following: Chairman of the Board, President, Vice President, Treasurer, Secretary, Comptroller, General Auditor, General Manager.

NOTE A:-Do not include in this account amounts payable to organizations for services chargeable to account 937, Management and Supervision Fees and Expenses.

NOTE B:-If officers and assistants supervise particular departments of utility operations, or other operations, or are engaged in specific work other than supervision of the entire transportation system, their pay and expenses shall be apportioned to the appropriate accounts for utility operations or other operations. (See N.J.A.C. 7:26I-3.31.)

7:26I-3.286 Expenses; officers; account 921

This account shall include expenses incurred, including cost of operating automobiles, for the benefit of utility operations by administrative officers such as traveling, and other incidental expenses.

7:26I-3.287 Salaries; office employees; account 922

This account shall include the salaries (See N.J.A.C. 7:26I-3.31.), bonuses and other forms of consideration for services of employees who are engaged in the general administrative

offices of the utility and whose services are not chargeable to any other department or to other operations, including the following: accountants, bookkeepers, cashiers, clerks, engineers, janitors, messengers, paymasters, statisticians, stenographers, traveling auditors.

7:26I-3.288 Expenses; office employees; account 923

(a) This account shall include the expenses incurred, including cost of operating automobiles, for the benefit of utility operations by employees.

(b) Appropriate items include:

1. Hotel;
2. Meals, including payment therefor on account of overtime work;
3. Membership fees and dues in trade, technical and professional associations;
4. Traveling expenses.

7:26I-3.289 Administrative service contracts; account 925

(a) This account shall include the fees and expenses of professional consultants and others for general services which are not applicable to a particular operating function nor to other accounts. It shall include also the pay and expenses of persons engaged for a special or temporary administrative or general purpose in circumstances where the person so engaged is not considered as an employee of the utility.

(b) This account shall be so maintained as to permit ready summarization according to the nature of service and the person furnishing the same.

(c) Appropriate items include:

1. Fees, pay and expenses of accountants and auditors, actuaries, appraisers, attorneys, engineering consultants, management consultants, negotiators, public relations counsel, tax consultants, and so forth.

2. Supervision fees and expenses paid under contracts for general management services.

NOTE:-Do not include inspection and brokerage fees and commissions chargeable to other accounts or fees and expenses in connection with security issues which are includible in the expenses of issuing securities.

7:26I-3.290 Stationery printing, postage, supplies and general office expenses; account 930

(a) This account shall include the cost of office supplies and the office expense in connection with the general administrative functions of the utility's operations.

(b) Appropriate items include:

1. Books;
2. Cleaning office;
3. Drinking water and refrigeration;
4. Heat and light;

5. Janitor service;
6. Letterheads and envelopes;
7. Paper;
8. Pens, pencils, ink, fasteners and office supplies;
9. Postage;
10. Printing forms for office use;
11. Repairs to general office buildings, furniture, fixtures and equipment;
12. Stationery and office supplies.

7:26I-3.291 Employees' welfare expenses; account 932

(a) This account shall include pensions or other benefits paid to active and retired employees, their representatives or beneficiaries, and salaries and expenses incurred in conducting relief, benefit and general medical departments. It shall include payments to or on behalf of employees on account of injuries or accidental death when such payments come within the scope of the utility's general provision for employees' benefits.

(b) If the utility has definitely undertaken by contract to pay pensions to employees when regularly retired for superannuation or disability and has established a fund to be held in trust for such pension purposes, the utility shall charge to this account periodic amounts determined through the application of equitable actuarial factors to the current payrolls, which, together with interest accruals on trust funds, will, as nearly as may be practicable, provide for the payment of such pensions, or for the purchase of annuities corresponding thereto. The amounts so charged shall be concurrently credited to a separate subdivision of account 265, Miscellaneous Operating Reserves. The total of actual payments and accruals for future payments charged to this account for pensions, shall not exceed the amounts determined as hereinbefore prescribed. The utility shall maintain a complete record of the actuarial computations through which the accrual each period of its pension liabilities is established.

(c) Upon the adoption of the accrual plan of accounting, pension payments to employees retired before the adoption of such plan shall be charged to an existing pension reserve. If a utility pays into its pension trust fund the amount of its existing pension reserve, any such amounts in excess of provision for pensions granted prior to the adoption of the accrual plan may be applied in whole or in part to the adjustment of future accrual charges.

(d) Before adopting the accrual plan of accounting for pensions, the utility shall inform the Commission of the details of its pension plan, giving full statement of the facts which in its judgment establish a contractual obligation for pension payments, together with the actuarial formula under which it proposes to create its pension trust fund, and also a copy of the declaration of trust under which the fund is to be established.

(e) No charges shall be made to this account in anticipation of discretionary pension payments in the future.

(f) Appropriate items include:

1. Accident, sickness, death, and other disability benefits to employees, their representatives or beneficiaries;
2. Employees of relief, benefit, and general medical departments, pay and expenses of,

3. Expenses in connection with employees' disability cases, such as hospital, nursing, and medical attendance;
4. Fees and retainers for medical and similar services incurred by relief, benefit, and general medical departments;
5. Medical service;
6. Office supplies;
7. Postage, printing and stationery;
8. Premiums paid for group insurance for the benefit of employees or their beneficiaries;
9. Traveling expenses.

NOTE:-The cost of life or other insurance whereunder the utility is the beneficiary shall be charged to account 655, Officers, Partners, Proprietor Insurance. Cash surrender values of such policies shall be carried in account 124, Other Investments.

7:26I-3.292 Other general expenses; account 936

(a) This account shall include all general expenses connected with the utility's operations not provided for elsewhere including fees and expenses payable to directors and trustees; expenses in connection with publishing and mailing reports and notices to stockholders, and so forth, cash overages and shortages and fees for filing annual reports and other documents not specifically related to certificates or applications for issuance of securities.

(b) This account shall also include contributions for charitable, social or community welfare purposes which have a direct or intimate relation to the protection of the property of the utility or the development of its business or the welfare of its employees. (See N.J.A.C. 7:26I-3.305, account 962, Other General Operating Expenses.)

NOTE:-Direct contributions to employees' welfare associations shall be included in account 932, Employees' Welfare Expenses.

7:26I-3.293 Management and supervision fees and expenses; account 937

(a) This account shall include fees and expenses payable to any corporation, firm, or individual, other than officers and employees of the utility, for continuously rendered supervision and management.

(b) This account shall be subdivided to reflect:

1. Management and supervision fees and expenses of associated companies;
2. Management and supervision fees and expenses of other companies.

(c) Records supporting this account shall be kept so as to show:

1. The basis of the fees, that is, the gross or net earnings of the carrier, if such is the basis;
2. The percentage applied in determining the fee;
3. The amount of the fee; and

4. The amount of the expenses.

7:26I-3.294 Other regulatory commission expenses; account 938

(a) This account shall include expenses incurred by the utility in connection with formal cases before Federal or State regulatory bodies or cases in which such a body is a party; also include payments made to a regulatory commission for fees or amounts assessed against the accounting carrier for pay and expenses of the regulatory commission, its officers, agents and employees, other than those incurred in securing certificates of convenience and necessity and authority for the issuance of securities.

(b) Amounts includible in this account which by approval or direction of the Commission are to be spread over future periods shall be charged to account 186, Miscellaneous Deferred Debits, and amortized by charges to this account.

(c) Appropriate items include:

1. Fees, retainers, and expenses of counsel, solicitors, attorneys, clerks, attendants, witnesses, and others whose services are secured for the defense or prosecution of petitions or complaints presented to regulatory bodies;

2. The pay of officers and employees specifically assigned to or engaged in the valuation of property owned or used by the carrier, in connection with such cases, and the cost of similar work performed by others;

3. Amounts assessed by Federal and State regulatory commissions for pay and expenses of their officers, agents, and employees; office and traveling expenses; stationery, printing and engineering supplies.

7:26I-3.295 Uncollectible revenues; account 940

(a) This account shall include charges for receivables for utility operating revenues which, after a reasonably diligent effort to collect, have proved impracticable of collection. If accounts which have been so written off are afterwards collected, the amount received shall be credited to this account; provided, however, that such recoveries are from accounts charged off against this account.

(b) Charges to this account may be made on the basis of the estimated average loss due to uncollectible accounts in which case the concurrent credit shall be to account 144, Reserve for Uncollectible Accounts. To the reserve thus established shall be charged such amounts as are determined to be uncollectible; amounts written off and subsequently collected shall be credited to the reserve. When charges to such accounts are thus made by estimate, the estimate shall be adjusted at the end of each calendar year to conform to the experience of the accounting carrier as determined by analysis of its accounts receivable.

NOTE:-Losses on receivables for other than operating revenues, and losses on notes or claims, shall be included in account 962, Other General Operating Deductions.

7:26I-3.296 Joint operating expense-debit; account 942

This account shall include amounts payable to others representing the cost of operation and maintenance of joint facilities used for general purposes, such as a general office, or where amounts payable cannot be segregated between the functional groups of expense accounts provided in this part.

7:26I-3.297 Joint operating expense-credit; account 943

This account shall include amounts received by the accounting utility as reimbursement for operating and maintaining costs incurred by it in connection with a joint facility used for general purposes such as general office, or when the amounts received cannot be segregated between the functional groups of expense accounts provided in this part.

7:26I-3.298 Rentals-structures and improvements (Including leaseholds)-Dr.; account 945

(a) This account shall include all rental payments for the use of property employed in utility operations not provided for elsewhere, such as:

1. Rent for garage and shop repair space;
2. Rents paid for use of property by the utility for storage of vehicles and equipment;
3. Rents paid for use of terminals and storage facilities for materials, and so forth;
4. Rents paid for use of property by the traffic and solicitation department;
5. Rents paid for the use of the general office.

NOTE:-Rental payments for property not used in utility operations shall be charged to the appropriate other income account. (See N.J.A.C. 7:26I-3.33.)

7:26I-3.299 Rental land, landrights and improvements (Including leaseholds)-Dr.; account 946

(a) This account shall include all rental payments for the use of property employed in utility operations. (See N.J.A.C. 7:26I-3.33.)

(b) Appropriate items include:

1. Rent-landfill operations;
 2. Rent for storage of vehicles and equipment;
 3. Rent of storage facilities for storage of materials,
- and so forth.

7:26I-3.300 Light, heat, power, and water; account 950

(a) This account shall include the cost of light, heat, power and water used in the utility's operations; the cost of fuel used for heating, lighting or power; also include pay and

expenses of employees engaged in producing light, heat, and power. (See N.J.A.C. 7:26I-3.31.)

(b) Appropriate items include:

1. Fuel for heating, lighting, or power, all types;
2. Heat purchased;
3. Light;
4. Power for battery charging or for other uses than

repairs;

5. Wages and expenses of employees engaged in producing light, heat, and

power;

6. Water.

7:26I-3.301 Communication service; account 955

This account shall include the cost of all communication service payable to outside companies, such as telephone, teletypewriter, telegraph, radio, and so forth.

NOTE:-Taxes on telegrams and telephone tolls shall be charged to account 408, Taxes Other Than Income Taxes.

7:26I-3.302 Repairs; structures and improvements (Including leaseholds); account 958

This account shall include the cost of labor materials and expenses incurred in the maintenance of structures and improvements, and of similar property leased from others; the book cost of which is included in respective structures and improvement accounts. (See N.J.A.C. 7:26I-3.33.)

7:26I-3.303 Repairs; nonoperating property (Including leaseholds); account 959

This account shall include the cost of labor, materials and expenses incurred in the maintenance of structures, improvements to structures and/or landsights and of similar property leased from others, the cost of which is included in account 121.

**7:26I-3.304 Repairs landsights, rights and improvements; (Including leaseholds);
account 960**

This account shall include the cost of labor, materials and expenses incurred in the maintenance to landsights and rights improvements and of similar property leased from others, the book cost of which is included in the respective land and landrights and improvement accounts. (See N.J.A.C. 7:26I-3.33.)

7:26I-3.305 Other general operating expenses; account 962

(a) This account shall include all deductions from gross income not provided for in

any of the foregoing accounts such as:

1. Unsecured accruals on obligations arising under contracts whereby the accounting utility has guaranteed the annual or more frequent periodic payment of money or performance of other obligation on the part of another corporation or person, and because of the default of such other corporation or person, the liability of the accounting utility has become actual;
2. Losses resulting from the operations of others, whenever, in accordance with the terms of any contract, the accounting utility is bound to contribute toward reimbursement of such losses;
3. Losses on receivables, notes or claims, which are not includible in account 940, Uncollectible Revenue;
4. Amortization charges of the book value of property 186, Miscellaneous Deferred Debt, and other items carried among its assets;
5. Penalties and fines for violations of law not provided for in account 230, Other Operating Expenses;
6. Premiums for life insurance carried on the lives of officers and employees when the utility is the beneficiary. If account 656, Officers, Partners, Proprietors Insurance, is not carried on records.

7:26I-3.306 General maintenance expense; account 965

This account shall include the cost assignable to customer accounts, sales and administrative and general functions of labor, materials used and expenses incurred in the maintenance of property, the book cost of which is includible in account 391, Office Furniture and Equipment, account 392, Transportation Equipment-Other, account 393, Storage Equipment, account 395, Communication Equipment, and account 398, Other General Utility Equipment including similar property leased from others, also, the cost of repairing for reuse materials which were previously included in those accounts. (See N.J.A.C. 7:26I-3.32.)

NOTE:-Maintenance of equipment included in other general equipment accounts shall be included herein unless charged to clearing accounts or to the particular functional maintenance expense account indicated by the use of the equipment.